

CHAPTER 4

TAXATION OF CORPORATIONS AND FINANCIAL INSTITUTIONS — INCREASED EXPENSING ALLOWANCE DEDUCTION

S.F. 220

AN ACT relating to the increased expensing allowance deduction by corporations, financial institutions, and partnerships and limited liability companies taxed as corporations, and including effective date and retroactive applicability provisions.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. [Section 422.35, subsections 14 and 15](#), Code 2019, are amended to read as follows:

14. *a.* ~~The Notwithstanding any other provision of the law to the contrary, the increased expensing allowance under section 179 of the Internal Revenue Code, as amended by Pub. L. No. 115-97, §13101, applies in computing net income for state tax purposes for tax years beginning on or after January 1, 2019~~ 2018, subject to the limitations in [this subsection](#) for tax years beginning ~~on or after January 1, 2019, but before~~ prior to January 1, 2020.

b. If the taxpayer has taken the increased expensing allowance under section 179 of the Internal Revenue Code, as amended by Pub. L. No. 115-97, §13101, for purposes of computing federal taxable income for tax years beginning on or after January 1, ~~2019~~ 2018, but before January 1, 2020, then the taxpayer shall make the following adjustments to federal taxable income when computing net income for state tax purposes for the same tax year:

(1) Add the total amount of expense deduction taken on section 179 property allowable for federal tax purposes under section 179 of the Internal Revenue Code, as amended by Pub. L. No. 115-97, §13101.

(2) ~~(a) Subtract~~ For tax years beginning on or after January 1, 2018, but before January 1, 2019, subtract the amount of expense deduction on section 179 property allowable for federal tax purposes under section 179 of the Internal Revenue Code, as amended by Pub. L. No. 115-97, §13101, not to exceed seventy thousand dollars. The subtraction in this subparagraph division shall be reduced, but not below zero, by the amount by which the total cost of section 179 property placed in service by the taxpayer during the tax year exceeds two hundred eighty thousand dollars.

~~(b)~~ For the tax years beginning on or after January 1, 2019, but before January 1, 2020, subtract the amount of expense deduction on section 179 property allowable for federal tax purposes under section 179 of the Internal Revenue Code, as amended by Pub. L. No. 115-97, §13101, not to exceed one hundred thousand dollars. The subtraction in this subparagraph shall be reduced, but not below zero, by the amount by which the total cost of section 179 property placed in service by the taxpayer during the tax year exceeds four hundred thousand dollars.

(3) Any other adjustments to gains or losses necessary to reflect adjustments made in subparagraphs (1) and (2).

c. The director shall adopt rules pursuant to [chapter 17A](#) to administer [this subsection](#).

15. *a.* For tax years beginning on or after January 1, ~~2019~~ 2018, but before January 1, 2020, a taxpayer may elect to take advantage of [this subsection](#) in lieu of [subsection 14](#), but only if the taxpayer's total expensing allowance deduction for federal tax purposes under section 179 of the Internal Revenue Code, as amended by Pub. L. No. 115-97, §13101, that is allocated to the taxpayer from one or more partnerships or limited liability companies electing to have the income taxed directly to the owners exceeds seventy thousand dollars for a tax year beginning during the 2018 calendar year, or exceeds one hundred thousand dollars for the tax year beginning during the 2019 calendar year, and would, except as provided in [this subsection](#), be limited for purposes of computing net income for state tax purposes pursuant to [subsection 14](#).

b. A taxpayer who elects to take advantage of [this subsection](#) shall make the following adjustments to federal taxable income when computing net income for state tax purposes:

(1) Add the total amount of section 179 expense deduction allocated to the taxpayer from all partnerships or limited liability companies electing to have the income taxed directly to

the owners, to the extent the allocated amount was allowed as a deduction to the taxpayer for federal tax purposes for the tax year under section 179 of the Internal Revenue Code, as amended by Pub. L. No. 115-97, §13101.

(2) From the amount added in subparagraph (1), do the following:

(a) For tax years beginning on or after January 1, 2018, but before January 1, 2019, subtract the first seventy thousand dollars of expensing allowance deduction on section 179 property.

(b) For tax years beginning on or after January 1, 2019, but before January 1, 2020, subtract the first one hundred thousand dollars of expensing allowance deduction on section 179 property.

(3) The remaining amount, equal to the difference between the amount added in subparagraph (1), and the amount subtracted in subparagraph (2), may be deducted by the taxpayer but such deduction shall be amortized equally over five tax years beginning in the following tax year.

(4) Any other adjustments to gains or losses necessary to reflect adjustments made in subparagraphs (1) through (3).

c. A taxpayer who elects to take advantage of [this subsection](#) shall not take the increased expensing allowance under section 179 of the Internal Revenue Code, as amended by Pub. L. No. 115-97, §13101, for any section 179 property placed in service by the taxpayer in computing taxable income for state tax purposes. If the taxpayer has taken any such deduction for purposes of computing federal taxable income, the taxpayer shall make the following adjustments to federal taxable income when computing net income for state tax purposes:

(1) Add the total amount of expense deduction for federal tax purposes taken on section 179 property placed in service by the taxpayer under section 179 of the Internal Revenue Code, as amended by Pub. L. No. 115-97, §13101.

(2) Subtract the amount of depreciation allowable on such property under the modified accelerated cost recovery system described in section 168 of the Internal Revenue Code, without regard to section 168(k) of the Internal Revenue Code. The taxpayer shall continue to take depreciation on the applicable property in future tax years to the extent allowed under the modified accelerated cost recovery system described in section 168 of the Internal Revenue Code, without regard to section 168(k) of the Internal Revenue Code.

(3) Any other adjustments to gains or losses necessary to reflect the adjustments made in subparagraphs (1) and (2).

d. The election made under [this subsection](#) is for one tax year and the taxpayer may elect or not elect to take advantage of [this subsection](#) in any subsequent tax year. However, not electing to take advantage of [this subsection](#) in a subsequent tax year shall not affect the taxpayer's ability to claim the tax deduction under paragraph "b", subparagraph (3), that originated from a previous tax year.

~~d.~~ e. The director shall adopt rules pursuant to [chapter 17A](#) to administer [this subsection](#).

Sec. 2. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 3. RETROACTIVE APPLICABILITY. This Act applies retroactively to January 1, 2018, for tax years beginning on or after that date.

Approved March 15, 2019