

Income/Franchise:

Iowa: New Law Allows Banks to Elect Inclusion of Investment Subsidiaries on Franchise Tax Return

S.F. 2442, signed by gov. 5/1/24. Applicable for tax years beginning on or after January 1, 2025, new law permits a financial institution with an investment subsidiary to elect to include the income and expenses of the investment subsidiary on its Iowa franchise tax return. If such election is made, the inclusion of income and expenses of the investment subsidiary on all subsequent Iowa franchise tax returns is required so long as the investment subsidiary remains a subsidiary of the financial institution – unless, at the financial institution’s request, the Iowa Department of Revenue “determines that the filing of separate returns will more clearly disclose the taxable income of the investment subsidiary or financial institution.” Moreover, if such election is made, the legislation provides that the commercial domicile of an investment subsidiary included on the financial institution’s return “shall be that of the financial institution rather than the investment subsidiary.” The legislation also provides that, if such election is made, the financial institution is allowed a franchise tax deduction for expenses allocable to investment in the investment subsidiary. Please contact us with any questions.

URL: <https://www.legis.iowa.gov/legislation/billTracking/billHistory?billName=SF%202442&ga=90>

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