

FEB 18 2002
WAYS AND MEANS

HOUSE FILE 2384
BY HATCH

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act establishing a tax credit against individual and corporate
2 income tax liability for small business guaranty fees paid and
3 including a retroactive applicability date provision.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2384

1 Section 1. NEW SECTION. 422.11F SMALL BUSINESS GUARANTY
2 FEE TAX CREDIT.

3 The taxes imposed under this division, less the credits
4 allowed under sections 422.12 and 422.12B, shall be reduced by
5 a small business guaranty fee tax credit. The amount of the
6 credit is equal to any amount paid to the United States small
7 business administration as a guaranty fee in order to obtain
8 small business administration guaranteed financing. The
9 credit shall be applicable to the tax year in which the
10 guaranty fee was paid and shall be claimed only by the small
11 business operating within the state which is the primary
12 obligor in the financing transaction and which actually paid
13 the guaranty fee. Any credit in excess of the tax liability
14 is nonrefundable but may be carried forward for up to four tax
15 years or until depleted. If the small business elects to take
16 the tax credit under this section, the small business shall
17 not deduct for Iowa tax purposes any amount of the small
18 business administration guaranty fee deducted for federal
19 income tax purposes.

20 For purposes of this section, an individual may claim the
21 small business guaranty fee tax credit allowed a partnership,
22 S corporation, limited liability company, estate, or trust
23 electing to have the income taxed directly to the individual.
24 The amount claimed by the individual shall be based upon the
25 pro rata share of the individual's earnings of the
26 partnership, S corporation, limited liability company, estate,
27 or trust.

28 For purposes of this section, "small business" means a
29 corporation, partnership, sole proprietorship, limited
30 liability company, or other business entity qualifying as
31 "small" under the standards contained in 13 C.F.R., pt. 121.

32 Sec. 2. Section 422.33, Code Supplement 2001, is amended
33 by adding the following new subsection:

34 NEW SUBSECTION. 12. The taxes imposed under this division
35 shall be reduced by a small business guaranty fee tax credit.

1 The amount of the credit is equal to any amount paid to the
2 United States small business administration as a guaranty fee
3 in order to obtain small business administration guaranteed
4 financing. The credit shall be applicable to the tax year in
5 which the guaranty fee was paid and shall be claimed only by
6 the small business operating within the state which is the
7 primary obligor in the financing transaction and which
8 actually paid the guaranty fee. Any credit in excess of the
9 tax liability is nonrefundable but may be carried forward for
10 up to four tax years or until depleted. If the small business
11 elects to take the small business guaranty fee tax credit, the
12 small business shall not deduct for Iowa tax purposes any
13 amount of the small business administration guaranty fee
14 deducted for federal income tax purposes.

15 For purposes of this subsection, "small business" means a
16 corporation, partnership, sole proprietorship, limited
17 liability company, or other business entity qualifying as
18 "small" under the standards contained in 13 C.F.R., pt. 121.

19 Sec. 3. RETROACTIVE APPLICABILITY DATE. This Act applies
20 retroactively to January 1, 2002, for tax years beginning on
21 or after that date.

22 EXPLANATION

23 This bill provides a small business guaranty fee tax credit
24 to apply against individual income tax liability or corporate
25 tax liability. Only a small business which is a corporation,
26 partnership, sole proprietorship, limited liability company,
27 or other business entity qualifying as "small" under the
28 standards contained in 13 C.F.R., pt. 121, is eligible. The
29 small business must be operating within Iowa. The amount of
30 the credit that may be claimed is equal to any amount paid to
31 the United States small business administration as a guaranty
32 fee in order to obtain small business administration
33 guaranteed financing. The credit is applicable to the tax
34 year in which the guaranty fee was paid. The bill provides
35 that the credit shall be claimed only by the small business

1 which is the primary obligor in the financing transaction and
2 which actually paid the guaranty fee. Any credit in excess of
3 the tax liability is nonrefundable but may be carried forward
4 for up to four tax years or until depleted.

5 The bill applies retroactively to January 1, 2002, for tax
6 years beginning on or after that date.

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