A BILL FOR

An Act excluding from Iowa net income federal recovery rebates, certain paycheck protection program loan forgiveness, and pandemic-related unemployment compensation, and including effective date and retroactive applicability provisions.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
DIVISION I
FEDERAL RECOVERY REBATES

Section 1. IOWA INCOME TAX EXCLUSION FOR SECOND ROUND OF FEDERAL RECOVERY REBATES. In determining the amount of deduction for federal income tax under section 422.9 for tax years beginning in the 2020 calendar year, the amount of the deduction shall not be adjusted by the amount received by the taxpayer during the tax year of the income tax rebate provided pursuant to the federal Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, §272, and the amount of such income tax rebate shall not be subject to taxation under chapter 422, subchapter II.

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

DIVISION II
PAYCHECK PROTECTION PROGRAM (PPP)

Sec. 3. Section 422.7, Code 2021, is amended by adding the following new subsection:

NEW SUBSECTION. 63. a. Subtract, to the extent included, the amount of any federal paycheck protection program second draw loan forgiveness pursuant to Pub. L. No. 116-260, §311, for tax years beginning on or after January 1, 2021, but before January 1, 2022.

b. This subsection is repealed on January 1, 2027.

Sec. 4. Section 422.35, Code 2021, is amended by adding the following new subsection:

NEW SUBSECTION. 31. a. Subtract, to the extent included, the amount of any federal paycheck protection program second draw loan forgiveness pursuant to Pub. L. No. 116-260, §311, for tax years beginning on or after January 1, 2021, but before January 1, 2022.

b. This subsection is repealed on January 1, 2027.

Sec. 5. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 6. RETROACTIVE APPLICABILITY. This division of this
Act applies retroactively to January 1, 2021, for tax years beginning on or after that date but before tax years beginning on or after January 1, 2022.

DIVISION III
UNEMPLOYMENT COMPENSATION
Sec. 7. Section 422.7, Code 2021, is amended by adding the following new subsection:

NEW SUBSECTION. 64. a. Notwithstanding any other provision of law to the contrary, for any tax year beginning on or after January 1, 2020, but before January 1, 2022, subtract to the extent included compensation or assistance received by the taxpayer authorized pursuant to any of the following federal programs:


(3) Pandemic unemployment compensation related to subparagraphs (1) and (2) approved by the memorandum authorizing the other needs assistance program for major disaster declarations related to the coronavirus disease 2019, issued by the president of the United States on August 8, 2020.


b. This subsection is repealed January 1, 2027.

Sec. 8. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 9. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2020, for tax years beginning on or after that date but before January 1, 2022.

EXPLANATION
The inclusion of this explanation does not constitute agreement with the explanation's substance by the members of the general assembly.
This bill excludes from Iowa net income federal recovery rebates, certain paycheck protection program loan forgiveness, and pandemic-related unemployment compensation. The bill is divided into divisions.

DIVISION I — FEDERAL RECOVERY REBATES. The bill relates to the state taxation of the federal recovery rebates (stimulus checks).

In determining the amount of deduction for federal income tax for tax years beginning in the 2020 calendar year, the amount of the deduction for the tax year shall not be adjusted by the second round of stimulus checks received during the tax year of the income tax rebate provided pursuant to the federal Consolidated Appropriations Act, 2021, and the amount of such income tax rebate shall not be subject to state taxation.

Current law excludes the first recovery rebate in 2020 Iowa Acts, chapter 1118, section 114.

The division takes effect upon enactment.


The division takes effect upon enactment and applies retroactively to January 1, 2021, for tax years beginning on or after that date but before tax years beginning on or after January 1, 2022.

DIVISION III — UNEMPLOYMENT COMPENSATION. Under the bill, a taxpayer who has received compensation authorized pursuant to certain federal programs shall not include in the taxpayer’s Iowa net income the following: pandemic unemployment assistance; pandemic emergency unemployment compensation; pandemic unemployment compensation received through the
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1 memorandum issued by the president of the United States on
2 August 8, 2020; and the extension of pandemic unemployment
3 compensation.
4 The division takes effect upon enactment and applies
5 retroactively to January 1, 2020, for tax years beginning on or
6 after that date but before January 1, 2022.