

House File 608 - Introduced

HOUSE FILE 608

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 121)

A BILL FOR

1 An Act relating to the technical administration of the tax
2 laws by the department of revenue, including administration
3 of the research activities credit, income taxes, and the
4 flood mitigation program, and including effective date and
5 retroactive applicability provisions.

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

1 Section 1. Section 15.335, subsection 7, paragraph b, Code
2 2017, is amended to read as follows:

3 b. For purposes of [this section](#), "*Internal Revenue Code*"
4 means the Internal Revenue Code of 1954, prior to the date of
5 its redesignation as the Internal Revenue Code of 1986 by the
6 Tax Reform Act of 1986, or means the Internal Revenue Code of
7 1986 as amended and in effect on January 1, 2015 2016. This
8 definition shall not be construed to include any amendment to
9 the Internal Revenue Code enacted after the date specified
10 in the preceding sentence, including any amendment with
11 retroactive applicability or effectiveness.

12 Sec. 2. Section 418.15, subsection 1, paragraph a, Code
13 2017, is amended to read as follows:

14 a. A governmental entity shall not receive remittances of
15 sales tax revenue under [this chapter](#) after twenty years from
16 the date the governmental entity's project was approved by the
17 board or after expiration of the additional period of years if
18 approved under paragraph "b" unless the remittance amount is
19 calculated under [section 418.11](#) based on sales subject to the
20 tax under [section 432.2 423.2](#) occurring before the expiration
21 of the twenty-year period or expiration of the additional
22 period of years if approved under paragraph "b".

23 Sec. 3. Section 422.3, subsection 5, Code 2017, is amended
24 to read as follows:

25 5. "*Internal Revenue Code*" means the Internal Revenue Code
26 of 1954, prior to the date of its redesignation as the Internal
27 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
28 the Internal Revenue Code of 1986 as amended ~~to and including~~
29 and in effect on January 1, 2015. This definition shall not be
30 construed to include any amendment to the Internal Revenue Code
31 enacted after the date specified in the preceding sentence,
32 including any amendment with retroactive applicability or
33 effectiveness.

34 Sec. 4. Section 422.5, subsection 2, paragraph a, Code 2017,
35 is amended to read as follows:

1 a. There is imposed upon every resident and nonresident of
 2 this state, including estates and trusts, the greater of the
 3 tax determined in subsection 1, paragraphs "a" through "j", or
 4 the state alternative minimum tax equal to seventy-five percent
 5 of the maximum state individual income tax rate for the tax
 6 year, rounded to the nearest one-tenth of one percent, ~~of times~~
 7 the state alternative minimum taxable income of the taxpayer as
 8 computed under this subsection.

9 Sec. 5. Section 422.10, subsection 3, paragraph b, Code
 10 2017, is amended to read as follows:

11 b. For purposes of this section, "*Internal Revenue Code*"
 12 means the Internal Revenue Code of 1954, prior to the date of
 13 its redesignation as the Internal Revenue Code of 1986 by the
 14 Tax Reform Act of 1986, or means the Internal Revenue Code of
 15 1986 as amended and in effect on January 1, 2015 2016. This
 16 definition shall not be construed to include any amendment to
 17 the Internal Revenue Code enacted after the date specified
 18 in the preceding sentence, including any amendment with
 19 retroactive applicability or effectiveness.

20 Sec. 6. Section 422.11L, subsection 6, Code 2017, is amended
 21 to read as follows:

22 6. For purposes of this section, "*Internal Revenue Code*"
 23 means the Internal Revenue Code of 1954, prior to the date of
 24 its redesignation as the Internal Revenue Code of 1986 by the
 25 Tax Reform Act of 1986, or means the Internal Revenue Code of
 26 1986 as amended ~~to and including~~ and in effect on January 1,
 27 2016. This definition shall not be construed to include any
 28 amendment to the Internal Revenue Code enacted after the date
 29 specified in the preceding sentence, including any amendment
 30 with retroactive applicability or effectiveness.

31 Sec. 7. Section 422.13, subsection 1, paragraph d, Code
 32 2017, is amended to read as follows:

33 d. The total net income, as determined under section 422.5,
 34 subsection 3 or 3B, of a resident ~~or nonresident~~ of this state
 35 is more than the appropriate dollar amount listed in section

1 422.5, subsection 3 or 3B, upon which tax is not imposed.

2 Sec. 8. Section 422.32, subsection 1, paragraph h, Code
3 2017, is amended to read as follows:

4 *h. "Internal Revenue Code" means the Internal Revenue Code*
5 *of 1954, prior to the date of its redesignation as the Internal*
6 *Revenue Code of 1986 by the Tax Reform Act of 1986, or means*
7 *the Internal Revenue Code of 1986 as amended to and including*
8 *and in effect on January 1, 2015. This definition shall not be*
9 *construed to include any amendment to the Internal Revenue Code*
10 *enacted after the date specified in the preceding sentence,*
11 *including any amendment with retroactive applicability or*
12 *effectiveness.*

13 Sec. 9. Section 422.33, subsection 2, paragraph a,
14 subparagraph (1), subparagraph division (c), Code 2017, is
15 amended to read as follows:

16 (c) Nonbusiness rents and royalties received from tangible
17 personal property are allocable to this state to the extent
18 that the property is utilized in this state; or in their
19 entirety if the taxpayer's commercial domicile is in this state
20 and the taxpayer is not taxable in the state in which the
21 property is utilized. The extent of utilization of tangible
22 personal property in a state is determined by multiplying the
23 rents and royalties by a fraction, the numerator of which is
24 the number of days of physical location of the property in the
25 state during the rental or royalty period in the taxable year
26 and the denominator of which is the number of days of physical
27 location of the property everywhere during all rental or
28 royalty periods in the taxable year. If the physical location
29 of the property during the rental or royalty period is unknown,
30 or unascertainable by the taxpayer, tangible personal property
31 is utilized in the state in which the property was located at
32 the time the rental or royalty payor obtained possession.

33 Sec. 10. Section 422.33, subsection 5, paragraph e,
34 subparagraph (2), Code 2017, is amended to read as follows:

35 (2) For purposes of **this subsection**, "Internal Revenue

1 *Code* means the Internal Revenue Code of 1954, prior to the
 2 date of its redesignation as the Internal Revenue Code of 1986
 3 by the Tax Reform Act of 1986, or means the Internal Revenue
 4 Code of 1986 as amended and in effect on January 1, 2015
 5 2016. This definition shall not be construed to include any
 6 amendment to the Internal Revenue Code enacted after the date
 7 specified in the preceding sentence, including any amendment
 8 with retroactive applicability or effectiveness.

9 Sec. 11. 2016 Iowa Acts, chapter 1007, section 3, subsection
 10 1, is amended to read as follows:

11 1. Notwithstanding section 1 of this Act, or any other
 12 provision of law to the contrary, the additional first-year
 13 depreciation allowance authorized in section 168(k) of the
 14 Internal Revenue Code, as enacted by Pub. L. No. 114-113, §143,
 15 does not apply in computing net income for state tax purposes
 16 for tax years ending on or after January 1, 2015, ~~but before~~
 17 ~~January 1, 2016~~. If the taxpayer has taken the additional
 18 first-year depreciation allowance for purposes of computing
 19 federal adjusted gross income or federal taxable income, as
 20 the case may be, then the taxpayer, when computing net income
 21 for purposes of the individual income tax under [section 422.7](#)
 22 or the corporation income tax or franchise tax under section
 23 422.35, shall make the adjustments described in section 422.7,
 24 subsection 39A, paragraphs "a" through "c", Code 2016, or
 25 described in [section 422.35, subsection 19A](#), paragraphs "a"
 26 through "c", Code 2016, as applicable.

27 Sec. 12. EFFECTIVE UPON ENACTMENT. The following
 28 provision or provisions of this Act, being deemed of immediate
 29 importance, take effect upon enactment:

30 1. The section of this Act amending 2016 Iowa Acts, chapter
 31 1007, section 3, subsection 1.

32 2. The provisions amending the date reference from "January
 33 1, 2015" to "January 1, 2016" in the sections of this Act
 34 amending section 15.335, subsection 7, paragraph "b", section
 35 422.10, subsection 3, paragraph "b", and section 422.33,

1 subsection 5, paragraph "e", subparagraph (2), relating to the
2 definition of "Internal Revenue Code" for purposes of the Iowa
3 research activities credits.

4 Sec. 13. RETROACTIVE APPLICABILITY. The following
5 provision or provisions of this division of this Act apply
6 retroactively to January 1, 2015:

7 1. The section of this division of this Act amending 2016
8 Iowa Acts, chapter 1007, section 3, subsection 1.

9 Sec. 14. RETROACTIVE APPLICABILITY. The following
10 provision or provisions of this Act apply retroactively to
11 January 1, 2016, for tax years beginning on or after that date:

12 1. The provisions amending the date reference from "January
13 1, 2015" to "January 1, 2016" in the sections of this Act
14 amending section 15.335, subsection 7, paragraph "b", section
15 422.10, subsection 3, paragraph "b", and section 422.33,
16 subsection 5, paragraph "e", subparagraph (2), relating to the
17 definition of "Internal Revenue Code" for purposes of the Iowa
18 research activities credits.

19 EXPLANATION

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

22 This bill relates to the technical administration of the tax
23 laws by the department of revenue, including the administration
24 of the research activities credit, income taxes, and the flood
25 mitigation program.

26 Under current law, for purposes of the state research
27 activities credit for individuals (Code section 422.10),
28 corporations (Code section 422.33(5), and corporations
29 participating in certain economic development programs (Code
30 section 15.335), references to the Internal Revenue Code (IRC)
31 are to the IRC in effect on January 1, 2015. The bill changes
32 the date reference in these provisions to January 1, 2016, thus
33 making federal changes, if any, enacted during 2015 to the IRC
34 provisions referenced in those Code sections governing the
35 state research activities credits applicable for purposes of

1 the state credits. These provisions take effect upon enactment
2 and apply retroactively to January 1, 2016, for tax years
3 beginning on or after that date.

4 The bill also amends all the definitions of IRC in Code
5 chapter 422 (individual income, corporate, and franchise
6 taxes), and the definition of IRC in Code section 15.335 (state
7 research activities credit for corporations participating
8 in certain economic development programs) so that the
9 language in those definitions is the same, excluding the
10 IRC date references, and further adds language to specify
11 that the definitions shall not be construed to include any
12 amendment to the IRC enacted after the date specified in that
13 particular definition, including any amendment with retroactive
14 applicability or effectiveness.

15 The bill amends Code section 418.15(1)(a), relating to the
16 remittance of state sales tax revenues to local governments
17 under the flood mitigation program, to properly cite to the
18 state sales tax imposed under Code section 423.2.

19 The bill strikes a comma and adds a comma in Code section
20 422.33(2)(a)(1)(c), relating to the allocation between states
21 of certain nonbusiness rents and royalties under the corporate
22 income tax, to specify that when that provision references the
23 location of certain property being unknown, it is referring to
24 the taxpayer's knowledge of the property's location.

25 The bill amends 2016 Iowa Acts, chapter 1007, section
26 3, subsection 1, relating to the disallowance of bonus
27 depreciation under section 168(k) of the IRC for the 2015 tax
28 year, to specify that the disallowance applies to tax years
29 ending on or after January 1, 2015, not those ending on or
30 after that date but before January 1, 2016. This provision
31 takes effect upon enactment and applies retroactively to
32 January 1, 2015.

33 The bill amends Code section 422.5(2)(a), relating to the
34 calculation of the individual alternative minimum tax, to
35 specify that the tax calculation is accomplished by multiplying

1 the applicable tax rate times the state alternative minimum
2 taxable income of the taxpayer.

3 The bill strikes a reference to "nonresident" in Code
4 section 422.13(1)(d), relating to the requirement to file
5 an income tax return if a taxpayer's total income exceeds
6 the applicable dollar threshold set forth in Code section
7 422.5, because pursuant to Code section 422.13(1)(b), a
8 nonresident is only required to file an income tax return if
9 the nonresident's income allocated to Iowa is \$1,000 or more
10 and if the nonresident's total income exceeds the applicable
11 dollar threshold set forth in Code section 422.5.