

House Study Bill 671

1 Amend House Study Bill 671 as follows:

2 1. Page 1, line 2, by striking <FOR> and inserting
3 <BEGINNING IN>

4 2. Page 1, before line 3 by inserting:

5 <Section 1. Section 422.7, Code 2018, is amended by adding
6 the following new subsections:

7 NEW SUBSECTION. 51. *a.* Notwithstanding any other provision
8 of law to the contrary, the increased expensing allowance under
9 section 179 of the Internal Revenue Code, as amended by Pub.
10 L. No. 115-97, §13101, applies in computing net income for
11 state tax purposes for tax years beginning on or after January
12 1, 2018, subject to the limitations in this subsection.

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

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

25 (2) (a) For tax years beginning on or after January 1,
26 2018, but before January 1, 2020, subtract the amount of
27 expense deduction on section 179 property allowable for federal
28 tax purposes under section 179 of the Internal Revenue Code,
29 as amended by Pub. L. No. 115-97, §13101, not to exceed one
30 hundred thousand dollars. The subtraction in this subparagraph
31 division shall be reduced, but not below zero, by the amount by
32 which the total cost of section 179 property placed in service
33 by the taxpayer during the tax year exceeds four hundred
34 thousand dollars.

35 (b) For tax years beginning on or after January 1, 2020,

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

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

11 c. The director shall adopt rules pursuant to chapter 17A
12 to administer this subsection.

13 NEW SUBSECTION. 52. a. For tax years beginning on or
14 after January 1, 2018, a taxpayer may elect to take advantage
15 of this subsection in lieu of subsection 51, but only if the
16 taxpayer's total expensing allowance deduction for federal tax
17 purposes under section 179 of the Internal Revenue Code, as
18 amended by Pub. L. No. 115-97, §13101, that is allocated to
19 the taxpayer from one or more partnerships, S corporations, or
20 limited liability companies electing to have the income taxed
21 directly to the individual exceeds one hundred thousand dollars
22 for a tax year beginning on or after January 1, 2018, but
23 before January 1, 2020, or exceeds two hundred fifty thousand
24 dollars for a tax year beginning on or after January 1, 2020,
25 and would, except as provided in this subsection, be limited
26 for purposes of computing net income for state tax purposes
27 pursuant to subsection 51.

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

32 (1) Add the total amount of section 179 expense
33 deduction allocated to the taxpayer from all partnerships, S
34 corporations, or limited liability companies electing to have
35 the income taxed directly to the individual, to the extent the

1 allocated amount was allowed as a deduction to the taxpayer
2 for federal tax purposes for the tax year under section 179 of
3 the Internal Revenue Code, as amended by Pub. L. No. 115-97,
4 §13101.

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

7 (a) For tax years beginning on or after January 1, 2018,
8 but before January 1, 2020, subtract the first one hundred
9 thousand dollars of expensing allowance deduction on section
10 179 property.

11 (b) For tax years beginning on or after January 1, 2020,
12 subtract the first two hundred fifty thousand dollars of
13 expensing allowance deduction on section 179 property.

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

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

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

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

35 (2) Subtract the amount of depreciation allowable on such

1 property under the modified accelerated cost recovery system
2 described in section 168 of the Internal Revenue Code, without
3 regard to section 168(k) of the Internal Revenue Code. The
4 taxpayer shall continue to take depreciation on the applicable
5 property in future tax years to the extent allowed under the
6 modified accelerated cost recovery system described in section
7 168 of the Internal Revenue Code, without regard to section
8 168(k) of the Internal Revenue Code.

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

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

18 e. The director shall adopt rules pursuant to chapter 17A
19 to administer this subsection.

20 Sec. _____. Section 422.9, subsection 2, paragraph h, Code
21 2018, is amended to read as follows:

22 h. For purposes of calculating the deductions in this
23 subsection that are authorized under the Internal Revenue Code,
24 and to the extent that any of such deductions is determined by
25 an individual's federal adjusted gross income, the individual's
26 federal adjusted gross income is computed in accordance with
27 section 422.7, subsections 39, 39A, 39B, 51, 52, and 53.

28 Sec. _____. TAX-FREE IRA DISTRIBUTIONS TO CERTAIN PUBLIC
29 CHARITIES FOR INDIVIDUALS SEVENTY AND ONE-HALF YEARS OF AGE
30 OR OLDER. Notwithstanding any other provision of law to the
31 contrary, for tax years beginning during the 2018 calendar
32 year, the exclusion from federal adjusted gross income for
33 certain qualified charitable distributions from an individual
34 retirement plan provided in section 408(d)(8) of the Internal
35 Revenue Code, as amended by Pub. L. No. 114-113, division Q,

1 §112, applies in computing net income for state tax purposes.

2 Sec. _____. STATE SALES AND USE TAX DEDUCTION.

3 Notwithstanding any other provision of law to the contrary, for
4 tax years beginning during the 2018 calendar year, a taxpayer
5 who elects to itemize deductions for state tax purposes under
6 section 422.9, subsection 2, is allowed to take the deduction
7 for state sales and use tax in lieu of the deduction for state
8 and local income taxes under section 164(b)(5) of the Internal
9 Revenue Code, as amended by Pub. L. No. 114-113, division Q,
10 §106, in computing taxable income for state tax purposes, but
11 only if the taxpayer elected to deduct state sales and use
12 taxes in lieu of state and local income taxes for federal tax
13 purposes for the same tax year.>

14 3. Page 2, by striking lines 2 and 3 and inserting:

15 <Sec. _____. RETROACTIVE APPLICABILITY.

16 1. Except as provided in subsection 2, this division of this
17 Act applies retroactively to January 1, 2018, for tax years>

18 4. Page 2, after line 4 by inserting:

19 <2. The sections of this division of this Act enacting
20 section 422.7, subsections 51 and 52, and amending section
21 422.9, subsection 2, paragraph "h", apply retroactively to
22 January 1, 2018, for tax years beginning on or after that
23 date.>

24 5. Page 2, by striking lines 7 through 17.

25 6. Page 2, by striking lines 21 through 23 and inserting <of
26 the annual standard deduction factor for the ~~1989~~ 2020 calendar
27 year and all annual standard deduction factors for subsequent>

28 7. Page 3, by striking line 23 and inserting <422.9.>

29 8. Page 3, line 26, by striking <Code> and inserting <Code,
30 as amended by Pub. L. No. 115-141, division T, §101,>

31 9. By striking page 5, line 27, through page 14, line 25,
32 and inserting:

33 <Sec. _____. Section 422.5, subsection 2, paragraph a, Code
34 2018, is amended to read as follows:

35 a. There is imposed upon every resident and nonresident of

1 this state, including estates and trusts, the greater of the
 2 tax determined in subsection 1, ~~paragraphs "a" through "j",~~ or
 3 the state alternative minimum tax equal to seventy-five percent
 4 of the maximum state individual income tax rate for the tax
 5 year, rounded to the nearest one-tenth of one percent, times
 6 the state alternative minimum taxable income of the taxpayer as
 7 computed under this subsection.

8 Sec. ____ . NEW SECTION. **422.5A Tax rates.**

9 The tax imposed in section 422.5 shall be calculated at
 10 the following rates for tax years beginning in the following
 11 calendar years:

	2019	2020 and subsequent calendar years
12		
13		
14		
15 1. On all taxable income from		
16 0 through \$1,000:	0.34%	0.32%
17 2. On all taxable income		
18 exceeding \$1,000 but not exceeding		
19 \$2,000:	0.68%	0.65%
20 3. On all taxable income		
21 exceeding \$2,000 but not exceeding		
22 \$4,000:	2.31%	2.20%
23 4. On all taxable income		
24 exceeding \$4,000 but not exceeding		
25 \$9,000:	4.28%	4.10%
26 5. On all taxable income		
27 exceeding \$9,000 but not exceeding		
28 \$15,000:	5.94%	5.60%
29 6. On all taxable income		
30 exceeding \$15,000 but not exceeding		
31 \$20,000:	6.29%	6.10%
32 7. On all taxable income		
33 exceeding \$20,000 but not exceeding		
34 \$30,000:	6.60%	6.58%
35 8. On all taxable income		

1 exceeding \$30,000 but not exceeding

2 \$45,000: 7.84% 7.82%

3 9. On all taxable income

4 exceeding \$45,000: 8.89% 8.89%>

5 10. Page 14, line 31, by striking <422.5A, subsection 1,>
6 and inserting <422.5A>

7 11. Page 14, by striking lines 34 and 35 and inserting
8 <forms and instructions for each tax year.>

9 12. By striking page 15, line 15, through page 18, line 1,
10 and inserting:

11 <Sec. _____. Section 422.7, Code 2018, is amended by adding
12 the following new subsection:

13 NEW SUBSECTION. 59. a. The rules for nonrecognition
14 of gain or loss from exchanges of real property held for
15 productive use or investment and not held primarily for sale,
16 as provided in section 1031 of the Internal Revenue Code, apply
17 for state income tax purposes with regard to exchanges of real
18 property.

19 b. (1) The rules for nonrecognition of gain or loss
20 from exchanges of property other than real property held for
21 productive use or investment as provided in section 1031 of the
22 Internal Revenue Code, as amended up to and including December
23 21, 2017, apply for state income tax purposes, notwithstanding
24 any other provision of law to the contrary. If the taxpayer's
25 federal adjusted gross income includes gain or loss from
26 property, other than real property described in paragraph "a",
27 and the taxpayer elects to have this paragraph apply, the
28 following adjustments shall be made:

29 (a) (i) Subtract the total amount of gain related to the
30 sale or exchange of the property as properly reported for
31 federal tax purposes under the Internal Revenue Code.

32 (ii) Add back any gain related to the sale or exchange
33 of the property to the extent such gain does not qualify for
34 deferral under section 1031 of the Internal Revenue Code, as
35 amended up to and including December 21, 2017, which gain

1 shall be calculated using the taxpayer's adjusted basis in the
2 property for state tax purposes.

3 (b) (i) Add the total amount of loss related to the sale or
4 exchange of the property as properly reported for federal tax
5 purposes under the Internal Revenue Code.

6 (ii) Subtract any loss related to the sale or exchange
7 of the property to the extent such loss does not qualify for
8 deferral under section 1031 of the Internal Revenue Code, as
9 amended up to and including December 21, 2017, which loss
10 shall be calculated using the taxpayer's adjusted basis in the
11 property for state tax purposes.

12 (c) Any other adjustments to gains, losses, deductions, or
13 tax basis for the property given up or received in the sale or
14 exchange pursuant to rules adopted by the director.

15 (2) The director shall adopt rules pursuant to chapter 17A
16 to administer this paragraph.>

17 13. Page 18, by striking lines 34 and 35.

18 14. Page 19, line 3, by striking <1.>

19 15. Page 19, line 5, by striking <1A> and inserting <1>

20 16. By striking page 19, line 8 and inserting <to read as
21 follows:

22 1. An optional standard deduction, after deduction of
23 federal income tax, equal to ~~one~~ three thousand ~~two hundred~~
24 ~~thirty~~ dollars for a married person who files separately or
25 a single person or equal to ~~three~~ seven thousand ~~thirty five~~
26 hundred dollars for a husband and wife who file a joint return,
27 a surviving spouse, or a head of household. The optional
28 standard deduction shall not exceed the amount remaining after
29 deduction of the federal income tax. The amount of federal
30 income tax deducted shall be computed as provided in subsection
31 2, paragraph "b".>

32 17. By striking page 19, line 10, through page 20, line 17,
33 and inserting <following new subsection:>

34 18. Page 20, line 20, by striking <Code> and inserting
35 <Code, as amended by Pub. L. No. 115-141, division T, §101>

- 1 19. Page 20, line 28, by striking <Code> and inserting
2 <Code, as amended by Pub. L. No. 115-141, division T, §101>
3 20. Page 20, line 30, by striking <paragraphs b, h, and> and
4 inserting <paragraph>
5 21. Page 20, line 31, by striking <are> and inserting <is>
6 22. By striking page 20, line 32, through page 22, line 5.
7 23. Page 23, by striking lines 13 and 14 and inserting:
8 <1. a. There is allowed as a credit against the tax
9 determined in>
10 24. Page 23, lines 20 and 21, by striking <but before
11 January 1, 2019,>
12 25. By striking page 23, line 24 and inserting <tax year
13 shall not exceed>
14 26. Page 23, by striking lines 28 through 30 and inserting
15 <subsection 2.>
16 27. Page 23, line 33, by striking <Code 2018,>
17 28. Page 24, by striking lines 1 through 4.
18 29. Page 24, line 7, by striking <~~1989~~ 2019> and inserting
19 <1989>
20 30. Page 24, by striking lines 20 through 33 and inserting
21 <years beginning on or after January 1 of that calendar year.
22 The director>
23 31. Page 24, line 35, by striking <applicable>
24 32. Page 32, line 11, by striking <“*Institution of higher*
25 *education*”> and inserting <“*Qualified education expenses*”>
26 33. By renumbering as necessary.

PROPOSED COMMITTEE AMENDMENT