

House Study Bill 687 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON WAYS
AND MEANS BILL BY CHAIRPERSON
NORDMAN)

A BILL FOR

1 An Act relating to medical cannabidiol by providing deductions
2 from the individual and corporate income taxes for
3 expenses incurred by medical cannabidiol manufacturers
4 and dispensaries, and including retroactive applicability
5 provisions.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 422.7, Code 2026, is amended by adding the
2 following new subsection:

3 NEW SUBSECTION. 46. Subtract, to the extent included, the
4 amount of business expense for a medical cannabidiol manufacturer
5 or a medical cannabidiol dispensary licensed pursuant to chapter
6 124E without regard to section 280E of the Internal Revenue Code.
7 This subsection does not apply when no licensed entity acting
8 within the scope of the license pursuant to chapter 124E incurred
9 the expense, or to an expense incurred in violation of section
10 124.401 and is not otherwise authorized by law.

11 Sec. 2. Section 422.35, Code 2026, is amended by adding the
12 following new subsection:

13 NEW SUBSECTION. 15. Subtract, to the extent included, the
14 amount of business expense for a medical cannabidiol manufacturer
15 or a medical cannabidiol dispensary licensed pursuant to chapter
16 124E without regard to section 280E of the Internal Revenue Code.
17 This subsection does not apply when no licensed entity acting
18 within the scope of the license pursuant to chapter 124E incurred
19 the expense, or to an expense incurred in violation of section
20 124.401 and is not otherwise authorized by law.

21 Sec. 3. RETROACTIVE APPLICABILITY. This Act applies
22 retroactively to January 1, 2026, for tax years beginning on or
23 after that date.

24 EXPLANATION

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

27 Under federal law, a medical cannabidiol manufacturer and
28 a medical cannabidiol dispensary are prohibited from taking
29 business expense deductions by section 280E of the Internal
30 Revenue Code. Currently, Iowa computes individual net income and
31 corporate taxable income based upon federal income calculations,
32 and therefore Iowa currently prohibits a medical cannabidiol
33 manufacturer and a medical cannabidiol dispensary from taking
34 business expense deductions as well because the deductions are
35 not allowed at the federal level.

1 This bill allows a medical cannabidiol manufacturer and a
2 medical cannabidiol dispensary licensed pursuant to Code chapter
3 124E to deduct business expenses for purposes of the Iowa
4 individual income tax or corporate income tax. The bill
5 prohibits the deduction if no licensed entity acting within the
6 scope of the license pursuant to Code chapter 124E incurred the
7 expense, or the expense is incurred in violation of Code section
8 124.401 (prohibited acts) and is not otherwise authorized by law.
9 The bill applies retroactively to tax years beginning on or
10 after January 1, 2026.

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