

**422.9 Deductions from net income.**

In computing taxable income of individuals, there shall be deducted from net income the larger of the amounts computed under [subsection 1 or 2](#), plus the amount computed under [subsection 2A](#).

1. An optional standard deduction, after deduction of federal income tax, equal to one thousand two hundred thirty dollars for a married person who files separately or a single person or equal to three thousand thirty dollars for a husband and wife who file a joint return, a surviving spouse, or a head of household. The optional standard deduction shall not exceed the amount remaining after deduction of the federal income tax. The amount of federal income tax deducted shall be computed as provided in [subsection 2](#), paragraph “b”.

2. The total of contributions, interest, taxes, medical expense, nonbusiness losses, and miscellaneous expenses deductible for federal income tax purposes under the Internal Revenue Code, with the following adjustments:

a. Subtract the deduction for Iowa income taxes.

b. Add the amount of federal income taxes paid or accrued, as the case may be, during the tax year and subtract any federal income tax refunds received during the tax year. Where married persons, who have filed a joint federal income tax return, file separately, such total shall be divided between them according to the portion of the total paid or accrued, as the case may be, by each. Federal income taxes paid for a tax year in which an Iowa return was not required to be filed shall not be added and federal income tax refunds received from a tax year in which an Iowa return was not required to be filed shall not be subtracted.

c. Add the amount by which expenses paid or incurred in connection with the adoption of a child by the taxpayer exceed three percent of the net income of the taxpayer, or of the taxpayer and spouse in the case of a joint return. The expenses may include medical and hospital expenses of the biological mother which are incident to the child’s birth and are paid by the taxpayer, welfare agency fees, legal fees, and all other fees and costs relating to the adoption of a child if the child is placed by an adoption service provider according to the provisions of [chapter 600](#). If the taxpayer claims an adoption tax credit under [section 422.12A](#), the taxpayer shall recompute for purposes of [this subsection](#) the amount of the deduction by excluding the amount of qualified adoption expenses, as defined in [section 422.12A](#), used in computing the adoption tax credit.

d. Add an additional deduction for mileage incurred by the taxpayer in voluntary work for a charitable organization consisting of the excess of the state employee mileage reimbursement over the amount deductible for federal income tax purposes. The deduction shall be proven by the keeping of a contemporaneous diary by the person throughout the period of the voluntary work in the tax year.

e. Add the amount, not to exceed five thousand dollars, of expenses not otherwise deductible under [this section](#) actually incurred in the home of the taxpayer for the care of a person who is the grandchild, child, parent, or grandparent of the taxpayer or the taxpayer’s spouse and who is unable, by reason of physical or mental disability, to live independently and is receiving, or would be eligible to receive if living in a health care facility licensed under [chapter 135C](#), medical assistance benefits under [chapter 249A](#). In the event that the person being cared for is receiving assistance benefits under [chapter 239B](#), the expenses not otherwise deductible shall be the net difference between the expenses actually incurred in caring for the person and the assistance benefits received under [chapter 239B](#).

f. Add the amount of the mortgage interest credit allowable for the tax year under section 25 of the Internal Revenue Code to the extent the credit decreased the amount of interest deductible under section 163(g) of the Internal Revenue Code.

g. If the taxpayer has a deduction for medical care expenses under section 213 of the Internal Revenue Code, the taxpayer shall recompute for the purposes of [this subsection](#) the amount of the deduction under section 213 by excluding from medical care, as defined in section 213, the amount subtracted under [section 422.7, subsection 29](#).

h. 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, subsections 39, 39A, 39B, 51, 52, and 53](#).

i. The deduction for state sales and use taxes is allowable only if the taxpayer elected to deduct the state sales and use taxes in lieu of state income taxes under section 164 of the Internal Revenue Code. A deduction for state sales and use taxes is not allowed if the taxpayer has taken the deduction for state income taxes or claimed the standard deduction under section 63 of the Internal Revenue Code. This paragraph applies to taxable years beginning after December 31, 2018.

j. Subtract charitable contributions under section 170 of the Internal Revenue Code to the extent such contribution was made to an organization for the purpose of deposit in the Iowa education savings plan trust established in [chapter 12D](#), and the taxpayer designated that any part of the contribution be used for the direct benefit of any dependent of the taxpayer or any other single beneficiary designated by the taxpayer.

k. Subtract interest, taxes, and other miscellaneous expenses deductible for federal income tax purposes to the extent such amounts are eligible home costs in connection with a qualified home purchase that were paid or reimbursed from funds in a first-time homebuyer savings account. For purposes of this paragraph, “eligible home costs”, “first-time homebuyer savings account”, and “qualified home purchase” mean the same as defined in [section 541B.2](#).

l. The limitation on the deduction of certain taxes in section 164(b)(6) of the Internal Revenue Code does not apply in computing taxable income for state tax purposes. A taxpayer is allowed to deduct taxes in computing taxable income as otherwise provided in [this subsection](#) without regard to section 164(b)(6), as enacted by Pub. L. No. 115-97, §11042.

2A. a. The following percentage of the qualified business income deduction under section 199A of the Internal Revenue Code taken in calculating federal taxable income for the applicable tax year:

(1) For tax years beginning on or after January 1, 2019, but before January 1, 2021, twenty-five percent.

(2) For tax years beginning during the 2021 calendar year, fifty percent.

(3) For tax years beginning on or after January 1, 2022, seventy-five percent.

b. Notwithstanding paragraph “a”, and [section 422.4, subsection 16](#), paragraph “e”, for an entity electing or required to file a composite return under [section 422.13, subsection 5](#), the deduction allowed under [this subsection](#) for purposes of the composite return shall be an amount equal to the applicable percentage described in paragraph “a” of the deduction that would be allowable for federal income tax purposes under section 199A of the Internal Revenue Code by an individual taxpayer reporting the same items of income and loss that are included in the composite return.

3. If, after applying all of the adjustments provided for in [section 422.7](#), the allocation provisions of [section 422.8](#), and the deductions allowable in [this section](#) subject to the modifications provided in section 172(d) of the Internal Revenue Code, the taxable income results in a net operating loss, the net operating loss shall be deducted as follows:

a. The Iowa net operating loss shall be carried back three taxable years for an individual taxpayer with a casualty or theft property loss or for a net operating loss in a presidentially declared disaster area incurred by a taxpayer engaged in a small business or in the trade or business of farming. For all other Iowa net operating losses, the net operating loss shall be carried back two taxable years or to the taxable year in which the taxpayer first earned income in Iowa whichever year is the later.

b. The Iowa net operating loss remaining after being carried back as required in paragraph “a” or “d” or if not required to be carried back shall be carried forward twenty taxable years.

c. If the election under section 172(b)(3) of the Internal Revenue Code is made, the Iowa net operating loss shall be carried forward twenty taxable years.

d. Notwithstanding paragraph “a”, for a taxpayer who is engaged in the trade or business of farming as defined in section 263A(e)(4) of the Internal Revenue Code and has a loss from farming as defined in section 172(b)(1)(B) of the Internal Revenue Code including modifications prescribed by rule by the director, the Iowa loss from the trade or business of farming is a net operating loss which may be carried back five taxable years prior to the taxable year of the loss.

4. Where married persons file separately, both must use the optional standard deduction

if either elects to use it, and both must claim itemized deductions if either elects to claim itemized deductions.

5. A taxpayer affected by [section 422.8](#) shall be permitted to deduct only such portion of the total referred to in [subsections 2 and 2A](#) as is fairly and equitably allocable to Iowa under the rules prescribed by the director.

[C35, §6943-f9; C39, **§6943.041**; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.9; 82 Acts, ch 1023, §9, 10, 30, 32, ch 1192, §1, 2, ch 1226, §4, 6]

83 Acts, ch 179, §7, 22; 84 Acts, ch 1305, §31; 87 Acts, ch 233, §493; 87 Acts, 2nd Ex, ch 1, §7 – 9; 88 Acts, ch 1028, §17 – 20; 89 Acts, ch 268, §5; 91 Acts, ch 159, §9; 91 Acts, ch 210, §2; 92 Acts, ch 1222, §4, 6; 94 Acts, ch 1046, §9; 94 Acts, ch 1166, §4 – 6, 12; 95 Acts, ch 5, §2, 14; 96 Acts, ch 1168, §1, 3; 97 Acts, ch 41, §32; 97 Acts, ch 135, §5, 9; 98 Acts, ch 1078, §5, 12; 99 Acts, ch 95, §5, 6, 12, 13; 99 Acts, ch 114, §25; 2001 Acts, ch 132, §22, 24; 2001 Acts, 1st Ex, ch 3, §1, 2; 2002 Acts, ch 1069, §6, 13, 14; 2003 Acts, ch 139, §6, 11, 12; 2003 Acts, ch 142, §7, 11; 2005 Acts, ch 24, §5, 10, 11; 2005 Acts, ch 140, §37 – 39, 73; 2006 Acts, ch 1158, §13; 2008 Acts, ch 1027, §1, 3; 2009 Acts, ch 60, §4, 17; 2011 Acts, ch 41, §3, 5, 20, 23, 24; 2011 Acts, ch 131, §144, 146; 2013 Acts, ch 1, §3, 7, 8; 2013 Acts, ch 70, §3, 9; 2014 Acts, ch 1113, §2, 3; 2015 Acts, ch 1, §3, 7, 8; 2016 Acts, ch 1107, §3, 5, 6; 2017 Acts, ch 113, §1; 2017 Acts, ch 116, §2, 10; 2018 Acts, ch 1161, §59, 65, 67, 78 – 84, 97, 98

Referred to in [§422.4](#), [422.5](#), [422.7\(21\)\(d\)](#), [422.16](#), [422.21](#), [541B.6](#)

For future amendment to this section, effective on or after January 1, 2023, and contingent upon the meeting of certain net general fund revenue criteria, see 2018 Acts, ch 1161, §120, 133, 134

2014 amendment to subsection 2, paragraph c, applies retroactively to January 1, 2014, for tax years beginning on or after that date; 2014 Acts, ch 1113, §3

2015 amendment to subsection 2, paragraph i, takes effect February 17, 2015, and applies retroactively to January 1, 2014, for tax years beginning on or after that date; 2015 Acts, ch 1, §7, 8

For provisions relating to the deduction of state sales and use taxes for tax years beginning during the 2015 calendar year, see 2016 Acts, ch 1007, §2, 4, 5

For provisions relating to the determination of federal adjusted gross income for purposes of calculating deductions in light of the disallowance of additional first-year depreciation under §168(k) of the Internal Revenue Code for tax years beginning during the 2015 calendar year, see 2016 Acts, ch 1007, §3 – 5; 2017 Acts, ch 157, §11 – 13

Subsection 2, paragraph j, takes effect May 25, 2016, and applies retroactively to January 1, 2016, for tax years beginning on or after that date; 2016 Acts, ch 1107, §5, 6

Subsection 2, paragraph k, applies to tax years beginning on or after January 1, 2018; 2017 Acts, ch 116, §10

2018 amendment to unnumbered paragraph 1 effective January 1, 2019, and applies to tax years beginning on or after that date; 2018 Acts, ch 1161, §97, 98

2018 amendment to subsection 2, paragraph h, applies retroactively to January 1, 2018, for tax years beginning on or after that date; 2018 Acts, ch 1161, §65, 67

2018 amendment to subsection 2, paragraph i, effective January 1, 2019, and applies to tax years beginning on or after that date; 2018 Acts, ch 1161, §97, 98

Subsection 2, paragraph l, effective January 1, 2019, and applies to tax years beginning on or after that date; 2018 Acts, ch 1161, §97, 98

Subsection 2A effective January 1, 2019, and applies to tax years beginning on or after that date; 2018 Acts, ch 1161, §97, 98

2018 amendment to subsection 3, paragraph d, effective January 1, 2019, and applies to tax years beginning on or after that date; 2018 Acts, ch 1161, §97, 98

2018 amendment to subsection 5 and strike of subsections 6 and 7 effective January 1, 2019, and apply to tax years beginning on or after that date; 2018 Acts, ch 1161, §97, 98

Deduction of sales and use tax in lieu of deduction for state and local income taxes in computing taxable income for tax years beginning during the 2018 calendar year for persons who itemize deductions; 2018 Acts, ch 1161, §61, 66

Teacher expense deduction for tax years beginning during the 2018 calendar year; 2018 Acts, ch 1161, §64, 66

Unnumbered paragraph 1 amended

Subsection 2, paragraph h amended

Subsection 2, paragraph i amended

Subsection 2, NEW paragraph 1

NEW subsection 2A

Subsection 3, paragraph d amended

Subsection 5 amended

Subsections 6 and 7 stricken