

Senate Study Bill 3107 - Introduced

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

A BILL FOR

1 An Act relating to administration of the tax and related
2 laws by the department of revenue, including updating
3 Code references to the Internal Revenue Code, decoupling
4 from certain federal bonus depreciation provisions and the
5 expensing of certain depreciable business assets, requiring
6 background checks for job applicants and persons performing
7 work for the department of revenue, and including effective
8 date and retroactive applicability provisions.
9 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

INTERNAL REVENUE CODE REFERENCES

1
2
3 Section 1. Section 15.335, subsection 7, paragraph b, Code
4 2016, 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, ~~2015~~
7 2016.

8 Sec. 2. Section 422.3, subsection 5, Code 2016, 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, ~~2015~~ 2016.

15 Sec. 3. Section 422.9, subsection 2, paragraph i, Code 2016,
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, 2015, and to taxable
27 years beginning after December 31, 2015.

28 Sec. 4. Section 422.10, subsection 3, paragraph b, Code
29 2016, is amended to read as follows:

30 *b.* For purposes of [this section](#), “*Internal Revenue Code*”
31 means the Internal Revenue Code in effect on January 1, ~~2015~~
32 2016.

33 Sec. 5. Section 422.32, subsection 1, paragraph h, Code
34 2016, is amended to read as follows:

35 *h.* “*Internal Revenue Code*” means the Internal Revenue Code

1 of 1954, prior to the date of its redesignation as the Internal
2 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
3 the Internal Revenue Code of 1986 as amended to and including
4 January 1, ~~2015~~ 2016.

5 Sec. 6. Section 422.33, subsection 5, paragraph e,
6 subparagraph (2), Code 2016, is amended to read as follows:

7 (2) For purposes of **this subsection**, "*Internal Revenue Code*"
8 means the Internal Revenue Code in effect on January 1, ~~2015~~
9 2016.

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

13 Sec. 8. RETROACTIVE APPLICABILITY. The sections of this
14 division of this Act amending sections 15.335, 422.10, and
15 422.33 apply retroactively to January 1, 2015, for tax years
16 beginning on or after that date.

17 Sec. 9. RETROACTIVE APPLICABILITY. The sections of this
18 division of this Act amending sections 422.3, 422.9, and 422.32
19 apply retroactively to January 1, 2016, for tax years beginning
20 on or after that date.

21 DIVISION II

22 BONUS DEPRECIATION

23 Sec. 10. Section 422.7, subsection 39A, unnumbered
24 paragraph 1, Code 2016, is amended to read as follows:

25 The additional first-year depreciation allowance authorized
26 in section 168(k) of the Internal Revenue Code, as enacted by
27 Pub. L. No. 110-185, §103, Pub. L. No. 111-5, §1201, Pub. L.
28 No. 111-240, §2022, Pub. L. No. 111-312, §401, Pub. L. No.
29 112-240, §331, ~~and~~ Pub. L. No. 113-295, §125, and Pub. L. No.
30 114-113, §143, does not apply in computing net income for
31 state tax purposes. If the taxpayer has taken the additional
32 first-year depreciation allowance for purposes of computing
33 federal adjusted gross income, then the taxpayer shall make the
34 following adjustments to federal adjusted gross income when
35 computing net income for state tax purposes:

1 Sec. 11. Section 422.35, subsection 19A, unnumbered
2 paragraph 1, Code 2016, is amended to read as follows:

3 The additional first-year depreciation allowance authorized
4 in section 168(k) of the Internal Revenue Code, as enacted by
5 Pub. L. No. 110-185, §103, Pub. L. No. 111-5, §1201, Pub. L.
6 No. 111-240, §2022, Pub. L. No. 111-312, §401, Pub. L. No.
7 112-240, §331, ~~and~~ Pub. L. No. 113-295, §125, and Pub. L. No.
8 114-113, §143, does not apply in computing net income for
9 state tax purposes. If the taxpayer has taken the additional
10 first-year depreciation allowance for purposes of computing
11 federal taxable income, then the taxpayer shall make the
12 following adjustments to federal taxable income when computing
13 net income for state tax purposes:

14 Sec. 12. EFFECTIVE UPON ENACTMENT. This division of this
15 Act, being deemed of immediate importance, takes effect upon
16 enactment.

17 Sec. 13. RETROACTIVE APPLICABILITY. This division of this
18 Act applies retroactively to January 1, 2016, for tax years
19 ending on or after that date.

20 DIVISION III

21 SECTION 179 EXPENSING

22 Sec. 14. Section 422.7, Code 2016, is amended by adding the
23 following new subsection:

24 NEW SUBSECTION. 53A. Notwithstanding the method for
25 computing the increased expensing allowance under section 179
26 of the Internal Revenue Code, as defined in section 422.3,
27 the method to be used in computing such increased expensing
28 allowance for tax years beginning on or after January 1, 2016,
29 shall be the method under section 179 of the Internal Revenue
30 Code, as amended to and including January 1, 2015. A taxpayer
31 affected by this subsection shall make adjustments to adjusted
32 gross income pursuant to rules adopted by the director.

33 Sec. 15. Section 422.35, Code 2016, is amended by adding the
34 following new subsection:

35 NEW SUBSECTION. 24A. Notwithstanding the method for

1 computing the increased expensing allowance under section 179
2 of the Internal Revenue Code, as defined in section 422.32,
3 the method to be used in computing such increased expensing
4 allowance for tax years beginning on or after January 1, 2016,
5 shall be the method under section 179 of the Internal Revenue
6 Code, as amended to and including January 1, 2015. A taxpayer
7 affected by this subsection shall make adjustments to taxable
8 income pursuant to rules adopted by the director.

9 Sec. 16. Section 422.5, subsection 2, paragraph b,
10 subparagraph (1), Code 2016, is amended to read as follows:

11 (1) Add items of tax preference included in federal
12 alternative minimum taxable income under section 57, except
13 subsections (a)(1), (a)(2), and (a)(5), of the Internal Revenue
14 Code, make the adjustments included in federal alternative
15 minimum taxable income under section 56, except subsections
16 (a)(4), (b)(1)(C)(iii), and (d), of the Internal Revenue Code,
17 and add losses as required by section 58 of the Internal
18 Revenue Code. To the extent that any preference or adjustment
19 is determined by an individual's federal adjusted gross income,
20 the individual's federal adjusted gross income is computed in
21 accordance with section 422.7, subsections 39, 39A, 39B, and
22 53, and 53A. In the case of an estate or trust, the items of
23 tax preference, adjustments, and losses shall be apportioned
24 between the estate or trust and the beneficiaries in accordance
25 with rules prescribed by the director.

26 Sec. 17. Section 422.9, subsection 2, paragraph h, Code
27 2016, is amended to read as follows:

28 *h.* For purposes of calculating the deductions in this
29 subsection that are authorized under the Internal Revenue Code,
30 and to the extent that any of such deductions is determined by
31 an individual's federal adjusted gross income, the individual's
32 federal adjusted gross income is computed in accordance with
33 section 422.7, subsections 39, 39A, 39B, and 53, and 53A.

34 Sec. 18. EFFECTIVE UPON ENACTMENT. This division of this
35 Act, being deemed of immediate importance, takes effect upon

1 enactment.

2 Sec. 19. RETROACTIVE APPLICABILITY. This division of this
3 Act applies retroactively to January 1, 2016, for tax years
4 beginning on or after that date.

5 DIVISION IV

6 BACKGROUND CHECKS

7 Sec. 20. NEW SECTION. **421.48 Background checks.**

8 An applicant for employment with the department of revenue
9 shall be subject to a national criminal history check through
10 the federal bureau of investigation. A contractor, vendor,
11 employee, or any other individual performing work for the
12 department of revenue, shall be subject to a national criminal
13 history check through the federal bureau of investigation
14 at least once every ten years. The department of revenue
15 shall request the national criminal history check and shall
16 provide the individual's fingerprints to the department
17 of public safety for submission through the state criminal
18 history repository to the federal bureau of investigation.
19 The individual shall authorize release of the results of the
20 national criminal history check to the department of revenue.
21 The department of revenue shall pay the actual cost of the
22 fingerprinting and national criminal history check, if any.
23 The results of a criminal history check conducted pursuant to
24 this section shall not be considered a public record under
25 chapter 22.

26 Sec. 21. EFFECTIVE UPON ENACTMENT. This division of this
27 Act, being deemed of immediate importance, takes effect upon
28 enactment.

29 EXPLANATION

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

32 This bill updates the Iowa Code references to the Internal
33 Revenue Code to make federal income tax revisions enacted
34 by Congress in 2015 applicable for Iowa income tax purposes
35 beginning in 2015 and 2016, decouples with certain bonus

1 depreciation provisions and section 179 expensing provisions,
2 and requires background checks for certain people performing
3 work for the department of revenue.

4 DIVISION I — INTERNAL REVENUE CODE REFERENCES. The
5 division amends Code sections 422.3 and 422.32, general
6 definition sections in the chapter of the Code that governs
7 corporate and individual income tax and the franchise tax
8 on financial institutions, to update the references to the
9 Internal Revenue Code. These provisions apply retroactively to
10 January 1, 2016, for tax years beginning on or after that date.

11 The division amends Code sections 15.335, 422.10, and 422.33
12 to update the references to the Internal Revenue Code for the
13 state research activities credit for individuals, corporations,
14 and corporations in economic development areas to include the
15 federal changes to the research activities credit and the
16 alternative simplified research activities credit. These
17 provisions apply retroactively to January 1, 2015, for tax
18 years beginning on or after that date.

19 Code section 422.9 provides individuals a deduction from
20 net income for state sales and use taxes if the individual
21 chose to deduct sales and use tax in lieu of state income taxes
22 or the standard deduction for federal income tax purposes.
23 This deduction was set to expire under both federal and Iowa
24 law for tax years beginning on or after January 1, 2015. The
25 federal Protecting Americans from Tax Hikes Act of 2015 made
26 the federal deduction permanent. This division allows the Iowa
27 deduction, and makes it permanent, for tax years beginning
28 on or after January 1, 2016. Division I takes effect upon
29 enactment.

30 DIVISION II — BONUS DEPRECIATION. The division decouples,
31 for Iowa income tax purposes, from the federal additional
32 first-year depreciation allowance in section 168(k) of the
33 Internal Revenue Code (bonus depreciation) which was modified
34 and extended through 2019 by the federal Protecting Americans
35 from Tax Hikes Act of 2015. Taxpayers who claim bonus

1 depreciation for federal tax purposes are required to add
2 such depreciation amounts back to Iowa net income, but are
3 then allowed under existing state law to deduct the amount of
4 depreciation that would otherwise be allowable under federal
5 law, without regard to the bonus depreciation allowance.

6 Division II takes effect upon enactment and applies
7 retroactively to January 1, 2016, for tax years ending on or
8 after that date.

9 DIVISION III — SECTION 179 EXPENSING. The division
10 decouples, for Iowa income tax purposes, from the expensing
11 of certain depreciable business assets in section 179 of the
12 Internal Revenue Code which was modified and made permanent by
13 the federal Protecting Americans from Tax Hikes Act of 2015.
14 For tax years beginning on or after January 1, 2016, taxpayers
15 are required to compute their section 179 increased expensing
16 allowance according to the method prescribed under section 179
17 of the Internal Revenue Code in effect on January 1, 2015,
18 which provides a \$25,000 limitation on expensing for taxable
19 years beginning after 2014.

20 Under current law, individual taxpayers were required, when
21 calculating alternative minimum tax under Code section 422.5(2)
22 and itemized deductions under Code section 422.9(2) for tax
23 year 2009, to recompute their federal adjusted gross income
24 to take into account the fact that Iowa decoupled from the
25 2009 federal changes to the section 179 increased expensing
26 allowance. The bill provides that taxpayers must make those
27 same adjustments to federal adjusted gross income for tax
28 years beginning on after January 1, 2016, to account for the
29 fact that Iowa has decoupled from changes to the section 179
30 increased expensing allowance as described above.

31 Division III takes effect upon enactment and applies
32 retroactively to January 1, 2016, for tax years beginning on
33 or after that date.

34 DIVISION IV — BACKGROUND CHECKS. The division requires
35 an applicant for employment with the department of revenue

1 (department) at the time of application, or a contractor,
2 vendor, employee, or any other individual performing work for
3 the department to be subject to a national criminal history
4 check through the federal bureau of investigation (FBI) at
5 least once every 10 years. The bill directs the department to
6 provide fingerprints to the department of public safety for
7 submission through the state criminal history repository to
8 the FBI, and requires individuals to authorize release of the
9 results to the department. The department is required to pay
10 the actual costs of the fingerprinting and the criminal history
11 check. The bill provides that the results of a criminal
12 history check are not considered a public record under Code
13 chapter 22 (open records). Division IV takes effect upon
14 enactment.