

Senate Study Bill 1198 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON DAWSON)

A BILL FOR

1 An Act relating to pandemic relief by excluding certain
2 COVID-19 related grants from the individual and corporate
3 income taxes and allowing certain deductions relating to the
4 paycheck protection program loan forgiveness, and including
5 effective date and retroactive applicability provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

COVID-19 RELATED GRANTS — TAXATION

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2
3 Section 1. Section 422.7, subsection 62, Code 2021, is
4 amended to read as follows:

5 62. a. Subtract, to the extent included, the amount of
6 any financial assistance qualifying COVID-19 grant provided to
7 an eligible small issued to an individual or business by the
8 economic development authority under the Iowa small business
9 relief grant program created during calendar year 2020 to
10 provide financial assistance to eligible small businesses
11 economically impacted by the COVID-19 pandemic, the Iowa
12 finance authority, or the department of agriculture and land
13 stewardship.

14 b. For purposes of this subsection, "qualifying COVID-19
15 grant" includes any grant identified by the department by rule
16 that was issued under a grant program administered by the
17 economic development authority, Iowa finance authority, or
18 the department of agriculture and land stewardship to provide
19 financial assistance to individuals and businesses economically
20 impacted by the COVID-19 pandemic.

21 c. The economic development authority, Iowa finance
22 authority, or the department of agriculture and land
23 stewardship shall notify the department of any COVID-19 grant
24 program that may qualify under this subsection in the manner
25 and form prescribed by the department.

26 d. This subsection is repealed January 1, 2024, and does not
27 apply to tax years beginning on or after that date.

28 Sec. 2. Section 422.35, subsection 30, Code 2021, is amended
29 to read as follows:

30 30. a. Subtract, to the extent included, the amount of
31 any financial assistance qualifying COVID-19 grant provided
32 to an eligible small issued to a business by the economic
33 development authority under the Iowa small business relief
34 grant program created during calendar year 2020 to provide
35 financial assistance to eligible small businesses economically

1 ~~impacted by the COVID-19 pandemic~~, the Iowa finance authority,
2 or the department of agriculture and land stewardship.

3 b. For purposes of this subsection, "qualifying COVID-19
4 grant" includes any grant identified by the department by rule
5 that was issued under a grant program administered by the
6 economic development authority, Iowa finance authority, or
7 the department of agriculture and land stewardship to provide
8 financial assistance to businesses economically impacted by the
9 COVID-19 pandemic.

10 c. The economic development authority, Iowa finance
11 authority, or the department of agriculture and land
12 stewardship shall notify the department of any COVID-19 grant
13 program that may qualify under this subsection in the manner
14 and form prescribed by the department.

15 d. This subsection is repealed January 1, 2024, and does not
16 apply to tax years beginning on or after that date.

17 Sec. 3. EFFECTIVE DATE. This division of this Act, being
18 deemed of immediate importance, takes effect upon enactment.

19 Sec. 4. RETROACTIVE APPLICABILITY. This division of this
20 Act applies retroactively to March 23, 2020, for tax years
21 ending on or after that date.

22 DIVISION II

23 FEDERAL PAYCHECK PROTECTION PROGRAM

24 Sec. 5. FEDERAL PAYCHECK PROTECTION PROGRAM.

25 Notwithstanding any other provision of the law to the contrary,
26 for any tax year ending after March 27, 2020, Division N, Tit.
27 II, subtit. B, §276 and §278(a), of the federal Consolidated
28 Appropriations Act, 2021, Pub. L. No. 116-260, applies in
29 computing net income for state tax purposes under section 422.7
30 or 422.35.

31 EXPLANATION

32 The inclusion of this explanation does not constitute agreement with
33 the explanation's substance by the members of the general assembly.

34 This bill relates to pandemic relief by excluding certain
35 COVID-19 related grants from the individual and corporate

1 income taxes and allowing certain deductions relating to the
2 paycheck protection program loan forgiveness.

3 DIVISION I — COVID-19 RELATED GRANTS — TAXATION. The
4 bill excludes from the calculation of Iowa individual and
5 corporate income tax any qualifying COVID-19 grant issued to an
6 individual or business by the economic development authority,
7 the Iowa finance authority, or the department of agriculture
8 and land stewardship.

9 Under the bill, a "qualifying COVID-19 grant" includes
10 any grant identified by the department of revenue by rule
11 that was issued under a grant program administered by the
12 economic development authority, Iowa finance authority, or
13 the department of agriculture and land stewardship to provide
14 financial assistance to individuals and businesses economically
15 impacted by the COVID-19 pandemic.

16 Under current law, financial assistance grants provided to
17 small businesses by the economic development authority under
18 the Iowa small business COVID-19 relief grant program are
19 excluded from the calculation of Iowa individual and corporate
20 income tax.

21 The COVID-19 grant income tax exclusion provided in the bill
22 is repealed on January 1, 2024, and does not apply to tax years
23 beginning on or after that date.

24 The division takes effect upon enactment and applies
25 retroactively to March 23, 2020, for tax years ending on or
26 after that date.

27 DIVISION II — FEDERAL PAYCHECK PROTECTION PROGRAM. Under
28 current law, for the tax year 2020 and later, Iowa law fully
29 conforms with the federal treatment of forgiven paycheck
30 protection program loans and excludes such amounts from net
31 income and allows certain deductions for business expenses
32 paid using those loans. For fiscal-year filers who received
33 paycheck protection program loans during the 2019 tax year,
34 current law excludes such amounts from net income, but does
35 not allow certain deductions for business expenses paid using

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1 those loans. The bill fully conforms with federal law for
2 those fiscal-year filers who previously were excluded from such
3 conformity and allows such filers to take business expense
4 deductions using federal paycheck protection program loan
5 proceeds that were forgiven.