

INCOME APPORTIONMENT FOR BROADCASTERS

Prior Law

A radio or television company doing business within and without Iowa is required to apportion its business income to Iowa in the same proportion that the Iowa population served by its broadcasting bears to the total population served by its broadcasting, looking at all the residents of the applicable broadcasting area, regardless of whether the resident individuals elect to receive the broadcasts. In other words, “broadcasters” had their income apportioned using the audience factor methodology; that is, they were only taxed on the portion of their total income that is attributed to their audience in Iowa.

New Provisions

A radio or television company doing business within and without Iowa apportions its business income to Iowa in the same proportion that the broadcaster’s gross receipts from broadcasting derived from customers whose commercial domicile is in Iowa bears to the broadcaster’s total gross receipts from broadcasting, except that when the income is from national or political advertising directed exclusively at one or more markets in Iowa, all gross receipts from advertising are apportioned to Iowa. In other words, “broadcasters” now have their income apportioned based on their customers’ locations. Revenue received from an advertiser with a commercial domicile outside of Iowa will be sourced outside of Iowa to the advertiser’s state of commercial domicile. Receipts broadcasters receive from Iowa customers will be considered Iowa receipts. When the income is from national or political advertising, all receipts are apportioned to Iowa.

The bill also defines broadcaster, broadcasting, customer, and gross receipts from broadcasting.

“Broadcaster” is defined to mean a taxpayer engaged in the business of broadcasting, including a television network, a cable program network, and a television distribution company. A television network is a national network consisting of traditional free-over-the-air national networks, such as CBS, ABC, NBC, and Fox, and cable television networks, such as ESPN, MTV, TBS, Showtime, etc. A cable program network is a content producer that distributes its programming to a national audience through licensing arrangements with cable operators, direct satellite operators, and various streaming licenses. A television distribution company produces content that it licenses to television networks and television stations.

“Broadcaster” does not include a cable system operator, a direct broadcast satellite system operator, or a television or radio station licensed by the FCC. A cable system operator licenses programming content from cable networks and national broadcast networks, such as Comcast, Time Warner Cable, Cox Communications, etc. A television station is a local television channel

licensed to operate in a specific geographic area and that is confined to a local geographical area.

“Broadcasting” is defined to mean the transmission of television programs or films by electronic or other signal through any means of communication directly or indirectly to viewers or listeners.

“Customer” is defined to mean the person the broadcaster contracts with for advertising, licensing or distribution of content. The broadcaster receives income for advertising and licensing from its customer.

“Gross receipts from broadcasting” is defined to mean gross receipts of a broadcaster from transactions and activities in the regular course of its business, including but not limited to advertising, licensing, and distribution, not including gross receipts from the sale of real property or tangible personal property.

Section Amended _____

Section 1 of 2015 Iowa Acts Senate File 479 amends Section 422.33, subsection 2, paragraph a, subparagraph (2), Code 2015 by adding new subparagraph division 0e. Section 2 amends section 422.33, subsection 2, paragraph a, subsection (2), subparagraph division (e), Code 2015.

Effective Date _____

Retroactive to January 1, 2015 for tax years beginning on or after that date.