

**House Study Bill 535 - Introduced**

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON SANDS)

**A BILL FOR**

1 An Act temporarily updating the Code references to the Internal  
2 Revenue Code and decoupling from certain federal bonus  
3 depreciation provisions, and including effective date and  
4 retroactive applicability provisions.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. INTERNAL REVENUE CODE REFERENCES FOR  
2 2015. Notwithstanding the definition of "Internal Revenue  
3 Code" in section 15.335, subsection 7, section 422.3,  
4 subsection 5, section 422.10, subsection 3, section 422.32,  
5 subsection 1, and section 422.33, subsection 5, Code 2016,  
6 the following shall apply for the period beginning January 1,  
7 2015, and ending December 31, 2015, and for tax years beginning  
8 during the 2015 calendar year:

9 1. The definition of "Internal Revenue Code" for purposes  
10 of section 15.335, subsection 7, section 422.10, subsection 3,  
11 and section 422.33, subsection 5, Code 2016, and for purposes  
12 of references in the 2016 Iowa Code and 2016 Iowa Acts to the  
13 definition of "Internal Revenue Code" in those sections, shall  
14 mean the Internal Revenue Code in effect on January 1, 2016.

15 2. The definition of "Internal Revenue Code" for purposes  
16 of sections 422.3 and 422.32, Code 2016, and for purposes of  
17 references in the 2016 Iowa Code and 2016 Iowa Acts to the  
18 definition of "Internal Revenue Code" in those sections, shall  
19 mean the Internal Revenue Code of 1954, prior to the date of  
20 its redesignation as the Internal Revenue Code of 1986 by the  
21 Tax Reform Act of 1986, or means the Internal Revenue Code of  
22 1986 as amended to and including January 1, 2016.

23 Sec. 2. DEDUCTION FOR STATE SALES AND USE TAX FOR  
24 2015. Notwithstanding section 422.9, subsection 2, paragraph  
25 "i", Code 2016, the deduction for state sales and use taxes is  
26 allowable under section 422.9 for tax years beginning during  
27 the 2015 calendar year, but only if the taxpayer elected to  
28 deduct the state sales and use taxes in lieu of state income  
29 taxes under section 164 of the Internal Revenue Code. The  
30 deduction for state sales and use taxes is not allowed if the  
31 taxpayer has taken the deduction for state income taxes or  
32 claimed the standard deduction under section 63 of the Internal  
33 Revenue Code.

34 Sec. 3. BONUS DEPRECIATION FOR 2015. Notwithstanding  
35 section 1 of this Act, or any other provision of law to the

1 contrary, the additional first-year depreciation allowance  
2 authorized in section 168(k) of the Internal Revenue Code,  
3 as enacted by Pub. L. No. 114-113, §143, does not apply in  
4 computing net income for state tax purposes for tax years  
5 ending on or after January 1, 2015, but before January 1,  
6 2016. If the taxpayer has taken the additional first-year  
7 depreciation allowance for purposes of computing federal  
8 adjusted gross income or federal taxable income, as the case  
9 may be, then the taxpayer, when computing net income for  
10 purposes of the individual income tax under section 422.7 or  
11 the corporation income tax or franchise tax under section  
12 422.35, shall make the adjustments described in section 422.7,  
13 subsection 39A, paragraphs "a" through "c", Code 2016, or  
14 described in section 422.35, subsection 19A, paragraphs "a"  
15 through "c", Code 2016, as applicable.

16 Sec. 4. EFFECTIVE UPON ENACTMENT. This Act, being deemed of  
17 immediate importance, takes effect upon enactment.

18 Sec. 5. RETROACTIVE APPLICABILITY. This Act applies  
19 retroactively to January 1, 2015.

20 EXPLANATION

21 The inclusion of this explanation does not constitute agreement with  
22 the explanation's substance by the members of the general assembly.

23 This bill updates for 2015 the Iowa Code references to the  
24 Internal Revenue Code to make federal income tax revisions  
25 enacted by Congress in 2015 applicable for a certain period of  
26 time, to allow the deduction for state sales and use tax, and  
27 to decouple with certain bonus depreciation provisions.

28 INTERNAL REVENUE CODE REFERENCES. The bill provides that  
29 notwithstanding several Code provisions as specified in the  
30 bill, the definitions of "Internal Revenue Code" in those Code  
31 provisions and, by internal reference, in other sections of the  
32 Iowa Code and Iowa Acts shall mean the Internal Revenue Code  
33 in effect on, or as amended to and including, January 1, 2016.  
34 This definition change applies only to the period beginning  
35 January 1, 2015, and ending December 31, 2015, and for tax

1 years beginning during the 2015 calendar year.

2 The affected Code provisions include Code sections 422.3  
3 and 422.32, general definition sections in the chapter of the  
4 Code that governs corporate and individual income tax and the  
5 franchise tax, and Code sections 15.335, 422.10, and 422.33,  
6 which contain references to the Internal Revenue Code for the  
7 state research activities credit for individuals, corporations,  
8 and corporations in economic development areas.

9 Code section 422.9 provides individuals a deduction from  
10 net income for state sales and use taxes if the individual  
11 chose to deduct sales and use tax in lieu of state income taxes  
12 or the standard deduction for federal income tax purposes.  
13 This deduction was set to expire under both federal and Iowa  
14 law for tax years beginning on or after January 1, 2015. The  
15 federal Protecting Americans from Tax Hikes Act of 2015 made  
16 the federal deduction permanent. The bill allows the Iowa  
17 deduction for tax years beginning during the 2015 calendar  
18 year.

19 BONUS DEPRECIATION. The bill decouples, for Iowa income tax  
20 purposes for tax years ending on or after January 1, 2015, but  
21 before January 1, 2016, from the federal additional first-year  
22 depreciation allowance in section 168(k) of the Internal  
23 Revenue Code (bonus depreciation) which was modified and  
24 extended through 2019 by the federal Protecting Americans from  
25 Tax Hikes Act of 2015. Taxpayers who claim bonus depreciation  
26 for federal tax purposes are, for the applicable tax year,  
27 required to add such depreciation amounts back to Iowa net  
28 income, but are then allowed under existing state law to deduct  
29 the amount of depreciation that would otherwise be allowable  
30 under federal law, without regard to the bonus depreciation  
31 allowance.

32 The bill takes effect upon enactment and applies  
33 retroactively to January 1, 2015.