

Senate File 220 - Introduced

SENATE FILE 220

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1098)

A BILL FOR

1 An Act relating to the increased expensing allowance deduction
2 by corporations, financial institutions, and partnerships
3 and limited liability companies taxed as corporations, 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 422.35, subsections 14 and 15, Code 2019,
2 are amended to read as follows:

3 14. *a.* ~~The~~ Notwithstanding any other provision of the
4 law to the contrary, the increased expensing allowance under
5 section 179 of the Internal Revenue Code, as amended by Pub. L.
6 No. 115-97, §13101, applies in computing net income for state
7 tax purposes for tax years beginning on or after January 1,
8 2019 2018, subject to the limitations in this subsection for
9 tax years beginning ~~on or after January 1, 2019, but before~~
10 prior to January 1, 2020.

11 *b.* If the taxpayer has taken the increased expensing
12 allowance under section 179 of the Internal Revenue Code,
13 as amended by Pub. L. No. 115-97, §13101, for purposes of
14 computing federal taxable income for tax years beginning on or
15 after January 1, 2019 2018, but before January 1, 2020, then
16 the taxpayer shall make the following adjustments to federal
17 taxable income when computing net income for state tax purposes
18 for the same tax year:

19 (1) Add the total amount of expense deduction taken on
20 section 179 property allowable for federal tax purposes under
21 section 179 of the Internal Revenue Code, as amended by Pub.
22 L. No. 115-97, §13101.

23 (2) (a) Subtract For tax years beginning on or after
24 January 1, 2018, but before January 1, 2019, subtract the
25 amount of expense deduction on section 179 property allowable
26 for federal tax purposes under section 179 of the Internal
27 Revenue Code, as amended by Pub. L. No. 115-97, §13101, not
28 to exceed seventy thousand dollars. The subtraction in this
29 subparagraph division shall be reduced, but not below zero,
30 by the amount by which the total cost of section 179 property
31 placed in service by the taxpayer during the tax year exceeds
32 two hundred eighty thousand dollars.

33 (b) For the tax years beginning on or after January 1,
34 2019, but before January 1, 2020, subtract the amount of
35 expense deduction on section 179 property allowable for federal

1 tax purposes under section 179 of the Internal Revenue Code,
2 as amended by Pub. L. No. 115-97, §13101, not to exceed one
3 hundred thousand dollars. The subtraction in this subparagraph
4 shall be reduced, but not below zero, by the amount by which
5 the total cost of section 179 property placed in service by
6 the taxpayer during the tax year exceeds four hundred thousand
7 dollars.

8 (3) Any other adjustments to gains or losses necessary to
9 reflect adjustments made in subparagraphs (1) and (2).

10 c. The director shall adopt rules pursuant to [chapter 17A](#)
11 to administer [this subsection](#).

12 15. a. For tax years beginning on or after January 1,
13 ~~2019~~ 2018, but before January 1, 2020, a taxpayer may elect to
14 take advantage of [this subsection](#) in lieu of [subsection 14](#),
15 but only if the taxpayer's total expensing allowance deduction
16 for federal tax purposes under section 179 of the Internal
17 Revenue Code, as amended by Pub. L. No. 115-97, §13101, that
18 is allocated to the taxpayer from one or more partnerships or
19 limited liability companies electing to have the income taxed
20 directly to the owners exceeds seventy thousand dollars for a
21 tax year beginning during the 2018 calendar year, or exceeds
22 one hundred thousand dollars for the tax year beginning during
23 the 2019 calendar year, and would, except as provided in this
24 subsection, be limited for purposes of computing net income for
25 state tax purposes pursuant to [subsection 14](#).

26 b. A taxpayer who elects to take advantage of this
27 subsection shall make the following adjustments to federal
28 taxable income when computing net income for state tax
29 purposes:

30 (1) Add the total amount of section 179 expense deduction
31 allocated to the taxpayer from all partnerships or limited
32 liability companies electing to have the income taxed directly
33 to the owners, to the extent the allocated amount was allowed
34 as a deduction to the taxpayer for federal tax purposes for the
35 tax year under section 179 of the Internal Revenue Code, as

1 amended by Pub. L. No. 115-97, §13101.

2 (2) From the amount added in subparagraph (1), do the
3 following:

4 (a) For tax years beginning on or after January 1, 2018,
5 but before January 1, 2019, subtract the first seventy thousand
6 dollars of expensing allowance deduction on section 179
7 property.

8 (b) For tax years beginning on or after January 1, 2019,
9 but before January 1, 2020, subtract the first one hundred
10 thousand dollars of expensing allowance deduction on section
11 179 property.

12 (3) The remaining amount, equal to the difference between
13 the amount added in subparagraph (1), and the amount subtracted
14 in subparagraph (2), may be deducted by the taxpayer but such
15 deduction shall be amortized equally over five tax years
16 beginning in the following tax year.

17 (4) Any other adjustments to gains or losses necessary to
18 reflect adjustments made in subparagraphs (1) through (3).

19 c. A taxpayer who elects to take advantage of this
20 subsection shall not take the increased expensing allowance
21 under section 179 of the Internal Revenue Code, as amended
22 by Pub. L. No. 115-97, §13101, for any section 179 property
23 placed in service by the taxpayer in computing taxable income
24 for state tax purposes. If the taxpayer has taken any such
25 deduction for purposes of computing federal taxable income,
26 the taxpayer shall make the following adjustments to federal
27 taxable income when computing net income for state tax
28 purposes:

29 (1) Add the total amount of expense deduction for federal
30 tax purposes taken on section 179 property placed in service by
31 the taxpayer under section 179 of the Internal Revenue Code, as
32 amended by Pub. L. No. 115-97, §13101.

33 (2) Subtract the amount of depreciation allowable on such
34 property under the modified accelerated cost recovery system
35 described in section 168 of the Internal Revenue Code, without

1 regard to section 168(k) of the Internal Revenue Code. The
2 taxpayer shall continue to take depreciation on the applicable
3 property in future tax years to the extent allowed under the
4 modified accelerated cost recovery system described in section
5 168 of the Internal Revenue Code, without regard to section
6 168(k) of the Internal Revenue Code.

7 (3) Any other adjustments to gains or losses necessary to
8 reflect the adjustments made in subparagraphs (1) and (2).

9 d. The election made under this subsection is for one tax
10 year and the taxpayer may elect or not elect to take advantage
11 of this subsection in any subsequent tax year. However, not
12 electing to take advantage of this subsection in a subsequent
13 tax year shall not affect the taxpayer's ability to claim the
14 tax deduction under paragraph "b", subparagraph (3), that
15 originated from a previous tax year.

16 ~~d.~~ e. The director shall adopt rules pursuant to chapter
17 17A to administer [this subsection](#).

18 Sec. 2. EFFECTIVE DATE. This Act, being deemed of immediate
19 importance, takes effect upon enactment.

20 Sec. 3. RETROACTIVE APPLICABILITY. This Act applies
21 retroactively to January 1, 2018, for tax years beginning on
22 or after that date.

23 EXPLANATION

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

26 This bill relates to the increased expensing allowance
27 deduction (section 179 of the Internal Revenue Code) when
28 computing net income by corporations, financial institutions,
29 and partnerships and limited liability companies taxed as
30 corporations.

31 The bill expands the increased expensing allowance deduction
32 on section 179 property available for individual state income
33 tax purposes to include corporations, financial institutions,
34 and partnerships and limited liability companies taxed as
35 corporations. The bill allows such a corporation, financial

1 institution, partnership, and limited liability company, in tax
2 year 2018, to qualify for the increased expensing allowance
3 deduction on section 179 property for purposes of computing
4 net income, but limits the maximum deduction and investment
5 limitation to \$70,000 and \$280,000, respectively. Currently,
6 for tax year 2018, the maximum expensing allowance deduction
7 and investment limitations on section 179 property for such
8 entities is limited to \$25,000 and \$200,000, respectively.

9 The bill takes effect upon enactment, and applies
10 retroactively to January 1, 2018, for tax years beginning on
11 or after that date.