

Senate File 551 - Introduced

SENATE FILE 551

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1127)

A BILL FOR

1 An Act relating to decoupling federal additional first-year
2 depreciation for Iowa tax purposes, and including effective
3 date and retroactive applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.7, Code 2023, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 44. For qualified property placed in
4 service after December 31, 2022, a taxpayer may elect to
5 subtract the additional first-year depreciation allowance
6 authorized under section 168 of the Internal Revenue Code, in
7 the taxable year in which the property is placed in service,
8 subject to the following adjustments:

9 a. Add the total amount of depreciation taken on all
10 property for which the election under section 168(k) of the
11 Internal Revenue Code was made for the tax year.

12 b. Subtract an amount equal to the depreciation allowed on
13 such property under section 168(k) of the Internal Revenue Code
14 of 1986 as amended and in effect on December 31, 2022.

15 c. Any other adjustments to gains or losses to reflect the
16 adjustments made in paragraph "a" or "b" pursuant to rules
17 adopted by the director.

18 Sec. 2. Section 422.35, Code 2023, is amended by adding the
19 following new subsection:

20 NEW SUBSECTION. 15. For qualified property placed in
21 service after December 31, 2022, a taxpayer may elect to
22 subtract the additional first-year depreciation allowance
23 authorized under section 168 of the Internal Revenue Code, in
24 the taxable year in which the property is placed in service,
25 subject to the following adjustments:

26 a. Add the total amount of depreciation taken on all
27 property for which the election under section 168(k) of the
28 Internal Revenue Code was made for the tax year.

29 b. Subtract an amount equal to the depreciation allowed on
30 such property under section 168(k) of the Internal Revenue Code
31 of 1986 as amended and in effect on December 31, 2022.

32 c. Any other adjustments to gains or losses to reflect the
33 adjustments made in paragraph "a" or "b" pursuant to rules
34 adopted by the director.

35 Sec. 3. EFFECTIVE DATE. This Act, being deemed of immediate

1 importance, takes effect upon enactment.

2 Sec. 4. RETROACTIVE APPLICABILITY. This Act applies
3 retroactively to January 1, 2022, for tax years beginning on
4 or after that date.

5 EXPLANATION

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

8 This bill relates to decoupling for Iowa tax purposes
9 with federal additional first-year depreciation changes
10 under section 168(k) of the Internal Revenue Code (bonus
11 depreciation).

12 BACKGROUND. The Tax Cut and Jobs Act of 2017 (TCJA),
13 in part, made substantial changes to bonus depreciation by
14 increasing the deduction amount from 50 percent of qualified
15 property to 100 percent of qualified property. Beginning
16 with property placed in service after December 31, 2022, the
17 federal bonus depreciation deduction amount begins to phase
18 down by 20 percent per year until property placed in service
19 after December 31, 2026, is no longer eligible for bonus
20 depreciation.

21 BILL CHANGES. Under current law, Iowa completely coupled
22 with federal tax law for tax years beginning on or after
23 January 1, 2020. The bill decouples Iowa for purposes of
24 federal bonus depreciation, and permits a taxpayer for Iowa
25 individual and corporate income tax purposes to continue to
26 utilize bonus depreciation by allowing a taxpayer to deduct 100
27 percent of qualified property placed in service after December
28 31, 2022.

29 By decoupling from federal bonus depreciation, the bill also
30 preserves any other changes made to federal bonus depreciation
31 under the TCJA for Iowa tax purposes including expanding the
32 types of property that are considered "qualified property".

33 The bill takes effect upon enactment and applies
34 retroactively to tax years beginning on or after January 1,
35 2022.