

FEB 18 2004
WAYS AND MEANS

HOUSE FILE 2313
BY DIX

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act updating the Iowa Code references to the Internal Revenue
2 Code, providing for a coupling with certain bonus depreciation
3 provisions, and providing retroactive applicability dates and
4 an effective date.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2313

1 Section 1. Section 15.335, subsection 4, unnumbered
2 paragraph 2, Code Supplement 2003, is amended to read as
3 follows:

4 For purposes of this section, "Internal Revenue Code" means
5 the Internal Revenue Code in effect on January 1, ~~2003~~ 2004.

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

9 For purposes of this subsection, "Internal Revenue Code"
10 means the Internal Revenue Code in effect on January 1, ~~2003~~
11 2004.

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

14 5. "Internal Revenue Code" means the Internal Revenue Code
15 of 1954, prior to the date of its redesignation as the
16 Internal Revenue Code of 1986 by the Tax Reform Act of 1986,
17 or means the Internal Revenue Code of 1986 as amended to and
18 including January 1, ~~2003~~ 2004, whichever is applicable.

19 Sec. 4. Section 422.7, subsection 39, Code Supplement
20 2003, is amended to read as follows:

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

27 a- (1) Add the total amount of depreciation taken on all
28 property for which the election under section 168(k) of the
29 Internal Revenue Code was made for the tax year.

30 b- (2) Subtract an amount equal to depreciation ~~taken~~
31 allowed on such property for the tax year using the modified
32 accelerated cost recovery system depreciation method
33 applicable under section 168 of the Internal Revenue Code
34 without regard to section 168(k).

35 c- (3) Any other adjustments to gains or losses to reflect

1 the adjustments made in paragraphs "a" and "b" subparagraphs
2 (1) and (2) pursuant to rules adopted by the director.

3 b. The additional first-year depreciation allowance
4 authorized in section 168(k)(4) of the Internal Revenue Code,
5 as enacted by Pub. L. No. 108-27, shall apply in computing net
6 income for state tax purposes, but only for qualified property
7 acquired after December 31, 2003, and before January 1, 2005.
8 For property acquired after May 5, 2003, and before January 1,
9 2004, if the taxpayer has taken the deduction allowed in
10 section 168(k)(4), as enacted by Pub. L. No. 108-27, in
11 computing federal adjusted gross income, the adjustments in
12 paragraph "a" shall be made.

13 Sec. 5. Section 422.10, subsection 3, unnumbered paragraph
14 2, Code Supplement 2003, is amended to read as follows:

15 For purposes of this section, "Internal Revenue Code" means
16 the Internal Revenue Code in effect on January 1, ~~2003~~ 2004.

17 Sec. 6. Section 422.32, subsection 7, Code Supplement
18 2003, is amended to read as follows:

19 7. "Internal Revenue Code" means the Internal Revenue Code
20 of 1954, prior to the date of its redesignation as the
21 Internal Revenue Code of 1986 by the Tax Reform Act of 1986,
22 or means the Internal Revenue Code of 1986 as amended to and
23 including January 1, ~~2003~~ 2004, whichever is applicable.

24 Sec. 7. Section 422.33, subsection 5, paragraph d,
25 unnumbered paragraph 2, Code Supplement 2003, is amended to
26 read as follows:

27 For purposes of this section, "Internal Revenue Code" means
28 the Internal Revenue Code in effect on January 1, ~~2003~~ 2004.

29 Sec. 8. Section 422.35, subsection 19, Code Supplement
30 2003, is amended to read as follows:

31 19. a. The additional first-year depreciation allowance
32 authorized in section 168(k) of the Internal Revenue Code, as
33 enacted by Pub. L. No. 107-147, section 101, does not apply in
34 computing net income for state tax purposes. If the taxpayer
35 has taken such deduction in computing taxable income, the

1 following adjustments shall be made:

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

5 b. (2) Subtract an amount equal to depreciation taken
6 allowed on such property for the tax year using the modified
7 accelerated cost recovery system depreciation method
8 applicable under section 168 of the Internal Revenue Code
9 without regard to section 168(k).

10 c. (3) Any other adjustments to gains or losses to reflect
11 the adjustments made in paragraphs-"a"-and-"b" subparagraphs
12 (1) and (2) pursuant to rules adopted by the director.

13 b. The additional first-year depreciation allowance
14 authorized in section 168(k)(4) of the Internal Revenue Code,
15 as enacted by Pub. L. No. 108-27, shall apply in computing net
16 income for state tax purposes, but only for qualified property
17 acquired after December 31, 2003, and before January 1, 2005.
18 For property acquired after May 5, 2003, and before January 1,
19 2004, if the taxpayer has taken the deduction allowed in
20 section 168(k)(4), as enacted by Pub. L. No. 108-27, in
21 computing federal adjusted gross income, the adjustments in
22 paragraph "a" shall be made.

23 Sec. 9. RETROACTIVE APPLICABILITY.

24 1. Sections 4 and 8 of this Act, amending section 422.7,
25 subsection 39, and section 422.35, subsection 19, apply
26 retroactively to tax years ending after May 5, 2003.

27 2. The remainder of this Act applies retroactively to
28 January 1, 2003, for tax years beginning on or after that
29 date.

30 Sec. 10. EFFECTIVE DATE. This Act, being deemed of
31 immediate importance, takes effect upon enactment.

32 EXPLANATION

33 This bill updates the references to the Internal Revenue
34 Code to make the federal income tax revisions enacted by
35 Congress in 2003 applicable for Iowa income tax purposes.

1 Code sections 15.335, 15A.9, 422.10, and 422.33 are amended
2 to update the Iowa Code references to the state research
3 activities credit for individuals, corporations, corporations
4 in economic development areas, and corporations in quality
5 jobs enterprise zones to include the 2003 federal changes in
6 the research activities credit.

7 The bill amends Code sections 422.7 and 422.35 to couple
8 with the changes to the bonus depreciation deduction enacted
9 in the federal Jobs and Growth Tax Relief Reconciliation Act
10 of 2003 (Pub. L. No. 108-27). However, the bonus depreciation
11 of 50 percent allowed in that law would only be allowed for
12 state income tax purposes for qualified property acquired
13 after December 31, 2003, and before January 1, 2005.

14 The bill is retroactively applicable to January 1, 2003,
15 for tax years beginning on or after that date. The provisions
16 of the bill coupling with the changes to the federal bonus
17 depreciation apply retroactively to tax years ending after May
18 5, 2003.

19 The bill takes effect upon enactment.

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