

Senate File 512

H-1506

1 Amend Senate File 512, as passed by the Senate, as
2 follows:

3 1. By striking everything after the enacting clause
4 and inserting:

5 <DIVISION I

6 INTERNAL REVENUE CODE REFERENCES

7 Section 1. Section 422.3, subsection 5, Code 2011,
8 is amended to read as follows:

9 5. "*Internal Revenue Code*" means the Internal
10 Revenue Code of 1954, prior to the date of its
11 redesignation as the Internal Revenue Code of 1986
12 by the Tax Reform Act of 1986, or means the Internal
13 Revenue Code of 1986 as amended to and including
14 January 1, ~~2008~~ 2011.

15 Sec. 2. Section 422.7, subsection 29A, Code 2011,
16 is amended by striking the subsection.

17 Sec. 3. Section 422.9, subsection 2, paragraph i,
18 Code 2011, is amended to read as follows:

19 *i.* The deduction for state sales and use taxes
20 is allowable only if the taxpayer elected to deduct
21 the state sales and use taxes in lieu of state income
22 taxes under section 164 of the Internal Revenue Code.
23 A deduction for state sales and use taxes is not
24 allowed if the taxpayer has taken the deduction for
25 state income taxes or claimed the standard deduction
26 under section 63 of the Internal Revenue Code. This
27 paragraph applies to taxable years beginning after
28 December 31, 2003, and before January 1, ~~2006~~ 2008, and
29 to taxable years beginning after December 31, 2009, and
30 before January 1, 2012.

31 Sec. 4. Section 422.32, subsection 7, Code 2011, is
32 amended to read as follows:

33 7. "*Internal Revenue Code*" means the Internal
34 Revenue Code of 1954, prior to the date of its
35 redesignation as the Internal Revenue Code of 1986
36 by the Tax Reform Act of 1986, or means the Internal
37 Revenue Code of 1986 as amended to and including
38 January 1, ~~2008~~ 2011.

39 Sec. 5. EFFECTIVE UPON ENACTMENT. This division of
40 this Act, being deemed of immediate importance, takes
41 effect upon enactment.

42 Sec. 6. RETROACTIVE APPLICABILITY. The following
43 provision or provisions of this division of this Act
44 apply retroactively to January 1, 2010, for tax years
45 beginning on or after that date:

46 1. The section of this Act amending section 422.3.

47 2. The section of this Act amending section 422.32.

48 Sec. 7. RETROACTIVE APPLICABILITY. The following
49 provision or provisions of this division of this Act
50 apply retroactively to January 1, 2011, for tax years

1 beginning on or after that date:

2 1. The section of this Act amending section 422.7,
3 subsection 29A.

4 DIVISION IV

5 RESEARCH ACTIVITIES CREDIT

6 Sec. 8. Section 15.335, subsection 4, Code 2011, is
7 amended to read as follows:

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

19 *b.* For purposes of the alternate credit computation
20 method in paragraph "a", the credit percentages
21 applicable to qualified research expenses described in
22 clauses ~~(i), (ii), and (iii)~~ of section ~~41(c)(4)(A)~~
23 41(c)(5)(A) and clause ~~(ii)~~ of section ~~41(c)(5)(B)~~ of
24 the Internal Revenue Code are as follows:

25 (1) In the case of an eligible business whose gross
26 revenues do not exceed twenty million dollars per
27 year, the credit percentages are ~~two and fifty-four~~
28 ~~hundredths percent, three and thirty-eight hundredths~~
29 ~~percent, and four and twenty-three hundredths~~ seven
30 percent and three percent, respectively.

31 (2) In the case of an eligible business whose
32 gross revenues exceed twenty million dollars per year,
33 the credit percentages are ~~seventy-six hundredths~~
34 ~~percent, one and two hundredths percent, and one and~~
35 ~~twenty-seven hundredths~~ two and one-tenth percent and
36 nine-tenths percent, respectively.

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

39 7. *a.* For purposes of this section, "*base amount*",
40 "*basic research payment*", and "*qualified research*
41 *expense*" mean the same as defined for the federal
42 credit for increasing research activities under section
43 41 of the Internal Revenue Code, except that for the
44 alternative ~~incremental~~ simplified credit such amounts
45 are for research conducted within this state.

46 *b.* For purposes of this section, "*Internal Revenue*
47 *Code*" means the Internal Revenue Code in effect on
48 January 1, ~~2009~~ 2011.

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

1 **b.** In lieu of the credit amount computed in
2 paragraph "a", subparagraph (1), subparagraph division
3 (a), a business may elect to compute the credit amount
4 for qualified research expenses incurred in this
5 state within the zone in a manner consistent with the
6 alternative ~~incremental~~ simplified credit described in
7 section ~~41(e)(4)~~ 41(c)(5) of the Internal Revenue Code.
8 The taxpayer may make this election regardless of the
9 method used for the taxpayer's federal income tax. The
10 election made under this paragraph is for the tax year
11 and the taxpayer may use another or the same method for
12 any subsequent year.

13 **c.** For purposes of the alternate credit computation
14 method in paragraph "b", the credit percentages
15 applicable to qualified research expenses described in
16 clauses ~~(i), (ii), and (iii)~~ of section ~~41(e)(4)(A)~~
17 ~~41(c)(5)(A) and clause (ii) of section 41(c)(5)(B)~~
18 of the Internal Revenue Code are ~~three and thirty~~
19 ~~hundredths percent, four and forty hundredths percent,~~
20 ~~and five and fifty hundredths percent, respectively as~~
21 follows:

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

26 (2) In the case of an eligible business whose gross
27 revenues exceed twenty million dollars per year, the
28 credit percentages are two and one-tenths percent and
29 nine-tenths percent, respectively.

30 **e.** (1) For the purposes of this subsection,
31 "base amount", "basic research payment", and "qualified
32 research expense" mean the same as defined for the
33 federal credit for increasing research activities under
34 section 41 of the Internal Revenue Code, except that
35 for the alternative ~~incremental~~ simplified credit such
36 amounts are for research conducted within this state
37 within the zone.

38 (2) For purposes of this subsection, "Internal
39 Revenue Code" means the Internal Revenue Code in effect
40 on January 1, ~~2009~~ 2011.

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

43 **b.** In lieu of the credit amount computed in
44 paragraph "a", subparagraph (1), subparagraph division
45 (a), a taxpayer may elect to compute the credit amount
46 for qualified research expenses incurred in this state
47 in a manner consistent with the alternative ~~incremental~~
48 simplified credit described in section ~~41(e)(4)~~
49 41(c)(5) of the Internal Revenue Code. The taxpayer
50 may make this election regardless of the method used

1 for the taxpayer's federal income tax. The election
2 made under this paragraph is for the tax year and the
3 taxpayer may use another or the same method for any
4 subsequent year.

5 c. For purposes of the alternate credit computation
6 method in paragraph "b", the credit percentages
7 applicable to qualified research expenses described in
8 ~~clauses (i), (ii), and (iii) of section 41(c)(4)(A)~~
9 ~~41(c)(5)(A) and clause (ii) of section 41(c)(5)(B)~~
10 ~~of the Internal Revenue Code are one and sixty-five~~
11 ~~hundredths percent, two and twenty hundredths percent,~~
12 ~~and two and seventy-five hundredths~~ four and fifty-five
13 hundredths percent and one and ninety-five hundredths
14 percent, respectively.

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

17 3. a. For purposes of this section, "base amount",
18 "basic research payment", and "qualified research
19 expense" mean the same as defined for the federal
20 credit for increasing research activities under section
21 41 of the Internal Revenue Code, except that for the
22 alternative ~~incremental~~ simplified credit such amounts
23 are for research conducted within this state.

24 b. For purposes of this section, "Internal Revenue
25 Code" means the Internal Revenue Code in effect on
26 January 1, ~~2009~~ 2011.

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

29 b. In lieu of the credit amount computed in
30 paragraph "a", subparagraph (1), a corporation may
31 elect to compute the credit amount for qualified
32 research expenses incurred in this state in a manner
33 consistent with the alternative ~~incremental~~ simplified
34 credit described in section ~~41(e)(4)~~ 41(c)(5) of
35 the Internal Revenue Code. The taxpayer may make
36 this election regardless of the method used for the
37 taxpayer's federal income tax. The election made under
38 this paragraph is for the tax year and the taxpayer may
39 use another or the same method for any subsequent year.

40 c. For purposes of the alternate credit computation
41 method in paragraph "b", the credit percentages
42 applicable to qualified research expenses described in
43 ~~clauses (i), (ii), and (iii) of section 41(c)(4)(A)~~
44 ~~41(c)(5)(A) and clause (ii) of section 41(c)(5)(B)~~
45 ~~of the Internal Revenue Code are one and sixty-five~~
46 ~~hundredths percent, two and twenty hundredths percent,~~
47 ~~and two and seventy-five hundredths~~ four and fifty-five
48 hundredths percent and one and ninety-five hundredths
49 percent, respectively.

50 d. (1) For purposes of this subsection, "base

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

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

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

17 1. The section of this Act amending section 15.335,
18 subsection 4.

19 2. The section of this Act amending section 15A.9.

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

24 1. The section of this Act amending section 15.335,
25 subsection 7.

26 2. The section of this Act amending section 422.10,
27 subsection 1.

28 3. The section of this Act amending section 422.10,
29 subsection 3.

30 4. The section of this Act amending section 422.33.

31 DIVISION III

32 BONUS DEPRECIATION

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

36 (1) Add items of tax preference included in federal
37 alternative minimum taxable income under section 57,
38 except subsections (a)(1), (a)(2), and (a)(5), of the
39 Internal Revenue Code, make the adjustments included
40 in federal alternative minimum taxable income under
41 section 56, except subsections (a)(4), (b)(1)(C)(iii),
42 and (d), of the Internal Revenue Code, and add losses
43 as required by section 58 of the Internal Revenue
44 Code. To the extent that any preference or adjustment
45 is determined by an individual's federal adjusted
46 gross income, the individual's federal adjusted
47 gross income is computed in accordance with section
48 422.7, ~~subsection~~ subsections 39, 39A, 39B, and
49 53. In the case of an estate or trust, the items
50 of tax preference, adjustments, and losses shall

1 be apportioned between the estate or trust and the
2 beneficiaries in accordance with rules prescribed by
3 the director.

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

6 NEW SUBSECTION. 39A. The additional first-year
7 depreciation allowance authorized in section 168(k)
8 of the Internal Revenue Code, as enacted by Pub. L.
9 No. 110-185, section 103, Pub. L. No. 111-5, section
10 1201, Pub. L. No. 111-240, section 2022, and Pub. L.
11 No. 111-312, section 401, does not apply in computing
12 net income for state tax purposes. If the taxpayer has
13 taken the additional first-year depreciation allowance
14 for purposes of computing federal adjusted gross
15 income, then the taxpayer shall make the following
16 adjustments to federal adjusted gross income when
17 computing net income for state tax purposes:

18 a. Add the total amount of depreciation taken under
19 section 168(k) of the Internal Revenue Code for the tax
20 year.

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

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

29 NEW SUBSECTION. 39B. The additional first-year
30 depreciation allowance authorized in section 168(n) of
31 the Internal Revenue Code, as enacted by Pub. L. No.
32 110-343, section 710, does not apply in computing net
33 income for state tax purposes. If the taxpayer has
34 taken the additional first-year depreciation allowance
35 for purposes of computing federal adjusted gross
36 income, then the taxpayer shall make the following
37 adjustments to federal adjusted gross income when
38 computing net income for state tax purposes:

39 a. Add the total amount of depreciation taken under
40 section 168(n) of the Internal Revenue Code for the tax
41 year.

42 b. Subtract the amount of depreciation allowable
43 under the modified accelerated cost recovery system
44 described in section 168 of the Internal Revenue Code
45 and calculated without regard to section 168(n).

46 c. Any other adjustments to gains or losses
47 necessary to reflect the adjustments made in paragraphs
48 "a" and "b". The director shall adopt rules for the
49 administration of this paragraph.

50 Sec. 19. Section 422.7, subsection 53, Code 2011,

1 is amended to read as follows:

2 53. A taxpayer is not allowed to take the increased
3 expensing allowance under section 179 of the Internal
4 Revenue Code, as amended by Pub. L. No. ~~110-185~~ 111-5,
5 section 1202, in computing adjusted gross income for
6 state tax purposes.

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

9 h. For purposes of calculating the deductions
10 in this subsection that are authorized under the
11 Internal Revenue Code, and to the extent that any
12 of such deductions is determined by an individual's
13 federal adjusted gross income, the individual's federal
14 adjusted gross income is computed in accordance with
15 section 422.7, subsection subsections 39, 39A, 39B, and
16 53.

17 Sec. 21. Section 422.35, Code 2011, is amended by
18 adding the following new subsections:

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

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

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

38 c. Any other adjustments to gains or losses
39 necessary to reflect the adjustments made in paragraphs
40 "a" and "b". The director shall adopt rules for the
41 administration of this paragraph.

42 NEW SUBSECTION. 19B. The additional first-year
43 depreciation allowance authorized in section 168(n) of
44 the Internal Revenue Code, as enacted by Pub. L. No.
45 110-343, section 710, does not apply in computing net
46 income for state tax purposes. If the taxpayer has
47 taken the additional first-year depreciation allowance
48 for purposes of computing federal taxable income, then
49 the taxpayer shall make the following adjustments to
50 federal taxable income when computing net income for

1 state tax purposes:

2 a. Add the total amount of depreciation taken under
3 section 168(n) of the Internal Revenue Code for the tax
4 year.

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

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

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

15 24. A taxpayer is not allowed to take the increased
16 expensing allowance under section 179 of the Internal
17 Revenue Code, as amended by Pub. L. No. ~~110-185~~ 111-5,
18 section 1202, in computing taxable income for state tax
19 purposes.

20 Sec. 23. EFFECTIVE UPON ENACTMENT. This division
21 of this Act, being deemed of immediate importance,
22 takes effect upon enactment.

23 Sec. 24. RETROACTIVE APPLICABILITY. The following
24 provision or provisions of this division of this Act
25 apply retroactively to January 1, 2008, for tax years
26 ending on or after that date:

27 1. The section of this Act amending section 422.5.

28 2. The section of this Act enacting section 422.7,
29 new subsections 39A and 39B.

30 3. The section of this Act amending section 422.9.

31 4. The section of this Act enacting section 422.35,
32 new subsections 19A and 19B.

33 Sec. 25. RETROACTIVE APPLICABILITY. The following
34 provision or provisions of this division of this Act
35 apply retroactively to January 1, 2009, for tax years
36 beginning on or after that date, and before January 1,
37 2010:

38 1. The section of this Act amending section 422.7,
39 subsection 53.

40 2. The section of this Act amending section 422.35,
41 subsection 24.

42 DIVISION IV

43 STATE PUBLIC DEFENDER TRANSFER

44 Sec. 26. TRANSFER AUTHORIZATION — STATE PUBLIC
45 DEFENDER.

46 1. Notwithstanding section 8.39, subsection 2,
47 while the general assembly is in regular session, the
48 director of the department of management, with the
49 approval of the governor, may make an interdepartmental
50 transfer from any other department, institution, or

1 agency of the state having an appropriation in excess
2 of its needs, of sufficient funds to supplement the
3 following appropriations made to the office of the
4 public defender of the department of inspections and
5 appeals, in order to meet the obligations incurred
6 under the appropriations:

7 a. For the office of the state public defender, in
8 2010 Iowa Acts, chapter 1190, section 10, subsection 1.

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

13 2. A transfer made under this section is subject
14 to the notice and reporting requirements applicable
15 to transfers made under section 8.39. However, the
16 chairpersons' review and comment period under section
17 8.39, subsection 3, is not applicable.

18 Sec. 27. EFFECTIVE UPON ENACTMENT. This division
19 of this Act, being deemed of immediate importance,
20 takes effect upon enactment.>

21 2. Title page, by striking lines 1 through 3 and
22 inserting <An Act relating to public funding matters by
23 updating the Code references to the Internal Revenue
24 Code and by decoupling from certain federal bonus
25 depreciation provisions, authorizing appropriation
26 transfers, and including effective date and retroactive
27 applicability provisions.>

28 3. By renumbering as necessary.

COMMITTEE ON WAYS AND MEANS
SANDS of Louisa, Chairperson