

Senate Study Bill 1059 - Introduced

SENATE/HOUSE FILE _____
BY (PROPOSED DEPARTMENT OF
REVENUE BILL)

A BILL FOR

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

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DIVISION I

2

INTERNAL REVENUE CODE REFERENCES

3 Section 1. Section 15.335, subsection 7, paragraph b, Code
4 2015, is amended to read as follows:

5 b. For purposes of this section, "*Internal Revenue Code*"
6 means the Internal Revenue Code in effect on January 1, 2014
7 2015.

8 Sec. 2. Section 422.3, subsection 5, Code 2015, is amended
9 to read as follows:

10 5. "*Internal Revenue Code*" means the Internal Revenue Code
11 of 1954, prior to the date of its redesignation as the Internal
12 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
13 the Internal Revenue Code of 1986 as amended to and including
14 January 1, 2014 2015.

15 Sec. 3. Section 422.9, subsection 2, paragraph i, Code 2015,
16 is amended to read as follows:

17 i. The deduction for state sales and use taxes is allowable
18 only if the taxpayer elected to deduct the state sales and use
19 taxes in lieu of state income taxes under section 164 of the
20 Internal Revenue Code. A deduction for state sales and use
21 taxes is not allowed if the taxpayer has taken the deduction
22 for state income taxes or claimed the standard deduction under
23 section 63 of the Internal Revenue Code. This paragraph
24 applies to taxable years beginning after December 31, 2003, and
25 before January 1, 2008, and to taxable years beginning after
26 December 31, 2009, and before January 1, 2014 2015.

27 Sec. 4. Section 422.10, subsection 3, paragraph b, Code
28 2015, is amended to read as follows:

29 b. For purposes of this section, "*Internal Revenue Code*"
30 means the Internal Revenue Code in effect on January 1, 2014
31 2015.

32 Sec. 5. Section 422.32, subsection 1, paragraph h, Code
33 2015, is amended to read as follows:

34 h. "*Internal Revenue Code*" means the Internal Revenue Code
35 of 1954, prior to the date of its redesignation as the Internal

1 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
2 the Internal Revenue Code of 1986 as amended to and including
3 January 1, 2014 2015.

4 Sec. 6. Section 422.33, subsection 5, paragraph e,
5 subparagraph (2), Code 2015, is amended to read as follows:

6 (2) For purposes of this subsection, "Internal Revenue Code"
7 means the Internal Revenue Code in effect on January 1, 2014
8 2015.

9 Sec. 7. EFFECTIVE UPON ENACTMENT. This division of this
10 Act, being deemed of immediate importance, takes effect upon
11 enactment.

12 Sec. 8. RETROACTIVE APPLICABILITY. This division of this
13 Act applies retroactively to January 1, 2014, for tax years
14 beginning on or after that date.

15 DIVISION II

16 BONUS DEPRECIATION

17 Sec. 9. Section 422.7, subsection 39A, unnumbered paragraph
18 1, Code 2015, is amended to read as follows:

19 The additional first-year depreciation allowance authorized
20 in section 168(k) of the Internal Revenue Code, as enacted by
21 Pub. L. No. 110-185, §103, Pub. L. No. 111-5, §1201, Pub. L.
22 No. 111-240, §2022, Pub. L. No. 111-312, §401, and Pub. L. No.
23 112-240, §331, and Pub. L. No. 113-295, §125, does not apply in
24 computing net income for state tax purposes. If the taxpayer
25 has taken the additional first-year depreciation allowance
26 for purposes of computing federal adjusted gross income, then
27 the taxpayer shall make the following adjustments to federal
28 adjusted gross income when computing net income for state tax
29 purposes:

30 Sec. 10. Section 422.35, subsection 19A, unnumbered
31 paragraph 1, Code 2015, is amended to read as follows:

32 The additional first-year depreciation allowance authorized
33 in section 168(k) of the Internal Revenue Code, as enacted by
34 Pub. L. No. 110-185, §103, Pub. L. No. 111-5, §1201, Pub. L.
35 No. 111-240, §2022, Pub. L. No. 111-312, §401, and Pub. L. No.

1 112-240, §331, and Pub. L. No. 113-295, §125, does not apply in
2 computing net income for state tax purposes. If the taxpayer
3 has taken the additional first-year depreciation allowance for
4 purposes of computing federal taxable income, then the taxpayer
5 shall make the following adjustments to federal taxable income
6 when computing net income for state tax purposes:

7 Sec. 11. EFFECTIVE UPON ENACTMENT. This division of this
8 Act, being deemed of immediate importance, takes effect upon
9 enactment.

10 Sec. 12. RETROACTIVE APPLICABILITY. This division of this
11 Act applies retroactively to January 1, 2014, for tax years
12 ending on or after that date.

13 EXPLANATION

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

16 This bill updates the Iowa Code references to the Internal
17 Revenue Code to make federal income tax revisions enacted by
18 Congress in 2014 applicable for Iowa income tax purposes, and
19 decouples with certain bonus depreciation provisions.

20 DIVISION I — INTERNAL REVENUE CODE REFERENCES. The
21 division amends Code sections 422.3 and 422.32, general
22 definition sections in the chapter of the Code that governs
23 corporate and individual income tax and the franchise tax
24 on financial institutions, to update the references to the
25 Internal Revenue Code.

26 The division amends Code sections 15.335, 422.10, and 422.33
27 to update the references to the Internal Revenue Code for the
28 state research activities credit for individuals, corporations,
29 and corporations in economic development areas to include the
30 federal changes to the research activities credit and the
31 alternative simplified research activities credit.

32 Code section 422.9 provides individuals a deduction from net
33 income for state sales and use taxes if the individual chose
34 to deduct sales and use tax in lieu of state income taxes or
35 the standard deduction for federal income tax purposes. This

1 deduction was set to expire under both federal and Iowa law for
2 tax years beginning on or after January 1, 2014. The federal
3 Tax Increase Prevention Act of 2014 extended the federal
4 deduction for the 2014 tax year. This division extends the
5 Iowa deduction for the 2014 tax year.

6 Division I takes effect upon enactment and applies
7 retroactively to January 1, 2014, for tax years beginning on
8 or after that date.

9 DIVISION II — BONUS DEPRECIATION. The division decouples,
10 for Iowa income tax purposes, from the federal additional
11 first-year depreciation allowance in section 168(k) of the
12 Internal Revenue Code which was extended through 2014 by the
13 federal Tax Increase Prevention Act of 2014.

14 Division II takes effect upon enactment and applies
15 retroactively to January 1, 2014, for tax years ending on or
16 after that date.