

Senate File 428 - Introduced

SENATE FILE 428

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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:

DIVISION I

INTERNAL REVENUE CODE REFERENCES

1
2
3 Section 1. Section 15.335, subsection 7, paragraph b, Code
4 2017, 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 2017.

8 Sec. 2. Section 422.3, subsection 5, Code 2017, 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~~ 2017.

15 Sec. 3. Section 422.9, subsection 2, paragraph i, Code 2017,
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~~.

27 Sec. 4. Section 422.10, subsection 3, paragraph b, Code
28 2017, 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, ~~2015~~
31 2017.

32 Sec. 5. Section 422.11L, subsection 6, Code 2017, is amended
33 to read as follows:

34 6. For purposes of this section, “*Internal Revenue Code*”
35 means the Internal Revenue Code of 1954, prior to the date of

1 its redesignation as the Internal Revenue Code of 1986 by the
2 Tax Reform Act of 1986, or means the Internal Revenue Code of
3 1986 as amended to and including January 1, ~~2016~~ 2017.

4 Sec. 6. Section 422.32, subsection 1, paragraph h, Code
5 2017, is amended to read as follows:

6 *h.* "*Internal Revenue Code*" means the Internal Revenue Code
7 of 1954, prior to the date of its redesignation as the Internal
8 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
9 the Internal Revenue Code of 1986 as amended to and including
10 January 1, ~~2015~~ 2017.

11 Sec. 7. Section 422.33, subsection 5, paragraph e,
12 subparagraph (2), Code 2017, is amended to read as follows:

13 (2) For purposes of **this subsection**, "*Internal Revenue Code*"
14 means the Internal Revenue Code in effect on January 1, ~~2015~~
15 2017.

16 Sec. 8. EFFECTIVE UPON ENACTMENT. This division of this
17 Act, being deemed of immediate importance, takes effect upon
18 enactment.

19 Sec. 9. RETROACTIVE APPLICABILITY. This division of this
20 Act applies retroactively to January 1, 2016, for tax years
21 beginning on or after that date.

22 DIVISION II

23 BONUS DEPRECIATION

24 Sec. 10. Section 422.7, subsection 39A, unnumbered
25 paragraph 1, Code 2017, is amended to read as follows:

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

1 computing net income for state tax purposes:

2 Sec. 11. Section 422.35, subsection 19A, unnumbered
3 paragraph 1, Code 2017, is amended to read as follows:

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

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

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

21 EXPLANATION

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

24 Under current law with the exception of the solar energy
25 system credit in Code section 422.11L, Iowa Code references
26 to the Internal Revenue Code include the Internal Revenue
27 Code in effect on January 1, 2015, meaning federal income tax
28 revisions made by Congress in 2015 and 2016 are not applicable
29 for Iowa tax purposes for 2016 or beyond. This bill updates
30 the Iowa Code references to the Internal Revenue Code to make
31 those 2015 and 2016 federal income tax revisions applicable
32 for Iowa income tax purposes, and decouples with certain bonus
33 depreciation provisions.

34 DIVISION I — INTERNAL REVENUE CODE REFERENCES. The
35 division amends Code sections 422.3 and 422.32, general

1 definition sections in the chapter of the Code that governs
2 corporate and individual income tax and the franchise tax
3 on financial institutions, to update the references to the
4 Internal Revenue Code.

5 The division amends Code sections 15.335, 422.10, and 422.33
6 to update the references to the Internal Revenue Code for the
7 state research activities credit for individuals, corporations,
8 and corporations participating in certain economic development
9 programs to include the federal changes to the research
10 activities credit and the alternative simplified research
11 activities credit.

12 The division amends Code section 422.11L to update the
13 reference to the Internal Revenue Code for the state solar
14 energy system credit to include federal changes made in 2016
15 to the federal residential energy efficient property credit
16 and the federal energy credit. This reference to the Internal
17 Revenue Code already includes federal changes made in 2015 to
18 these federal credits (see 2016 Iowa Acts, ch. 1128, §4, 20,
19 and ch. 1138, §40-41).

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

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

33 DIVISION II — BONUS DEPRECIATION. The division decouples,
34 for Iowa income tax purposes, from the federal additional
35 first-year depreciation allowance in section 168(k) of the

1 Internal Revenue Code (bonus depreciation) which was modified
2 and extended through 2019 by the federal Protecting Americans
3 from Tax Hikes Act of 2015. By decoupling, taxpayers who claim
4 bonus depreciation for federal tax purposes are required to
5 add such depreciation amounts back to Iowa net income, but are
6 then allowed under existing state law to deduct the amount of
7 depreciation that would otherwise be allowable under federal
8 law, without regard to the bonus depreciation allowance.

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