

**House Study Bill 229 - Introduced**

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON WAYS  
AND MEANS BILL BY CHAIRPERSON  
KAUFMANN)

**A BILL FOR**

1 An Act relating to deducting excess business losses for purposes  
2 of the individual income tax, and including retroactive  
3 applicability provisions.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. Section 422.7, subsection 3, Code 2025, is amended  
2 to read as follows:

3 3. a. Add Except as provided in paragraph "b", add any  
4 federal net operating loss deduction carried over from a taxable  
5 year beginning prior to January 1, 2023.

6 b. For tax years beginning on or after January 1, 2021, but  
7 before January 1, 2023, subtract, to the extent included, the  
8 amount the taxpayer's federal adjusted gross income was increased  
9 during the applicable tax year by reason of the application of  
10 section 461(l) of the Internal Revenue Code.

11 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies  
12 retroactively to tax years beginning on or after January 1, 2021,  
13 but before January 1, 2023.

14 EXPLANATION

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

17 Currently, section 461(l) of the Internal Revenue Code (IRC),  
18 limits excess business loss deductions for purposes of federal  
19 individual income tax calculations, but allows the taxpayer to  
20 carry forward any business loss amount disallowed due to the  
21 limitations in section 461(l) of the IRC. For the 2024 tax  
22 year, any business loss exceeding \$305,000 for a single filer and  
23 \$610,000 for married filers is disallowed but the excess over the  
24 threshold amounts may be carried forward.

25 Federal net operating loss deductions carried over from a  
26 taxable year beginning prior to January 1, 2023, are disallowed  
27 for state individual income tax purposes. This bill specifies  
28 that for tax years beginning on or after January 1, 2021, but  
29 before January 1, 2023, a taxpayer may deduct any business loss  
30 disallowed during the applicable tax year due to the limitations  
31 in section 461(l) of the IRC.

32 The bill applies retroactively to tax years beginning on or  
33 after January 1, 2021, but before January 1, 2023.