

FEB 23 2005  
WAYS AND MEANS

HOUSE FILE 428  
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LALK, SODERBERG, EICHHORN,  
JACOBS, UPMEYER, STRUYK, and  
HUSEMAN

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the deduction of the capital gain from the  
2 sale of capital investments made in or by certain businesses  
3 and including an applicability date provision.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 422.7, Code 2005, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 44. Subtract the capital gain from the  
4 following:

5 a. The sale of an equity investment in a business if all  
6 of the following requirements are met:

7 (1) The equity investment is held for a period of thirty-  
8 six months or more from the date of acquisition.

9 (2) A credit is not claimed on the investment under  
10 section 15E.66, 422.11F, or 422.11G.

11 (3) The deduction under this paragraph "a" is in lieu of  
12 any deduction under section 1202 of the Internal Revenue Code.

13 b. If the adjusted gross income computed for federal  
14 income tax purposes includes income or loss from a business  
15 operated by the taxpayer, the sale of a building, land, or  
16 machinery and equipment used in the operation of the business  
17 if the building, land, or machinery and equipment are held for  
18 a period of thirty-six months or more from the date of  
19 acquisition.

20 An individual may claim the capital gain deduction of a  
21 partnership, S corporation, limited liability company, estate,  
22 or trust electing to have the income taxed directly to the  
23 individual. The amount claimed by the individual shall be  
24 based upon the pro rata share of the individual's earnings of  
25 a partnership, S corporation, limited liability company,  
26 estate, or trust.

27 Sec. 2. Section 422.35, Code 2005, is amended by adding  
28 the following new subsection:

29 NEW SUBSECTION. 20. Subtract the capital gain from the  
30 following:

31 a. The sale of an equity investment in a business if all  
32 of the following requirements are met:

33 (1) The equity investment is held for a period of thirty-  
34 six months or more from the date of acquisition.

35 (2) A credit is not claimed on the investment under

1 section 15E.66 or section 422.33, subsection 12 or 13.

2 b. The sale of a building, land, or machinery and  
3 equipment used in the operation of the business if the  
4 building, land, or machinery and equipment are held for a  
5 period of thirty-six months or more from the date of  
6 acquisition.

7 Sec. 3. APPLICABILITY DATE. This Act applies to capital  
8 investments made in or by businesses on or after January 1,  
9 2005, for tax years ending after that date.

10 EXPLANATION

11 This bill provides for the deduction of capital gains from  
12 the sale of equity investments in businesses and from the sale  
13 of buildings, land, or machinery and equipment of business if  
14 certain requirements are met. These requirements are that the  
15 equity investment or the building, land, or machinery and  
16 equipment are held for at least three years; and no credit or  
17 other deduction for the capital investment or gain is allowed.

18 The bill applies to capital investments made in or by  
19 businesses on or after January 1, 2005, for tax years ending  
20 after that date.

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