

Internal Revenue Code Coupling Act Senate File 512

Last Action:

Final Action

April 5, 2011

An Act relating to public funding matters by updating the Code references to the Internal Revenue Code and by decoupling from certain federal bonus depreciation provisions, authorizing appropriation transfers, and including effective date and retroactive applicability provisions.

**Fiscal Services Division
Legislative Services Agency**

NOTES ON BILLS AND AMENDMENTS (NOBA)

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FUNDING SUMMARY

- Divisions I, II, and III of SF 512 are projected to reduce net General Fund revenue by the following amounts: FY 2011 = \$20.3 million, FY 2012 = \$38.2 million, and FY 2013 = \$21.6 million. Page 1, Line 1

Beginning in FY 2014, the same changes are projected to increase net General Fund revenue as the tax benefit of early depreciation means that businesses will not have as much depreciation to claim in future tax years.

MAJOR INCREASES, DECREASES, OR TRANSFERS OF EXISTING PROGRAMS

- Division IV provides the Governor with specific authority to transfer funds to the Office of the State Public Defender for payment of court-appointed attorneys for indigent defense. *This Division was vetoed by the Governor.* Page 11, Line 4

SIGNIFICANT CODE CHANGES

- Updates Iowa's income tax laws to incorporate (couple) federal tax changes enacted after January 1, 2008, and through January 1, 2011. Page 1, Line 5
- Updates Iowa tax laws relating to Research Activities Tax Credits to incorporate terminology changes recently enacted by Congress. Division II also updates (couples) Iowa law with other changes made to the Credit through January 1, 2011. The changes are effective on enactment. Page 2, Line 11
- Specifies that taxpayers may not utilize, for Iowa tax purposes, depreciation schedule changes enacted to the federal Internal Revenue Code related to additional first year depreciation (bonus depreciation). The change is effective on enactment. Division III also specifies, for tax year 2009 Iowa tax purposes only, that taxpayers may not benefit from special depreciation schedules known as Section 179 expensing. This change is effective on enactment and applies retroactive to tax year 2009. Page 6, Line 33

EFFECTIVE AND ENACTMENT DATES

- Division I, relating to coupling Iowa tax laws to the federal tax code, is effective on enactment. Page 1, Line 31
- The provisions coupling Iowa tax laws to the federal tax code apply retroactively to tax year 2010 and thereafter. Page 1, Line 34

EXECUTIVE SUMMARY
INTERNAL REVENUE CODE COUPLING ACT

- Section 2, relating to health care benefits for nonqualified tax dependents, is retroactive to January 1, 2011. Page 2, Line 5
- Division II, relating to the Research Activities Tax Credit, is effective on enactment. Page 6, Line 12
- Certain provisions of Division II, relating to the Research Activities Tax Credit, apply retroactively to July 1, 2010, for tax credits awarded on or after that date. Page 6, Line 15
- Certain provisions of Division II, relating to the Research Activities Tax Credit, apply retroactively to tax years beginning on or after July 1, 2010 (tax year 2010 forward). Page 6, Line 22
- Certain provisions of Division III, relating to Bonus Depreciation, are effective on enactment. Page 10, Line 16
- Certain provisions of Division III, relating to Bonus Depreciation, apply retroactively to tax year 2008 forward. Page 10, Line 19
- Certain provisions of Division III, relating to Section 179 expensing (depreciation), apply retroactively to tax year 2009 only. Page 10, Line 29
- ***Governor's Vetoes***
 - The Governor vetoed Division IV, relating to appropriation transfers for the Office of the State Public Defender and the Indigent Defense Fund and stated the Iowa Constitution provides a clear method for the appropriations of State funds. Page 11, Line 26

NOTE: SF 209 (Tax Changes and Supplemental Appropriations Act) provides an FY 2011 General Fund supplemental appropriation of \$18.6 million to the Office of the State Public Defender and the Indigent Defense Fund.

This Act was approved by the General Assembly on April 5, 2011, and item vetoed and signed by the Governor on April 12, 2011.

Senate File 512 provides for the following changes to the Code of Iowa.

Page #	Line #	Bill Section	Action	Code Section	Description
1	9	1	Amend	422.3.5	
1	16	2	Strike	422.7.29A	
1	18	3	Amend	422.9.2.i	
2	1	4	Amend	422.32.7	
2	25	8	Amend	15.335.4	
3	10	9	Amend	15.335.7	
3	21	10	Amend	15A.9.8.b,c,e	
4	15	11	Amend	422.10.1.b,c	
4	36	12	Amend	422.10.3	
5	4	13	Amend	422.33.5.b,c,d	
6	15	17	Amend	422.5.2.b.(1)	
6	32	18	Add	422.7.39A,39B	
7	31	19	Amend	422.7.53	
7	37	20	Amend	422.9.2.h	
8	2	21	Add	422.35.19A,19B	
9	1	22	Amend	422.35.24	

PG LN	HF648	Explanation
1 1	DIVISION I	
1 2	INTERNAL REVENUE CODE REFERENCES	
1 3	Section 1. Section 422.3, subsection 5, Code 2011, is	CODE: Updates Iowa's income tax laws to incorporate (couple) federal
1 4	amended to read as follows:	tax changes enacted after January 1, 2008, and through January 1,
1 5	5. "Internal Revenue Code" means the Internal Revenue Code	2011.
1 6	of 1954, prior to the date of its redesignation as the Internal	
1 7	Revenue Code of 1986 by the Tax Reform Act of 1986, or means	FISCAL IMPACT: Divisions I, II, and III are projected to reduce net
1 8	the Internal Revenue Code of 1986 as amended to and including	General Fund revenue by the following amounts:
1 9	January 1, 2008 <u>2011</u> .	<ul style="list-style-type: none"> • FY 2011 = \$20.3 million • FY 2012 = \$38.2 million • FY 2013 = \$21.6 million
		Beginning in FY 2014, the same changes are projected to increase net
		General Fund revenue as the tax benefit of early depreciation means
		that businesses will not have as much depreciation to claim in future tax
		years.
1 10	Sec. 2. Section 422.7, subsection 29A, Code 2011, is amended	CODE: Strikes an obsolete reference to the tax status of health care
1 11	by striking the subsection.	benefits for nonqualified tax dependents.
1 12	Sec. 3. Section 422.9, subsection 2, paragraph i, Code 2011,	CODE: Allows taxpayers to elect to deduct sales and use taxes paid
1 13	is amended to read as follows:	from taxable income in lieu of income taxes paid. The Iowa Code
1 14	i. The deduction for state sales and use taxes is allowable	previously allowed this deduction for tax years 2004 and 2005. This
1 15	only if the taxpayer elected to deduct the state sales and use	action extends the allowed deduction to include tax years 2006 and
1 16	taxes in lieu of state income taxes under section 164 of the	2007, and also tax years 2010 and 2011.
1 17	Internal Revenue Code. A deduction for state sales and use	
1 18	taxes is not allowed if the taxpayer has taken the deduction	
1 19	for state income taxes or claimed the standard deduction under	
1 20	section 63 of the Internal Revenue Code. This paragraph	
1 21	applies to taxable years beginning after December 31, 2003, and	
1 22	before January 1, 2006 <u>2008</u> , and to taxable years beginning	
1 23	<u>after December 31, 2009, and before January 1, 2012</u> .	
1 24	Sec. 4. Section 422.32, subsection 7, Code 2011, is amended	CODE: Updates Iowa's income tax laws to incorporate (couple) federal
1 25	to read as follows:	tax changes enacted after January 1, 2008, and through January 1,
1 26	7. "Internal Revenue Code" means the Internal Revenue Code	2011.
1 27	of 1954, prior to the date of its redesignation as the Internal	
1 28	Revenue Code of 1986 by the Tax Reform Act of 1986, or means	
1 29	the Internal Revenue Code of 1986 as amended to and including	
1 30	January 1, 2008 <u>2011</u> .	
1 31	Sec. 5. EFFECTIVE UPON ENACTMENT. This division of this	Division I, relating to coupling Iowa tax laws to the federal tax code, is
1 32	Act, being deemed of immediate importance, takes effect upon	effective on enactment.
1 33	enactment.	

1 34 Sec. 6. RETROACTIVE APPLICABILITY. The following provision
1 35 or provisions of this division of this Act apply retroactively
2 1 to January 1, 2010, for tax years beginning on or after that
2 2 date:
2 3 1. The section of this Act amending section 422.3.
2 4 2. The section of this Act amending section 422.32.

2 5 Sec. 7. RETROACTIVE APPLICABILITY. The following provision
2 6 or provisions of this division of this Act apply retroactively
2 7 to January 1, 2011, for tax years beginning on or after that
2 8 date:
2 9 1. The section of this Act amending section 422.7,
2 10 subsection 29A.

DIVISION II

RESEARCH ACTIVITIES CREDIT

2 13 Sec. 8. Section 15.335, subsection 4, Code 2011, is amended
2 14 to read as follows:

2 15 4. a. In lieu of the credit amount computed in subsection
2 16 2, an eligible business may elect to compute the credit amount
2 17 for qualified research expenses incurred in this state in a
2 18 manner consistent with the alternative ~~incremental~~ simplified
2 19 credit described in section ~~41(e)(4)~~ 41(c)(5) of the Internal
2 20 Revenue Code. The taxpayer may make this election regardless
2 21 of the method used for the taxpayer's federal income tax. The
2 22 election made under this paragraph is for the tax year and the
2 23 taxpayer may use another or the same method for any subsequent
2 24 year.

2 25 b. For purposes of the alternate credit computation
2 26 method in paragraph "a", the credit percentages applicable to
2 27 qualified research expenses described in ~~clauses (i), (ii),~~
2 28 ~~and (iii) of section 41(e)(4)(A)~~ 41(c)(5)(A) and clause (ii)
2 29 of section 41(c)(5)(B) of the Internal Revenue Code are as
2 30 follows:

2 31 (1) In the case of an eligible business whose gross revenues
2 32 do not exceed twenty million dollars per year, the credit
2 33 percentages are ~~two and fifty-four hundredths percent, three~~
2 34 ~~and thirty-eight hundredths percent, and four and twenty-three~~
2 35 ~~hundredths~~ seven percent and three percent, respectively.

3 1 (2) In the case of an eligible business whose gross revenues
3 2 exceed twenty million dollars per year, the credit percentages
3 3 are ~~seventy-six hundredths percent, one and two hundredths~~
3 4 ~~percent, and one and twenty-seven hundredths~~ two and one-tenth
3 5 percent and nine-tenths percent, respectively.

3 6 Sec. 9. Section 15.335, subsection 7, Code 2011, is amended
3 7 to read as follows:

3 8 7. a. For purposes of this section, "base amount", "basic
3 9 research payment", and "qualified research expense" mean the
3 10 same as defined for the federal credit for increasing research

The provisions coupling Iowa tax laws to the federal tax code apply retroactively to January 1, 2010 (tax year 2010 and after).

Section 2, relating to health care benefits for nonqualified tax dependents, is retroactive to January 1, 2011.

CODE: Division II updates Iowa tax laws relating to Research Activities Tax Credits to incorporate terminology changes recently enacted by Congress. This Division also updates (couples) Iowa law with other changes made to the Credit through January 1, 2011. The changes are effective on enactment.

Changes impacting the terminology of the Research Activities Credit are effective retroactive to July 1, 2010, and apply to tax credit awards made after that date.

FISCAL IMPACT: The fiscal impact of Division II, if any, is included in the amounts listed in Division I.

3 11 activities under section 41 of the Internal Revenue Code,
3 12 except that for the alternative ~~incremental~~ simplified credit
3 13 such amounts are for research conducted within this state.
3 14 b. For purposes of this section, "Internal Revenue Code"
3 15 means the Internal Revenue Code in effect on January 1, ~~2009~~
3 16 2011.

3 17 Sec. 10. Section 15A.9, subsection 8, paragraphs b, c, and
3 18 e, Code 2011, are amended to read as follows:

3 19 b. In lieu of the credit amount computed in paragraph "a",
3 20 subparagraph (1), subparagraph division (a), a business may
3 21 elect to compute the credit amount for qualified research
3 22 expenses incurred in this state within the zone in a manner
3 23 consistent with the alternative ~~incremental~~ simplified credit
3 24 described in section ~~41(e)(4)~~ 41(c)(5) of the Internal Revenue
3 25 Code. The taxpayer may make this election regardless of
3 26 the method used for the taxpayer's federal income tax. The
3 27 election made under this paragraph is for the tax year and the
3 28 taxpayer may use another or the same method for any subsequent
3 29 year.

3 30 c. For purposes of the alternate credit computation
3 31 method in paragraph "b", the credit percentages applicable to
3 32 qualified research expenses described in ~~clauses (i), (ii), and~~
3 33 ~~(iii) of section 41(e)(4)(A)~~ 41(c)(5)(A) and clause (ii) of
3 34 section 41(c)(5)(B) of the Internal Revenue Code are ~~three and~~
3 35 ~~thirty hundredths percent, four and forty hundredths percent,~~
4 1 ~~and five and fifty hundredths percent, respectively as follows:~~

4 2 (1) In the case of an eligible business whose gross revenues
4 3 do not exceed twenty million dollars per year, the credit
4 4 percentages are seven percent and three percent, respectively.

4 5 (2) In the case of an eligible business whose gross revenues
4 6 exceed twenty million dollars per year, the credit percentages
4 7 are two and one-tenths percent and nine-tenths percent,
4 8 respectively.

4 9 e. (1) For the purposes of this subsection, "base amount",
4 10 "basic research payment", and "qualified research expense" mean
4 11 the same as defined for the federal credit for increasing
4 12 research activities under section 41 of the Internal Revenue
4 13 Code, except that for the alternative ~~incremental~~ simplified
4 14 credit such amounts are for research conducted within this
4 15 state within the zone.

4 16 (2) For purposes of this subsection, "Internal Revenue Code"
4 17 means the Internal Revenue Code in effect on January 1, ~~2009~~
4 18 2011.

4 19 Sec. 11. Section 422.10, subsection 1, paragraphs b and c,
4 20 Code 2011, are amended to read as follows:

4 21 b. In lieu of the credit amount computed in paragraph "a",
4 22 subparagraph (1), subparagraph division (a), a taxpayer may
4 23 elect to compute the credit amount for qualified research
4 24 expenses incurred in this state in a manner consistent with the

4 25 alternative ~~incremental~~ simplified credit described in section
4 26 ~~41(e)(4)~~ 41(c)(5) of the Internal Revenue Code. The taxpayer
4 27 may make this election regardless of the method used for the
4 28 taxpayer's federal income tax. The election made under this
4 29 paragraph is for the tax year and the taxpayer may use another
4 30 or the same method for any subsequent year.

4 31 c. For purposes of the alternate credit computation
4 32 method in paragraph "b", the credit percentages applicable
4 33 to qualified research expenses described in ~~clauses (i),~~
4 34 ~~(ii), and (iii) of section 41(e)(4)(A)~~ 41(c)(5)(A) and clause
4 35 (ii) of section 41(c)(5)(B) of the Internal Revenue Code
5 1 are ~~one and sixty-five hundredths percent, two and twenty~~
5 2 ~~hundredths percent, and two and seventy-five hundredths~~ four
5 3 and fifty-five hundredths percent and one and ninety-five
5 4 hundredths percent, respectively.

5 5 Sec. 12. Section 422.10, subsection 3, Code 2011, is amended
5 6 to read as follows:

5 7 3. a. For purposes of this section, "base amount", "basic
5 8 research payment", and "qualified research expense" mean the
5 9 same as defined for the federal credit for increasing research
5 10 activities under section 41 of the Internal Revenue Code,
5 11 except that for the alternative ~~incremental~~ simplified credit
5 12 such amounts are for research conducted within this state.

5 13 b. For purposes of this section, "Internal Revenue Code"
5 14 means the Internal Revenue Code in effect on January 1, ~~2009~~
5 15 2011.

5 16 Sec. 13. Section 422.33, subsection 5, paragraphs b, c, and
5 17 d, Code 2011, are amended to read as follows:

5 18 b. In lieu of the credit amount computed in paragraph
5 19 "a", subparagraph (1), a corporation may elect to compute the
5 20 credit amount for qualified research expenses incurred in this
5 21 state in a manner consistent with the alternative ~~incremental~~
5 22 simplified credit described in section ~~41(e)(4)~~ 41(c)(5) of the
5 23 Internal Revenue Code. The taxpayer may make this election
5 24 regardless of the method used for the taxpayer's federal income
5 25 tax. The election made under this paragraph is for the tax
5 26 year and the taxpayer may use another or the same method for
5 27 any subsequent year.

5 28 c. For purposes of the alternate credit computation
5 29 method in paragraph "b", the credit percentages applicable
5 30 to qualified research expenses described in ~~clauses (i),~~
5 31 ~~(ii), and (iii) of section 41(e)(4)(A)~~ 41(c)(5)(A) and clause
5 32 (ii) of section 41(c)(5)(B) of the Internal Revenue Code
5 33 are ~~one and sixty-five hundredths percent, two and twenty~~
5 34 ~~hundredths percent, and two and seventy-five hundredths~~ four
5 35 and fifty-five hundredths percent and one and ninety-five
6 1 hundredths percent, respectively.

6 2 d. (1) For purposes of this subsection, "base amount",
6 3 "basic research payment", and "qualified research expense" mean

6 4 the same as defined for the federal credit for increasing
6 5 research activities under section 41 of the Internal Revenue
6 6 Code, except that for the alternative ~~incremental~~ simplified
6 7 credit such amounts are for research conducted within this
6 8 state.
6 9 (2) For purposes of this subsection, "Internal Revenue Code"
6 10 means the Internal Revenue Code in effect on January 1, ~~2009~~
6 11 2011.

6 12 Sec. 14. EFFECTIVE UPON ENACTMENT. This division of this
6 13 Act, being deemed of immediate importance, takes effect upon
6 14 enactment.

6 15 Sec. 15. RETROACTIVE APPLICABILITY. The following
6 16 provision or provisions of this division of this Act apply
6 17 retroactively to July 1, 2010, for tax credits awarded on or
6 18 after that date:

- 6 19 1. The section of this Act amending section 15.335,
6 20 subsection 4.
- 6 21 2. The section of this Act amending section 15A.9.

6 22 Sec. 16. RETROACTIVE APPLICABILITY. The following
6 23 provision or provisions of this division of this Act apply
6 24 retroactively to January 1, 2010, for tax years beginning on
6 25 or after that date:

- 6 26 1. The section of this Act amending section 15.335,
6 27 subsection 7.
- 6 28 2. The section of this Act amending section 422.10,
6 29 subsection 1.
- 6 30 3. The section of this Act amending section 422.10,
6 31 subsection 3.
- 6 32 4. The section of this Act amending section 422.33.

6 33 DIVISION III
6 34 BONUS DEPRECIATION

6 35 Sec. 17. Section 422.5, subsection 2, paragraph b,
7 1 subparagraph (1), Code 2011, is amended to read as follows:

7 2 (1) Add items of tax preference included in federal
7 3 alternative minimum taxable income under section 57, except
7 4 subsections (a)(1), (a)(2), and (a)(5), of the Internal Revenue
7 5 Code, make the adjustments included in federal alternative
7 6 minimum taxable income under section 56, except subsections
7 7 (a)(4), (b)(1)(C)(iii), and (d), of the Internal Revenue Code,
7 8 and add losses as required by section 58 of the Internal
7 9 Revenue Code. To the extent that any preference or adjustment
7 10 is determined by an individual's federal adjusted gross income,
7 11 the individual's federal adjusted gross income is computed in
7 12 accordance with section 422.7, ~~subsection~~ subsections 39, 39A,
7 13 39B, and 53. In the case of an estate or trust, the items of

Division II, relating to the Research Activities Tax Credit, is effective on enactment.

Certain provisions of Division II, relating to the Research Activities Tax Credit, apply retroactively to July 1, 2010, for tax credits awarded on or after that date.

Certain provisions of Division II, related to the Research Activities Tax Credit, apply retroactively to tax years beginning on or after January 1, 2010 (tax year 2010 forward).

CODE: Division III specifies that taxpayers may not utilize, for Iowa tax purposes, depreciation schedule changes enacted to the federal Internal Revenue Code related to additional first year depreciation (bonus depreciation). This change is effective on enactment.

This Division also specifies, for tax year 2009 Iowa tax purposes only, that taxpayers may not benefit from special depreciation schedules known as Section 179 expensing. This change is effective on enactment and applies retroactively to tax year 2009.

FISCAL IMPACT: The fiscal impact of Division III, if any, is included in the amounts listed in Division I.

7 14 tax preference, adjustments, and losses shall be apportioned
7 15 between the estate or trust and the beneficiaries in accordance
7 16 with rules prescribed by the director.

7 17 Sec. 18. Section 422.7, Code 2011, is amended by adding the
7 18 following new subsections:

7 19 NEW SUBSECTION 39A. The additional first-year
7 20 depreciation allowance authorized in section 168(k) of the
7 21 Internal Revenue Code, as enacted by Pub.L. No.110-185,
7 22 section 103, Pub.L.No.111-5, section 1201, Pub.L. No.
7 23 111-240, section 2022, and Pub.L. No.111-312, section
7 24 401, does not apply in computing net income for state tax
7 25 purposes. If the taxpayer has taken the additional first-year
7 26 depreciation allowance for purposes of computing federal
7 27 adjusted gross income, then the taxpayer shall make the
7 28 following adjustments to federal adjusted gross income when
7 29 computing net income for state tax purposes:

7 30 a. Add the total amount of depreciation taken under section
7 31 168(k) of the Internal Revenue Code for the tax year.

7 32 b. Subtract the amount of depreciation allowable under the
7 33 modified accelerated cost recovery system described in section
7 34 168 of the Internal Revenue Code and calculated without regard
7 35 to section 168(k).

8 1 c. Any other adjustments to gains or losses necessary to
8 2 reflect the adjustments made in paragraphs "a" and "b". The
8 3 director shall adopt rules for the administration of this
8 4 paragraph.

8 5 NEW SUBSECTION 39B. The additional first-year
8 6 depreciation allowance authorized in section 168(n) of the
8 7 Internal Revenue Code, as enacted by Pub.L. No.110-343,
8 8 section 710, does not apply in computing net income for
8 9 state tax purposes. If the taxpayer has taken the additional
8 10 first-year depreciation allowance for purposes of computing
8 11 federal adjusted gross income, then the taxpayer shall make the
8 12 following adjustments to federal adjusted gross income when
8 13 computing net income for state tax purposes:

8 14 a. Add the total amount of depreciation taken under section
8 15 168(n) of the Internal Revenue Code for the tax year.

8 16 b. Subtract the amount of depreciation allowable under the
8 17 modified accelerated cost recovery system described in section
8 18 168 of the Internal Revenue Code and calculated without regard
8 19 to section 168(n).

8 20 c. Any other adjustments to gains or losses necessary to
8 21 reflect the adjustments made in paragraphs "a" and "b". The
8 22 director shall adopt rules for the administration of this
8 23 paragraph.

8 24 Sec. 19. Section 422.7, subsection 53, Code 2011, is amended
8 25 to read as follows:

8 26 53. A taxpayer is not allowed to take the increased
8 27 expensing allowance under section 179 of the Internal Revenue

8 28 Code, as amended by Pub.L. No.410-185 ~~111-5, section 1202~~, in
8 29 computing adjusted gross income for state tax purposes.

8 30 Sec. 20. Section 422.9, subsection 2, paragraph h, Code
8 31 2011, is amended to read as follows:

8 32 h. For purposes of calculating the deductions in this
8 33 subsection that are authorized under the Internal Revenue Code,
8 34 and to the extent that any of such deductions is determined by
8 35 an individual's federal adjusted gross income, the individual's
9 1 federal adjusted gross income is computed in accordance with
9 2 section 422.7, ~~subsection~~ subsections 39, 39A, 39B, and 53.

9 3 Sec. 21. Section 422.35, Code 2011, is amended by adding the
9 4 following new subsections:

9 5 NEW SUBSECTION 19A. The additional first-year
9 6 depreciation allowance authorized in section 168(k) of the
9 7 Internal Revenue Code, as enacted by Pub.L. No.110-185,
9 8 section 103, Pub.L. No.111-5, section 1201, Pub.L. No.
9 9 111-240, section 2022, and Pub.L. No.111-312, section
9 10 401, does not apply in computing net income for state tax
9 11 purposes. If the taxpayer has taken the additional first-year
9 12 depreciation allowance for purposes of computing federal
9 13 taxable income, then the taxpayer shall make the following
9 14 adjustments to federal taxable income when computing net income
9 15 for state tax purposes:

9 16 a. Add the total amount of depreciation taken under section
9 17 168(k) of the Internal Revenue Code for the tax year.

9 18 b. Subtract the amount of depreciation allowable under the
9 19 modified accelerated cost recovery system described in section
9 20 168 of the Internal Revenue Code and calculated without regard
9 21 to section 168(k).

9 22 c. Any other adjustments to gains or losses necessary to
9 23 reflect the adjustments made in paragraphs "a" and "b". The
9 24 director shall adopt rules for the administration of this
9 25 paragraph.

9 26 NEW SUBSECTION 19B. The additional first-year
9 27 depreciation allowance authorized in section 168(n) of the
9 28 Internal Revenue Code, as enacted by Pub.L. No.110-343,
9 29 section 710, does not apply in computing net income for
9 30 state tax purposes. If the taxpayer has taken the additional
9 31 first-year depreciation allowance for purposes of computing
9 32 federal taxable income, then the taxpayer shall make the
9 33 following adjustments to federal taxable income when computing
9 34 net income for state tax purposes:

9 35 a. Add the total amount of depreciation taken under section
10 1 168(n) of the Internal Revenue Code for the tax year.

10 2 b. Subtract the amount of depreciation allowable under the
10 3 modified accelerated cost recovery system described in section
10 4 168 of the Internal Revenue Code and calculated without regard
10 5 to section 168(n).

10 6 c. Any other adjustments to gains or losses necessary to

10 7 reflect the adjustments made in paragraphs “a” and “b”. The
10 8 director shall adopt rules for the administration of this
10 9 paragraph.

10 10 Sec. 22. Section 422.35, subsection 24, Code 2011, is
10 11 amended to read as follows:

10 12 24. A taxpayer is not allowed to take the increased
10 13 expensing allowance under section 179 of the Internal Revenue
10 14 Code, as amended by Pub.L. No. ~~440-485~~ 111-5, section 1202, in
10 15 computing taxable income for state tax purposes.

10 16 Sec. 23. EFFECTIVE UPON ENACTMENT. This division of this
10 17 Act, being deemed of immediate importance, takes effect upon
10 18 enactment.

10 19 Sec. 24. RETROACTIVE APPLICABILITY. The following
10 20 provision or provisions of this division of this Act apply
10 21 retroactively to January 1, 2008, for tax years ending on or
10 22 after that date:

10 23 1. The section of this Act amending section 422.5.

10 24 2. The section of this Act enacting section 422.7, new
10 25 subsections 39A and 39B.

10 26 3. The section of this Act amending section 422.9.

10 27 4. The section of this Act enacting section 422.35, new
10 28 subsections 19A and 19B.

10 29 Sec. 25. RETROACTIVE APPLICABILITY. The following
10 30 provision or provisions of this division of this Act apply
10 31 retroactively to January 1, 2009, for tax years beginning on or
10 32 after that date, and before January 1, 2010:

10 33 1. The section of this Act amending section 422.7,
10 34 subsection 53.

10 35 2. The section of this Act amending section 422.35,
11 1 subsection 24.

11 2 DIVISION IV
11 3 STATE PUBLIC DEFENDER TRANSFER
11 4 Sec. 26. TRANSFER AUTHORIZATION — STATE PUBLIC DEFENDER.

11 5 1. Notwithstanding section 8.39, subsection 2, while
11 6 the general assembly is in regular session, the director
11 7 of the department of management, with the approval of the
11 8 governor, may make an interdepartmental transfer from any
11 9 other department, institution, or agency of the state having
11 10 an appropriation in excess of its needs, of sufficient funds
11 11 to supplement the following appropriations made to the office
11 12 of the public defender of the department of inspections and
11 13 appeals, in order to meet the obligations incurred under the
11 14 appropriations:

11 15 a. For the office of the state public defender, in 2010 Iowa
11 16 Acts, chapter 1190, section 10, subsection 1.

Division III, relating to Bonus Depreciation, is effective on enactment.

Certain provisions of Division III, relating to Bonus Depreciation, apply retroactively to tax years beginning on or after January 1, 2008 (tax year 2008 forward).

Certain provisions of Division III, relating to Section 179 expensing (depreciation), apply retroactively to tax years beginning January 1, 2009, but before January 1, 2010 (tax year 2009 only).

Division IV provides the Governor with specific authority to transfer funds to the Office of the State Public Defender for payment of court-appointed attorneys for indigent defense. These provisions are effective on enactment.

FISCAL IMPACT: Approximately \$18.6 million would be required to transfer from existing General Fund appropriations across State government to fund the State Public Defender's Office and payments from the Indigent Defense Fund.

VETOED: The Governor vetoed this Division and stated the Iowa Constitution provides a clear method for the appropriations of State

11 17 b. For the fees of court-appointed attorneys for indigent
11 18 adults and juveniles, in accordance with section 232.141 and
11 19 chapter 815, in 2010 Iowa Acts, chapter 1190, section 10,
11 20 subsection 2.

11 21 2. A transfer made under this section is subject to the
11 22 notice and reporting requirements applicable to transfers
11 23 made under section 8.39. However, the chairpersons' review
11 24 and comment period under section 8.39, subsection 3, is not
11 25 applicable.

11 26 Sec. 27. EFFECTIVE UPON ENACTMENT. This division of this
11 27 Act, being deemed of immediate importance, takes effect upon
11 28 enactment.

funds.

NOTE: Senate File 209 (Tax Changes and Supplemental Appropriations Act) provides an FY 2011 General Fund supplemental appropriation of \$18.6 million for the State Public Defender's Office and payments from the Indigent Defense Fund.