

House File 102 - Enrolled

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HOUSE FILE 102

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AN ACT

RELATING TO STATE INCOME TAXES BY AUTHORIZING INDIVIDUALS,
CORPORATIONS, AND FINANCIAL INSTITUTIONS TO ELECT TO TAKE THE
ADDITIONAL FIRST-YEAR DEPRECIATION ALLOWANCE AND THE
INCREASED EXPENSING ALLOWANCE AND TO ALLOW THE ADDITIONAL
FIRST-YEAR DEPRECIATION ALLOWANCE AND THE INCREASED EXPENSING
ALLOWANCE WHICH WERE DEDUCTIBLE FOR A TAX YEAR FOR WHICH A
TAX RETURN WAS FILED PRIOR TO A CERTAIN DATE TO BE DEDUCTED
ON THE RETURN FILED FOR THE SUBSEQUENT TAX YEAR AND
INCLUDING AN EFFECTIVE DATE PROVISION AND A RETROACTIVE
APPLICABILITY DATE PROVISION.

1 15 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 17 Section 1. Section 422.7, subsection 39, paragraph b, Code
1 18 2005, is amended to read as follows:

1 19 b. The A taxpayer may elect to apply the additional first-
1 20 year depreciation allowance authorized in section 168(k)(4) of
1 21 the Internal Revenue Code, as enacted by Pub. L. No. 108-27,
1 22 shall apply in computing net income for state tax purposes,
1 23 for qualified property acquired after May 5, 2003, and before
1 24 January 1, 2005. If the taxpayer elects to take the
1 25 additional first-year depreciation allowance authorized in
1 26 section 168(k)(4) of the Internal Revenue Code for state tax
1 27 purposes, the deduction may be taken on amended state tax
1 28 returns, if necessary. If the taxpayer does not elect to take
1 29 the additional first-year depreciation allowance authorized in
1 30 section 168(k)(4) of the Internal Revenue Code for state tax
1 31 purposes, the following adjustment shall be made:

1 32 (1) Add the total amount of depreciation taken on all
1 33 property for which the election under section 168(k)(4) of the
1 34 Internal Revenue Code was made for the tax year.

1 35 (2) Subtract an amount equal to depreciation allowed on
2 1 such property for the tax year using the modified accelerated
2 2 cost recovery system depreciation method applicable under
2 3 section 168 of the Internal Revenue Code without regard to
2 4 section 168(k)(4).

2 5 (3) Any other adjustments to gains or losses to reflect
2 6 the adjustments made in subparagraphs (1) and (2) pursuant to
2 7 rules adopted by the director.

2 8 Sec. 2. Section 422.7, Code 2005, is amended by adding the
2 9 following new subsection:

2 10 NEW SUBSECTION. 44. A taxpayer may elect not to take the
2 11 increased expensing allowance under section 179 of the
2 12 Internal Revenue Code, as amended by Pub. L. No. 108-27,
2 13 section 202, in computing state tax purposes. If the taxpayer
2 14 does not take the increased expensing allowance under section
2 15 179 of the Internal Revenue Code for state tax purposes, the
2 16 following adjustments shall be made:

2 17 a. Add the total amount of expense deduction taken on
2 18 section 179 property for federal tax purposes under section
2 19 179 of the Internal Revenue Code.

2 20 b. Subtract the amount of expense deduction on section 179
2 21 property allowable for federal tax purposes under section 179
2 22 of the Internal Revenue Code prior to enactment of Pub. L. No.
2 23 108-27, section 202.

2 24 c. Any other adjustments to gains and losses to the
2 25 adjustments made in paragraphs "a" and "b" pursuant to rules
2 26 adopted by the director.

2 27 Sec. 3. Section 422.35, subsection 19, paragraph b, Code
2 28 2005, is amended to read as follows:

2 29 b. The A taxpayer may elect to apply the additional first-
2 30 year depreciation allowance authorized in section 168(k)(4) of
2 31 the Internal Revenue Code, as enacted by Pub. L. No. 108-27,
2 32 shall apply in computing net income for state tax purposes,
2 33 for qualified property acquired after May 5, 2003, and before
2 34 January 1, 2005. If the taxpayer elects to take the
2 35 additional first-year depreciation allowance authorized in

3 1 section 168(k)(4) of the Internal Revenue Code for state tax
3 2 purposes, the deduction may be taken on amended state tax
3 3 returns, if necessary. If the taxpayer does not elect to take
3 4 the additional first-year depreciation allowance authorized in
3 5 section 168(k)(4) of the Internal Revenue Code for state tax

3 6 purposes, the following adjustment shall be made:

3 7 (1) Add the total amount of depreciation taken on all
3 8 property for which the election under section 168(k)(4) of the
3 9 Internal Revenue Code was made for the tax year.

3 10 (2) Subtract an amount equal to depreciation allowed on
3 11 such property for the tax year using the modified accelerated
3 12 cost recovery system depreciation method applicable under
3 13 section 168 of the Internal Revenue Code without regard to
3 14 section 168(k)(4).

3 15 (3) Any other adjustments to gains or losses to reflect
3 16 the adjustments made in subparagraphs (1) and (2) pursuant to
3 17 rules adopted by the director.

3 18 Sec. 4. Section 422.35, Code 2005, is amended by adding
3 19 the following new subsection:

3 20 NEW SUBSECTION. 20. A taxpayer may elect not to take the
3 21 increased expensing allowance under section 179 of the
3 22 Internal Revenue Code, as amended by Pub. L. No. 108=27,
3 23 section 202, in computing state tax purposes. If the taxpayer
3 24 does not take the increased expensing allowance under section
3 25 179 of the Internal Revenue Code for state tax purposes, the
3 26 following adjustments shall be made:

3 27 a. Add the total amount of expense deduction taken on
3 28 section 179 property for federal tax purposes under section
3 29 179 of the Internal Revenue Code.

3 30 b. Subtract the amount of expense deduction on section 179
3 31 property allowable for federal tax purposes under section 179
3 32 of the Internal Revenue Code prior to enactment of Pub. L. No.
3 33 108=27, section 202.

3 34 c. Any other adjustments to gains and losses to the
3 35 adjustments made in paragraphs "a" and "b" pursuant to rules
4 1 adopted by the director.

4 2 Sec. 5. SPECIAL FILING PROVISIONS. Adjustments to federal
4 3 adjusted gross income for individuals and federal taxable
4 4 income for corporations made on previous tax returns filed
4 5 prior to the effective date of this section of this Act may be
4 6 required. These adjustments relate to the disallowance of
4 7 both the additional fifty percent first-year depreciation
4 8 allowance authorized in section 168(k) of the Internal Revenue
4 9 Code for assets acquired after May 5, 2003, and before January
4 10 1, 2005, and the increase in the expensing allowance
4 11 authorized in section 179(b) of the Internal Revenue Code for
4 12 tax periods beginning on or after January 1, 2003. In lieu of
4 13 filing an amended tax return, taxpayers may make these
4 14 adjustments, pursuant to rules adopted by the director of
4 15 revenue, on the next return filed subsequent to the effective
4 16 date of this section of this Act or on the return for the tax
4 17 year immediately preceding the tax year for which its return
4 18 is filed subsequent to the effective date of this section of
4 19 this Act. If the taxpayer elects not to file an amended
4 20 return, the "allowed or allowable" provisions and regulations
4 21 of sections 167 and 1016 of the Internal Revenue Code are
4 22 suspended with regard to the depreciation adjustment otherwise
4 23 available as a result of this Act.

4 24 Sec. 6. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.
4 25 This Act, being deemed of immediate importance, takes effect
4 26 upon enactment. Sections 1 and 3 of this Act apply
4 27 retroactively to tax years ending after May 5, 2003. Sections
4 28 2 and 4 of this Act apply retroactively to tax years beginning
4 29 on or after January 1, 2003.

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4 34 CHRISTOPHER C. RANTS
4 35 Speaker of the House

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5 2 _____
5 3 JEFFREY M. LAMBERTI
5 4 President of the Senate

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5 6 I hereby certify that this bill originated in the House and
5 7 is known as House File 102, Eighty-first General Assembly.

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5 10 _____
5 11 MARGARET THOMSON
5 12 Chief Clerk of the House

5 13 Approved _____, 2005

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5 17 THOMAS J. VILSACK
5 18 Governor