



THOMAS J. VILSACK
GOVERNOR

OFFICE OF THE GOVERNOR

SALLY J. PEDERSON
LT. GOVERNOR

May 21, 2003

The Honorable Chester Culver
Secretary of State
State Capitol Building
L O C A L

Dear Mr. Secretary:

I hereby transmit:

Senate File 393, an Act relating to the Agricultural Development Authority by providing for its organization and administration.

Senate File 396, an Act providing for the animal unit capacity of fowl for purposes of regulating under the Animal Agriculture Compliance Act, and providing an effective date.

Senate File 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 retroactivity applicability dates and an effective date.

The above Senate Files are hereby approved this date.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Vilsack".

Thomas J. Vilsack
Governor

TJV:jmc

cc: Secretary of the Senate
Chief Clerk of the House





SENATE FILE 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 RETRO-
ACTIVE 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.

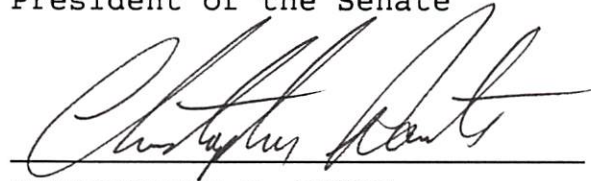
2. Sections 4, 5, 6, and 10 apply retroactively to tax years ending on or after September 10, 2001.

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



MARY E. KRAMER

President of the Senate



CHRISTOPHER C. RANTS

Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 442, Eightieth General Assembly.



MICHAEL E. MARSHALL

Secretary of the Senate

Approved May 21, 2003



THOMAS J. VILLSACK

Governor