

Senate File 2384 - Introduced

SENATE FILE 2384

BY BOWMAN, ALLEN, KINNEY,
RAGAN, and HART

A BILL FOR

1 An Act updating the Code references to the Internal Revenue
2 Code and decoupling from certain bonus depreciation
3 provisions and qualified business income provisions, and
4 including effective date and retroactive applicability
5 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 2018, 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, ~~2016~~ 2018. 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 422.3, subsection 5, Code 2018, is amended
13 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 Internal
16 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
17 the Internal Revenue Code of 1986 as amended and in effect on
18 January 1, ~~2015~~ 2018. This definition shall not be construed
19 to include any amendment to the Internal Revenue Code enacted
20 after the date specified in the preceding sentence, including
21 any amendment with retroactive applicability or effectiveness.

22 Sec. 3. Section 422.4, subsection 16, Code 2018, is amended
23 to read as follows:

24 16. The words "*taxable income*" mean the net income as
25 defined in [section 422.7](#) minus the deductions allowed by
26 [section 422.9](#), in the case of individuals; in the case of
27 estates or trusts, the words "*taxable income*" mean the taxable
28 income ~~(without a deduction for personal exemption)~~ as
29 computed for federal income tax purposes under the Internal
30 Revenue Code, but with the following adjustments ~~specified in~~
31 ~~[section 422.7](#)~~ plus the Iowa income tax deducted in computing
32 the federal taxable income and minus federal income taxes as
33 provided in [section 422.9](#).

34 a. Add back the personal exemption deduction taken in
35 computing federal taxable income.

1 b. Make the adjustments specified in section 422.7.

2 c. Add back Iowa income tax deducted in computing federal
3 taxable income.

4 d. Subtract federal income taxes as provided in section
5 422.9.

6 e. Add back the qualified business income deduction under
7 section 199A of the Internal Revenue Code taken in computing
8 federal taxable income.

9 Sec. 4. Section 422.7, subsection 39A, unnumbered paragraph
10 1, Code 2018, is amended to read as follows:

11 The additional first-year depreciation allowance authorized
12 in section 168(k) of the Internal Revenue Code, as enacted by
13 Pub. L. No. 110-185, §103, Pub. L. No. 111-5, §1201, Pub. L.
14 No. 111-240, §2022, Pub. L. No. 111-312, §401, Pub. L. No.
15 112-240, §331, ~~and~~ Pub. L. No. 113-295, §125, Pub. L. No.
16 114-113, division Q, §143, and Pub. L. No. 115-97, §13201, does
17 not apply in computing net income for state tax purposes. If
18 the taxpayer has taken the additional first-year depreciation
19 allowance for purposes of computing federal adjusted gross
20 income, then the taxpayer shall make the following adjustments
21 to federal adjusted gross income when computing net income for
22 state tax purposes:

23 Sec. 5. Section 422.9, subsection 2, unnumbered paragraph
24 1, Code 2018, is amended to read as follows:

25 The total of contributions, interest, taxes, medical
26 expense, nonbusiness losses, and miscellaneous expenses
27 deductible for federal income tax purposes under the Internal
28 Revenue Code but not including the qualified business income
29 deduction provided under section 199A of the Internal Revenue
30 Code, with the following adjustments:

31 Sec. 6. Section 422.9, subsection 2, paragraph i, Code 2018,
32 is amended to read as follows:

33 *i.* The deduction for state sales and use taxes is allowable
34 only if the taxpayer elected to deduct the state sales and use
35 taxes in lieu of state income taxes under section 164 of the

1 Internal Revenue Code. A deduction for state sales and use
2 taxes is not allowed if the taxpayer has taken the deduction
3 for state income taxes or claimed the standard deduction under
4 section 63 of the Internal Revenue Code. This paragraph
5 applies to taxable years beginning after ~~December 31, 2003, and~~
6 ~~before January 1, 2008, and to taxable years beginning after~~
7 ~~December 31, 2009, and before January 1, 2015~~ December 31,
8 2017.

9 Sec. 7. Section 422.9, subsection 3, paragraph d, Code 2018,
10 is amended to read as follows:

11 *d.* Notwithstanding paragraph "a", for a taxpayer who is
12 engaged in the trade or business of farming as defined in
13 section 263A(e)(4) of the Internal Revenue Code and has a loss
14 from farming as defined in section ~~172(b)(1)(F)~~ 172(b)(1)(B) of
15 the Internal Revenue Code including modifications prescribed by
16 rule by the director, the Iowa loss from the trade or business
17 of farming is a net operating loss which may be carried back
18 five taxable years prior to the taxable year of the loss.

19 Sec. 8. Section 422.10, subsection 3, paragraph b, Code
20 2018, is amended to read as follows:

21 *b.* For purposes of [this section](#), "*Internal Revenue Code*"
22 means the Internal Revenue Code of 1954, prior to the date of
23 its redesignation as the Internal Revenue Code of 1986 by the
24 Tax Reform Act of 1986, or means the Internal Revenue Code of
25 1986 as amended and in effect on January 1, ~~2016~~ 2018. This
26 definition shall not be construed to include any amendment to
27 the Internal Revenue Code enacted after the date specified
28 in the preceding sentence, including any amendment with
29 retroactive applicability or effectiveness.

30 Sec. 9. Section 422.11L, subsection 6, Code 2018, is amended
31 to read as follows:

32 6. For purposes of [this section](#), "*Internal Revenue Code*"
33 means the Internal Revenue Code of 1954, prior to the date of
34 its redesignation as the Internal Revenue Code of 1986 by the
35 Tax Reform Act of 1986, or means the Internal Revenue Code of

1 1986 as amended and in effect on January 1, ~~2016~~ 2018. This
2 definition shall not be construed to include any amendment to
3 the Internal Revenue Code enacted after the date specified
4 in the preceding sentence, including any amendment with
5 retroactive applicability or effectiveness.

6 Sec. 10. Section 422.32, subsection 1, paragraph h, Code
7 2018, is amended to read as follows:

8 *h.* "*Internal Revenue Code*" means the Internal Revenue Code
9 of 1954, prior to the date of its redesignation as the Internal
10 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
11 the Internal Revenue Code of 1986 as amended and in effect on
12 January 1, ~~2015~~ 2018. This definition shall not be construed
13 to include any amendment to the Internal Revenue Code enacted
14 after the date specified in the preceding sentence, including
15 any amendment with retroactive applicability or effectiveness.

16 Sec. 11. Section 422.33, subsection 5, paragraph e,
17 subparagraph (2), Code 2018, is amended to read as follows:

18 (2) For purposes of ~~this subsection~~, "*Internal Revenue*
19 *Code*" means the Internal Revenue Code of 1954, prior to the
20 date of its redesignation as the Internal Revenue Code of 1986
21 by the Tax Reform Act of 1986, or means the Internal Revenue
22 Code of 1986 as amended and in effect on January 1, ~~2016~~
23 2018. This definition shall not be construed to include any
24 amendment to the Internal Revenue Code enacted after the date
25 specified in the preceding sentence, including any amendment
26 with retroactive applicability or effectiveness.

27 Sec. 12. Section 422.35, subsection 19A, unnumbered
28 paragraph 1, Code 2018, is amended to read as follows:

29 The additional first-year depreciation allowance authorized
30 in section 168(k) of the Internal Revenue Code, as enacted by
31 Pub. L. No. 110-185, §103, Pub. L. No. 111-5, §1201, Pub. L.
32 No. 111-240, §2022, Pub. L. No. 111-312, §401, Pub. L. No.
33 112-240, §331, ~~and~~ Pub. L. No. 113-295, §125, Pub. L. No.
34 114-113, division Q, §143, and Pub. L. No. 115-97, §13201, does
35 not apply in computing net income for state tax purposes. If

1 simplified research activities credit.

2 The bill amends Code section 422.11L to update the reference
3 to the IRC for the state solar energy system credit to include
4 2016 and 2017 federal changes, if any, made to these federal
5 credits.

6 Code section 422.9 provides individuals a deduction from net
7 income for state sales and use taxes if the individual chose
8 to deduct sales and use tax in lieu of state income taxes or
9 the standard deduction for federal income tax purposes. This
10 deduction was set to expire under both federal and Iowa law for
11 tax years beginning on or after January 1, 2015. The federal
12 PATH Act of 2015 made the federal deduction permanent. The
13 bill allows the Iowa deduction and makes it permanent for tax
14 years beginning on or after January 1, 2018.

15 The bill decouples, for Iowa individual income tax purposes,
16 from the qualified business income deduction enacted in the
17 federal Tax Cuts and Jobs Act of 2017. This federal qualified
18 business income deduction is provided to noncorporate taxpayers
19 for up to 20 percent of certain domestic qualified business
20 income earned by a taxpayer from a partnership, S corporation,
21 limited liability company, other pass-through entity, or a sole
22 proprietorship.

23 The bill also decouples, for Iowa individual and corporate
24 income tax and franchise tax purposes, from the federal
25 additional first-year depreciation allowance in section 168(k)
26 of the IRC (bonus depreciation) which was enacted and modified
27 by the federal PATH Act of 2015 and the federal Tax Cuts and
28 Jobs Act of 2017. By decoupling, taxpayers who claim bonus
29 depreciation for federal tax purposes are required to add
30 such depreciation amounts back to Iowa net income, but are
31 then allowed under existing state law to deduct the amount of
32 depreciation that would otherwise be allowable under federal
33 law, without regard to the bonus depreciation allowance.

34 The bill takes effect upon enactment and applies
35 retroactively to January 1, 2018, for tax years beginning on

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1 or after that date.