

CHAPTER 139**INTERNAL REVENUE CODE REFERENCES AND
INCOME TAX REVISIONS — DECOUPLING OF
STATE AND FEDERAL BONUS DEPRECIATION ALLOWANCES**

S.F. 442

AN ACT updating the Iowa Code references to the Internal Revenue Code, providing for decoupling with the Internal Revenue Code for a certain bonus depreciation provision, and providing retroactive applicability dates and an effective date.

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

Section 1. Section 15.335, subsection 4, Code 2003, is amended to read as follows:

4. For purposes of this section, “base amount”, “basic research payment”, and “qualified research expense” mean the same as defined for the federal credit for increasing research activities under section 41 of the Internal Revenue Code, except that for the alternative incremental credit such amounts are for research conducted within this state.

PARAGRAPH DIVIDED. For purposes of this section, “Internal Revenue Code” means the Internal Revenue Code in effect on January 1, ~~2002~~ 2003.

Sec. 2. Section 15A.9, subsection 8, paragraph e, Code 2003, is amended to read as follows:

e. For the purposes of this subsection, “base amount”, “basic research payment”, and “qualified research expense” mean the same as defined for the federal credit for increasing research activities under section 41 of the Internal Revenue Code, except that for the alternative incremental credit such amounts are for research conducted within this state within the zone.

PARAGRAPH DIVIDED. For purposes of this subsection, “Internal Revenue Code” means the Internal Revenue Code in effect on January 1, ~~2002~~ 2003.

Sec. 3. Section 422.3, subsection 5, Code 2003, is amended to read as follows:

5. “Internal Revenue Code” means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended to and including January ~~31, 2002~~ 1, 2003, whichever is applicable.

Sec. 4. Section 422.5, subsection 1, paragraph k, subparagraph (1), Code 2003, is amended to read as follows:

(1) Add items of tax preference included in federal alternative minimum taxable income under section 57, except subsections (a)(1), (a)(2), and (a)(5), of the Internal Revenue Code, make the adjustments included in federal alternative minimum taxable income under section 56, except subsections (a)(4), (b)(1)(C)(iii), and (d), of the Internal Revenue Code, and add losses as required by section 58 of the Internal Revenue Code. To the extent that any preference or adjustment is determined by an individual’s federal adjusted gross income, the individual’s federal adjusted gross income is computed in accordance with section 422.7, subsection 39. In the case of an estate or trust, the items of tax preference, adjustments, and losses shall be apportioned between the estate or trust and the beneficiaries in accordance with rules prescribed by the director.

Sec. 5. Section 422.7, Code 2003, is amended by adding the following new subsection:

NEW SUBSECTION. 39. The additional first-year depreciation allowance authorized in section 168(k) of the Internal Revenue Code, as enacted by Pub. L. No. 107-147, section 101, does not apply in computing net income for state tax purposes. If the taxpayer has taken such deduction in computing federal adjusted gross income, the following adjustments shall be made:

- a. Add the total amount of depreciation taken on all property for which the election under section 168(k) of the Internal Revenue Code was made for the tax year.
- b. Subtract an amount equal to depreciation taken on such property for the tax year using the modified accelerated cost recovery system depreciation method applicable under section 168 of the Internal Revenue Code without regard to section 168(k).
- c. Any other adjustments to gains or losses to reflect the adjustments made in paragraphs "a" and "b" pursuant to rules adopted by the director.

Sec. 6. Section 422.9, subsection 2, Code 2003, is amended by adding the following new paragraph:

NEW PARAGRAPH. j. For purposes of calculating the deductions in this subsection that are authorized under the Internal Revenue Code, and to the extent that any of such deductions is determined by an individual's federal adjusted gross income, the individual's federal adjusted gross income is computed in accordance with section 422.7, subsection 39.

Sec. 7. Section 422.10, subsection 3, Code 2003, is amended to read as follows:

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

PARAGRAPH DIVIDED. For purposes of this section, "Internal Revenue Code" means the Internal Revenue Code in effect on January 1, ~~2002~~ 2003.

Sec. 8. Section 422.32, Code 2003, is amended by adding the following new subsection:

NEW SUBSECTION. 6A. "Internal Revenue Code" means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended to and including January 1, 2003, whichever is applicable.

Sec. 9. Section 422.33, subsection 5, paragraph d, Code 2003, is amended to read as follows:

d. For purposes of this subsection, "base amount", "basic research payment", and "qualified research expense" mean the same as defined for the federal credit for increasing research activities under section 41 of the Internal Revenue Code, except that for the alternative incremental credit such amounts are for research conducted within this state.

PARAGRAPH DIVIDED. For purposes of this subsection, "Internal Revenue Code" means the Internal Revenue Code in effect on January 1, ~~2002~~ 2003.

Sec. 10. Section 422.35, Code 2003, is amended by adding the following new subsection:

NEW SUBSECTION. 19. The additional first-year depreciation allowance authorized in section 168(k) of the Internal Revenue Code, as enacted by Pub. L. No. 107-147, section 101, does not apply in computing net income for state tax purposes. If the taxpayer has taken such deduction in computing taxable income, the following adjustments shall be made:

- a. Add the total amount of depreciation taken on all property for which the election under section 168(k) of the Internal Revenue Code was made for the tax year.
- b. Subtract an amount equal to depreciation taken on such property for the tax year using the modified accelerated cost recovery system depreciation method applicable under section 168 of the Internal Revenue Code without regard to section 168(k).
- c. Any other adjustments to gains or losses to reflect the adjustments made in paragraphs "a" and "b" pursuant to rules adopted by the director.

Sec. 11. RETROACTIVE APPLICABILITY.

1. Sections 1 through 3 and sections 7 through 9 apply retroactively to January 1, 2002, for tax years beginning on or after that date.

2. Sections 4, 5, 6, and 10 apply retroactively to tax years ending on or after September 10, 2001.

Sec. 12. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

Approved May 21, 2003

CHAPTER 140

WORKERS' COMPENSATION — MISCELLANEOUS CHANGES

H.F. 225

AN ACT modifying workers' compensation laws and providing an effective date.

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

Section 1. Section 85.28, Code 2003, is amended to read as follows:

85.28 BURIAL EXPENSE.

When death ensues from the injury, the employer shall pay the reasonable expenses of burial of such employee, not to exceed ~~five~~ seven thousand ~~five hundred~~ dollars, which shall be in addition to other compensation or any other benefit provided for in this chapter.

Sec. 2. Section 85.48, Code 2003, is amended to read as follows:

85.48 PARTIAL COMMUTATION.

When partial commutation is ordered, the workers' compensation commissioner shall fix the lump sum to be paid at an amount which will equal the future payments for the period commuted, capitalized at their present value upon the basis of interest at the rate provided in section 535.3 for court judgments and decrees, ~~with provisions.~~ Provisions shall be made for the payment of weekly compensation not included in the commutation, subject to the law applicable to such unpaid weekly payments; with all remaining payments, if any, to be paid at over the same period of time as though the commutation had not been made by either eliminating weekly payments from the first or last part of the payment period or by a pro rata reduction in the weekly benefit amount over the entire payment period.

Sec. 3. Section 85.65A, subsection 5, Code 2003, is amended to read as follows:

5. This section is repealed July 1, ~~2003~~ 2008.

Sec. 4. Section 86.42, Code 2003, is amended to read as follows:

86.42 JUDGMENT BY DISTRICT COURT ON AWARD.

Any party in interest may present a ~~certified~~ file-stamped copy of an order or decision of the commissioner, from which a timely petition for judicial review has not been filed or if judicial review has been filed, which has not had execution or enforcement stayed as provided in section 17A.19, subsection 5, or an order or decision of a deputy commissioner from which a timely appeal has not been taken within the agency and which has become final by the passage of time as provided by rule and section 17A.15, or an agreement for settlement approved by the commissioner, and all papers in connection therewith, to the district court where judicial review of the agency action may be commenced. The court shall render a decree or judgment and cause the clerk to notify the parties. The decree or judgment, in the absence of a petition