

REVENUE DEPARTMENT[701]

Adopted and Filed

Pursuant to the authority of Iowa Code sections 421.14 and 422.68, the Department of Revenue hereby adopts amendments to Chapter 38, "Administration," Chapter 40, "Determination of Net Income," Chapter 41, "Determination of Taxable Income," Chapter 42, "Adjustments to Computed Tax and Tax Credits," Chapter 44, "Penalty and Interest," Chapter 52, "Filing Returns, Payment of Tax, Penalty and Interest, and Tax Credits," Chapter 53, "Determination of Net Income," and Chapter 59, "Determination of Net Income," Iowa Administrative Code.

Notice of Intended Action was published in IAB Vol. XXXIV, No. 5, p. 361, on September 7, 2011, as **ARC 9740B**.

Item 1 amends subrule 38.19(2) to clarify that applications are no longer mailed by the Department when notifying taxpayers that they may be eligible for health care coverage for the Medicaid or HAWK-I program.

Item 2 amends rule 701—40.1(422) to reference new rules 701—40.76(422) through 701—40.79(422).

Items 3 and 4 amend rule 701—40.60(422) by adding new subrule 40.60(5) and amending the implementation clause to provide that bonus depreciation provided in Section 168(k) of the Internal Revenue Code for assets acquired after December 31, 2009, but before January 1, 2013, does not apply for Iowa individual income tax.

Item 5 amends rule 701—40.65(422) to provide that the increase in the expensing allowance provided in Section 179(b) of the Internal Revenue Code does apply for Iowa individual income tax for tax years beginning on or after January 1, 2010.

Item 6 amends the implementation clause for rule 701—40.65(422).

Item 7 amends rule 701—40.67(422) to update the alternative motor vehicles which qualify for the deduction up to \$2,000 for Iowa individual income tax.

Item 8 amends rule 701—40.73(422) to clarify that the exclusion from Iowa individual income tax for health care benefits of nonqualified tax dependents is the same as allowed for federal income tax purposes for tax years beginning on or after January 1, 2011.

Item 9 amends 701—Chapter 40 by adding new rules 701—40.78(422) regarding allowance of certain deductions for Iowa individual income tax for the 2008 tax year and 701—40.79(422) regarding special filing provisions related to 2010 tax changes for Iowa individual income tax.

Item 10 amends subrule 41.5(2) to provide that the itemized deduction for state sales and use tax in lieu of state income tax is available for tax years beginning on or after January 1, 2010, but before January 1, 2012.

Item 11 amends the implementation clause for rule 701—41.5(422).

Item 12 amends rule 701—42.4(422) to provide clarification on how the tuition and textbook credit for Iowa individual income tax should be allocated between spouses.

Item 13 amends subrule 42.11(3) to provide for the alternative simplified method to compute the Iowa research activities credit for individual income tax for tax years beginning on or after January 1, 2010.

Item 14 amends the implementation clause for rule 701—42.11(15,422).

Item 15 rescinds and reserves rule 701—44.5(422). This rule has been superseded by the change in Item 9 which now allows a deduction for disaster-related casualty losses for the 2008 tax year consistent with Section 165(h) of the Internal Revenue Code.

Items 16, 17 and 18 amend subrules 52.7(3), 52.7(5) and 52.7(6) to provide for the alternative simplified method to compute the Iowa research activities credit for corporation income tax for tax years beginning on or after January 1, 2010.

Item 19 amends the implementation clause for rule 701—52.7(422).

Item 20 amends rule 701—53.1(422) to reference new rule 701—53.26(422).

Items 21 and 22 amend rule 701—53.22(422) by adding new subrule 53.22(5) and amending the implementation clause to provide that bonus depreciation provided in Section 168(k) of the Internal Revenue Code for assets acquired after December 31, 2009, but before January 1, 2013, does not apply for Iowa corporation income tax. This change is similar to the change in Items 3 and 4.

Item 23 amends rule 701—53.23(422), introductory paragraph, to provide that the increase in the expensing allowance provided in Section 179(b) of the Internal Revenue Code does apply for Iowa corporation income tax for tax years beginning on or after January 1, 2010. This change is similar to the change in Item 5.

Items 24 and 25 amend rule 701—53.23(422) by adding new subrule 53.23(3) and amending the implementation clause to provide for special filing provisions for Iowa corporation income tax for 2010 changes related to the increase in the Section 179 expensing amount.

Items 26 and 27 amend rule 701—59.23(422) by adding new subrule 59.23(5) and amending the implementation clause to provide that bonus depreciation provided in Section 168(k) of the Internal Revenue Code for assets acquired after December 31, 2009, but before January 1, 2013, does not apply for Iowa franchise tax. This change is similar to the change in Items 3 and 4 and Items 21 and 22.

Item 28 amends rule 701—59.24(422), introductory paragraph, to provide that the increase in the expensing allowance provided in Section 179(b) of the Internal Revenue Code does apply for Iowa franchise tax for tax years beginning on or after January 1, 2010. This change is similar to the change in Items 5 and 23.

Items 29 and 30 amend rule 701—59.24(422) by adding new subrule 59.24(3) and amending the implementation clause for rule 701—59.24(422) to provide for special filing provisions for Iowa franchise tax for 2010 changes related to the increase in the Section 179 expensing amount. This change is similar to the change in Items 24 and 25.

These amendments are identical to those published under Notice of Intended Action.

After analysis and review of this rule making, no impact on jobs has been found.

These amendments will become effective December 7, 2011, after filing with the Administrative Rules Coordinator and publication in the Iowa Administrative Bulletin.

These amendments are intended to implement Iowa Code sections 15.335, 15A.9, 422.3, 422.5, 422.7, 422.9, 422.10, 422.32, 422.33 and 422.35 as amended by 2011 Iowa Acts, Senate File 512, and sections 422.7 and 422.9 as amended by 2011 Iowa Acts, Senate File 533.

EDITOR'S NOTE: Pursuant to recommendation of the Administrative Rules Review Committee published in the Iowa Administrative Bulletin, September 10, 1986, the text of these amendments [amendments to Chs 38, 40 to 42, 44, 52, 53, 59] is being omitted. These amendments are identical to those published under Notice as **ARC 9740B**, IAB 9/7/11.

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[For replacement pages for IAC, see IAC Supplement 11/2/11.]