

JAN 20 2005
WAYS & MEANS CALENDAR

HOUSE FILE 102
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 23)

Passed House, Date 1-25-05 Passed Senate, Date _____
Vote: Ayes 99 Nays 0 Vote: Ayes _____ Nays _____
Approved Jul 24, 2005

A BILL FOR

1 An Act relating to state income taxes by authorizing individuals,
2 corporations, and financial institutions to elect to take the
3 additional first-year depreciation allowance and to allow the
4 additional first-year depreciation allowance and the increased
5 expensing allowance which were deductible for a tax year for
6 which a tax return was filed prior to a certain date to be
7 deducted on the return filed for the subsequent tax year and
8 including an effective date provision and a retroactive
9 applicability date provision.

HF 102

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

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1 Section 1. Section 422.7, subsection 39, paragraph b, Code
2 2005, is amended to read as follows:

3 b. The A taxpayer may elect to apply the additional first-
4 year depreciation allowance authorized in section 168(k)(4) of
5 the Internal Revenue Code, as enacted by Pub. L. No. 108-27,
6 shall-apply in computing net income for state tax purposes,
7 for qualified property acquired after May 5, 2003, and before
8 January 1, 2005. If the taxpayer elects to take the
9 additional first-year depreciation allowance authorized in
10 section 168(k)(4) of the Internal Revenue Code for state tax
11 purposes, the deduction may be taken on amended state tax
12 returns, if necessary. If the taxpayer does not elect to take
13 the additional first-year depreciation allowance authorized in
14 section 168(k)(4) of the Internal Revenue Code for state tax
15 purposes, the following adjustment shall be made:

16 (1) Add the total amount of depreciation taken on all
17 property for which the election under section 168(k)(4) of the
18 Internal Revenue Code was made for the tax year.

19 (2) Subtract an amount equal to depreciation allowed on
20 such property for the tax year using the modified accelerated
21 cost recovery system depreciation method applicable under
22 section 168 of the Internal Revenue Code without regard to
23 section 168(k)(4).

24 (3) Any other adjustments to gains or losses to reflect
25 the adjustments made in subparagraphs (1) and (2) pursuant to
26 rules adopted by the director.

27 Sec. 2. Section 422.35, subsection 19, paragraph b, Code
28 2005, is amended to read as follows:

29 b. The A taxpayer may elect to apply the additional first-
30 year depreciation allowance authorized in section 168(k)(4) of
31 the Internal Revenue Code, as enacted by Pub. L. No. 108-27,
32 shall-apply in computing net income for state tax purposes,
33 for qualified property acquired after May 5, 2003, and before
34 January 1, 2005. If the taxpayer elects to take the
35 additional first-year depreciation allowance authorized in

1 section 168(k)(4) of the Internal Revenue Code for state tax
2 purposes, the deduction may be taken on amended state tax
3 returns, if necessary. If the taxpayer does not elect to take
4 the additional first-year depreciation allowance authorized in
5 section 168(k)(4) of the Internal Revenue Code for state tax
6 purposes, the following adjustment shall be made:

7 (1) Add the total amount of depreciation taken on all
8 property for which the election under section 168(k)(4) of the
9 Internal Revenue Code was made for the tax year.

10 (2) Subtract an amount equal to depreciation allowed on
11 such property for the tax year using the modified accelerated
12 cost recovery system depreciation method applicable under
13 section 168 of the Internal Revenue Code without regard to
14 section 168(k)(4).

15 (3) Any other adjustments to gains or losses to reflect
16 the adjustments made in subparagraphs (1) and (2) pursuant to
17 rules adopted by the director.

18 Sec. 3. SPECIAL FILING PROVISIONS. Adjustments to federal
19 adjusted gross income for individuals and federal taxable
20 income for corporations made on previous tax returns filed
21 prior to the effective date of this section of this Act may be
22 required. These adjustments relate to the disallowance of
23 both the additional fifty percent first-year depreciation
24 allowance authorized in section 168(k) of the Internal Revenue
25 Code for assets acquired after May 5, 2003, and before January
26 1, 2005, and the increase in the expensing allowance
27 authorized in section 179(b) of the Internal Revenue Code for
28 tax periods beginning on or after January 1, 2003. In lieu of
29 filing an amended tax return, taxpayers may make these
30 adjustments, pursuant to rules adopted by the director of
31 revenue, on the next return filed subsequent to the effective
32 date of this section of this Act.

33 Sec. 4. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.
34 This Act, being deemed of immediate importance, takes effect
35 upon enactment. Sections 1 and 2 of this Act apply

1 retroactively to tax years ending after May 5, 2003.

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EXPLANATION

3 This bill allows a taxpayer to elect to take the additional
4 first-year (bonus) depreciation allowance in computing the
5 individual, corporate, and franchise taxes and specifies the
6 adjustments to be made in determining net or taxable income if
7 such election is not made. This provision is retroactive to
8 tax years ending after May 5, 2003.

9 The bill allows a taxpayer that was eligible, under the
10 individual or corporate income tax, for the additional first-
11 year (bonus) depreciation allowance or the increased expensing
12 allowance for a tax year for which an income tax return for
13 that tax year was filed prior to the effective date of the
14 provision of the bill, to elect, in lieu of filing an amended
15 return, to take the bonus depreciation allowance or increased
16 expensing allowance in the taxpayer's subsequent tax year.
17 The amount of the deduction and any other adjustment as a
18 result of this deduction is to be computed pursuant to rules
19 adopted by the director of revenue.

20 The bill takes effect upon enactment.

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**EIGHTY-FIRST GENERAL ASSEMBLY
2005 REGULAR SESSION
DAILY
HOUSE CLIP SHEET**

JANUARY 25, 2005

HOUSE FILE 102

H-1014

1 Amend House File 102 as follows:

2 1. Page 1, by inserting after line 26 the
3 following:

4 "Sec. 50. Section 422.7, Code 2005, is amended by
5 adding the following new subsection:

6 NEW SUBSECTION. 44. A taxpayer may elect not to
7 take the increased expensing allowance under section
8 179 of the Internal Revenue Code, as amended by Pub.
9 L. No. 108-27, section 202, in computing state tax
10 purposes. If the taxpayer does not take the increased
11 expensing allowance under section 179 of the Internal
12 Revenue Code for state tax purposes, the following
13 adjustments shall be made:

14 a. Add the total amount of expense deduction taken
15 on section 179 property for federal tax purposes under
16 section 179 of the Internal Revenue Code.

17 b. Subtract the amount of expense deduction on
18 section 179 property allowable for federal tax
19 purposes under section 179 of the Internal Revenue
20 Code prior to enactment of Pub. L. No. 108-27, section
21 202.

22 c. Any other adjustments to gains and losses to
23 the adjustments make in paragraphs "a" and "b"
24 pursuant to rules adopted by the director."

25 2. Page 2, by inserting after line 17 the
26 following:

27 "Sec. 51. Section 422.35, Code 2005, is amended by
28 adding the following new subsection:

29 NEW SUBSECTION. 20. A taxpayer may elect not to
30 take the increased expensing allowance under section
31 179 of the Internal Revenue Code, as amended by Pub.
32 L. No. 108-27, section 202, in computing state tax
33 purposes. If the taxpayer does not take the increased
34 expensing allowance under section 179 of the Internal
35 Revenue Code for state tax purposes, the following
36 adjustments shall be made:

37 a. Add the total amount of expense deduction taken
38 on section 179 property for federal tax purposes under
39 section 179 of the Internal Revenue Code.

40 b. Subtract the amount of expense deduction on
41 section 179 property allowable for federal tax
42 purposes under section 179 of the Internal Revenue
43 Code prior to enactment of Pub. L. No. 108-27, section
44 202.

45 c. Any other adjustments to gains and losses to
46 the adjustments make in paragraphs "a" and "b"
47 pursuant to rules adopted by the director."

48 3. Page 3, line 1, by inserting after the figure
49 "2003." the following: "Sections 50 and 51 of this
50 Act apply retroactively to tax years beginning on or

H-1014

H-1014

Page 2

1 after January 1, 2003."

2 4. Title page, line 3, by inserting after the
3 word "and" the following: "the increased expensing
4 allowance and".

By CARROLL of Poweshiek

H-1014 FILED JANUARY 24, 2005

**EIGHTY-FIRST GENERAL ASSEMBLY
2005 REGULAR SESSION
DAILY
HOUSE CLIP SHEET**

JANUARY 26, 2005

HOUSE FILE 102

H-1016

1 Amend the amendment, H-1014, to House File 102 as
2 follows:
3 1. Page 1, by inserting after line 47 the
4 following:
5 "____. Page 2, line 32, by inserting after the
6 word "Act." the following: "If the taxpayer elects
7 not to file an amended return, the "allowed or
8 allowable" provisions and regulations of sections 167
9 and 1016 of the Internal Revenue Code are suspended
10 with regard to the depreciation adjustment otherwise
11 available as a result of this Act.""

By EICHHORN of Hamilton

H-1016 FILED JANUARY 25, 2005
ADOPTED

HOUSE FILE 102

H-1017

1 Amend the amendment, H-1014, to House File 102 as
2 follows:
3 1. Page 1, by inserting after line 47 the
4 following:
5 "____. Page 2, line 32, by inserting after the
6 word "Act" the following: "or on the return for the
7 tax year immediately preceding the tax year for which
8 its return is filed subsequent to the effective date
9 of this section of this Act"."

By EICHHORN of Hamilton

H-1017 FILED JANUARY 25, 2005
ADOPTED

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 102 - Bonus Depreciation and Expensing Changes (LSB 1394 HV)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version - New

Description

House File 102 allows taxpayers an additional method to take advantage of depreciation allowances enacted in HF 2581 (Special Session Bonus Depreciation and Expensing Act of 2004). House File 102 allows taxpayers to include the additional depreciation as part of their tax return for the next tax year. Under HF 2581, the taxpayer was restricted to filing amended returns in order to receive the benefit.

Fiscal Impact

In determining the fiscal impact of HF 2581, it was assumed a percentage of eligible taxpayers would not file amended returns due to the expense of preparing and filing those returns. House File 102 should make it possible for those taxpayers to benefit from the depreciation changes. Therefore, the revenue reduction associated with the depreciation changes is projected to be somewhat higher than under HF 2581. House File 2581 was projected to reduce General Fund revenue by \$87.2 million over two fiscal years (FY 2005 and FY 2006). House File 102 is projected to increase the revenue reduction by:

- FY 2005 -- \$2.25 million
- FY 2006 -- \$1.25 million

Source

Department of Revenue

Holly M. Lyons

January 25, 2005

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

**EIGHTY-FIRST GENERAL ASSEMBLY
2005 REGULAR SESSION
DAILY
HOUSE CLIP SHEET**

JANUARY 26, 2005

HOUSE FILE 102

H-1016

1 Amend the amendment, H-1014, to House File 102 as
2 follows:
3 1. Page 1, by inserting after line 47 the
4 following:
5 "____. Page 2, line 32, by inserting after the
6 word "Act." the following: "If the taxpayer elects
7 not to file an amended return, the "allowed or
8 allowable" provisions and regulations of sections 167
9 and 1016 of the Internal Revenue Code are suspended
10 with regard to the depreciation adjustment otherwise
11 available as a result of this Act.""

By EICHHORN of Hamilton

H-1016 FILED JANUARY 25, 2005
ADOPTED

HOUSE FILE 102

H-1017

1 Amend the amendment, H-1014, to House File 102 as
2 follows:
3 1. Page 1, by inserting after line 47 the
4 following:
5 "____. Page 2, line 32, by inserting after the
6 word "Act" the following: "or on the return for the
7 tax year immediately preceding the tax year for which
8 its return is filed subsequent to the effective date
9 of this section of this Act"."

By EICHHORN of Hamilton

H-1017 FILED JANUARY 25, 2005
ADOPTED

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 102 - Bonus Depreciation and Expensing Changes (LSB 1394 HV)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)
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Description

House File 102 allows taxpayers an additional method to take advantage of depreciation allowances enacted in HF 2581 (Special Session Bonus Depreciation and Expensing Act of 2004). House File 102 allows taxpayers to include the additional depreciation as part of their tax return for the next tax year. Under HF 2581, the taxpayer was restricted to filing amended returns in order to receive the benefit.

Fiscal Impact

In determining the fiscal impact of HF 2581, it was assumed a percentage of eligible taxpayers would not file amended returns due to the expense of preparing and filing those returns. House File 102 should make it possible for those taxpayers to benefit from the depreciation changes. Therefore, the revenue reduction associated with the depreciation changes is projected to be somewhat higher than under HF 2581. House File 2581 was projected to reduce General Fund revenue by \$87.2 million over two fiscal years (FY 2005 and FY 2006). House File 102 is projected to increase the revenue reduction by:

- FY 2005 -- \$2.25 million
- FY 2006 -- \$1.25 million

Source

Department of Revenue

Holly M. Lyons

January 25, 2005

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

HOUSE FILE 102
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 23)

(As Amended and Passed by the House January 25, 2005)

Passed House, Date _____ Passed Senate, Date 2-17-05
Vote: Ayes _____ Nays _____ Vote: Ayes 49 Nays 1
Approved _____

A BILL FOR

1 An Act relating to state income taxes by authorizing individuals,
2 corporations, and financial institutions to elect to take the
3 additional first-year depreciation allowance and the increased
4 expensing allowance and to allow the additional first-year
5 depreciation allowance and the increased expensing allowance
6 which were deductible for a tax year for which a tax return
7 was filed prior to a certain date to be deducted on the return
8 filed for the subsequent tax year and including an effective
9 date provision and a retroactive applicability date provision.

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

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House Amendments _____

1 Section 1. Section 422.7, subsection 39, paragraph b, Code
2 2005, is amended to read as follows:

3 b. The A taxpayer may elect to apply the additional first-
4 year depreciation allowance authorized in section 168(k)(4) of
5 the Internal Revenue Code, as enacted by Pub. L. No. 108-27,
6 shall-apply in computing net income for state tax purposes,
7 for qualified property acquired after May 5, 2003, and before
8 January 1, 2005. If the taxpayer elects to take the
9 additional first-year depreciation allowance authorized in
10 section 168(k)(4) of the Internal Revenue Code for state tax
11 purposes, the deduction may be taken on amended state tax
12 returns, if necessary. If the taxpayer does not elect to take
13 the additional first-year depreciation allowance authorized in
14 section 168(k)(4) of the Internal Revenue Code for state tax
15 purposes, the following adjustment shall be made:

16 (1) Add the total amount of depreciation taken on all
17 property for which the election under section 168(k)(4) of the
18 Internal Revenue Code was made for the tax year.

19 (2) Subtract an amount equal to depreciation allowed on
20 such property for the tax year using the modified accelerated
21 cost recovery system depreciation method applicable under
22 section 168 of the Internal Revenue Code without regard to
23 section 168(k)(4).

24 (3) Any other adjustments to gains or losses to reflect
25 the adjustments made in subparagraphs (1) and (2) pursuant to
26 rules adopted by the director.

27 Sec. 2. Section 422.7, Code 2005, is amended by adding the
28 following new subsection:

29 NEW SUBSECTION. 44. A taxpayer may elect not to take the
30 increased expensing allowance under section 179 of the
31 Internal Revenue Code, as amended by Pub. L. No. 108-27,
32 section 202, in computing state tax purposes. If the taxpayer
33 does not take the increased expensing allowance under section
34 179 of the Internal Revenue Code for state tax purposes, the
35 following adjustments shall be made:

1 a. Add the total amount of expense deduction taken on
2 section 179 property for federal tax purposes under section
3 179 of the Internal Revenue Code.

4 b. Subtract the amount of expense deduction on section 179
5 property allowable for federal tax purposes under section 179
6 of the Internal Revenue Code prior to enactment of Pub. L. No.
7 108-27, section 202.

8 c. Any other adjustments to gains and losses to the
9 adjustments made in paragraphs "a" and "b" pursuant to rules
10 adopted by the director.

11 Sec. 3. Section 422.35, subsection 19, paragraph b, Code
12 2005, is amended to read as follows:

13 b. The A taxpayer may elect to apply the additional first-
14 year depreciation allowance authorized in section 168(k)(4) of
15 the Internal Revenue Code, as enacted by Pub. L. No. 108-27,
16 shall-apply in computing net income for state tax purposes,
17 for qualified property acquired after May 5, 2003, and before
18 January 1, 2005. If the taxpayer elects to take the
19 additional first-year depreciation allowance authorized in
20 section 168(k)(4) of the Internal Revenue Code for state tax
21 purposes, the deduction may be taken on amended state tax
22 returns, if necessary. If the taxpayer does not elect to take
23 the additional first-year depreciation allowance authorized in
24 section 168(k)(4) of the Internal Revenue Code for state tax
25 purposes, the following adjustment shall be made:

26 (1) Add the total amount of depreciation taken on all
27 property for which the election under section 168(k)(4) of the
28 Internal Revenue Code was made for the tax year.

29 (2) Subtract an amount equal to depreciation allowed on
30 such property for the tax year using the modified accelerated
31 cost recovery system depreciation method applicable under
32 section 168 of the Internal Revenue Code without regard to
33 section 168(k)(4).

34 (3) Any other adjustments to gains or losses to reflect
35 the adjustments made in subparagraphs (1) and (2) pursuant to

1 rules adopted by the director.

2 Sec. 4. Section 422.35, Code 2005, is amended by adding
3 the following new subsection:

4 NEW SUBSECTION. 20. A taxpayer may elect not to take the
5 increased expensing allowance under section 179 of the
6 Internal Revenue Code, as amended by Pub. L. No. 108-27,
7 section 202, in computing state tax purposes. If the taxpayer
8 does not take the increased expensing allowance under section
9 179 of the Internal Revenue Code for state tax purposes, the
10 following adjustments shall be made:

11 a. Add the total amount of expense deduction taken on
12 section 179 property for federal tax purposes under section
13 179 of the Internal Revenue Code.

14 b. Subtract the amount of expense deduction on section 179
15 property allowable for federal tax purposes under section 179
16 of the Internal Revenue Code prior to enactment of Pub. L. No.
17 108-27, section 202.

18 c. Any other adjustments to gains and losses to the
19 adjustments made in paragraphs "a" and "b" pursuant to rules
20 adopted by the director.

21 Sec. 5. SPECIAL FILING PROVISIONS. Adjustments to federal
22 adjusted gross income for individuals and federal taxable
23 income for corporations made on previous tax returns filed
24 prior to the effective date of this section of this Act may be
25 required. These adjustments relate to the disallowance of
26 both the additional fifty percent first-year depreciation
27 allowance authorized in section 168(k) of the Internal Revenue
28 Code for assets acquired after May 5, 2003, and before January
29 1, 2005, and the increase in the expensing allowance
30 authorized in section 179(b) of the Internal Revenue Code for
31 tax periods beginning on or after January 1, 2003. In lieu of
32 filing an amended tax return, taxpayers may make these
33 adjustments, pursuant to rules adopted by the director of
34 revenue, on the next return filed subsequent to the effective
35 date of this section of this Act or on the return for the tax

1 year immediately preceding the tax year for which its return
2 is filed subsequent to the effective date of this section of
3 this Act. If the taxpayer elects not to file an amended
4 return, the "allowed or allowable" provisions and regulations
5 of sections 167 and 1016 of the Internal Revenue Code are
6 suspended with regard to the depreciation adjustment otherwise
7 available as a result of this Act.

8 Sec. 6. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.

9 This Act, being deemed of immediate importance, takes effect
10 upon enactment. Sections 1 and 3 of this Act apply
11 retroactively to tax years ending after May 5, 2003. Sections
12 2 and 4 of this Act apply retroactively to tax years beginning
13 on or after January 1, 2003.

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HOUSE FILE 102

AN ACT

RELATING TO STATE INCOME TAXES BY AUTHORIZING INDIVIDUALS, CORPORATIONS, AND FINANCIAL INSTITUTIONS TO ELECT TO TAKE THE ADDITIONAL FIRST-YEAR DEPRECIATION ALLOWANCE AND THE INCREASED EXPENSING ALLOWANCE AND TO ALLOW THE ADDITIONAL FIRST-YEAR DEPRECIATION ALLOWANCE AND THE INCREASED EXPENSING ALLOWANCE WHICH WERE DEDUCTIBLE FOR A TAX YEAR FOR WHICH A TAX RETURN WAS FILED PRIOR TO A CERTAIN DATE TO BE DEDUCTED ON THE RETURN FILED FOR THE SUBSEQUENT TAX YEAR AND INCLUDING AN EFFECTIVE DATE PROVISION AND A RETROACTIVE APPLICABILITY DATE PROVISION.

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

Section 1. Section 422.7, subsection 39, paragraph b, Code 2005, is amended to read as follows:

b. The A taxpayer may elect to apply the additional first-year depreciation allowance authorized in section 168(k)(4) of the Internal Revenue Code, as enacted by Pub. L. No. 108-27, shall apply in computing net income for state tax purposes, for qualified property acquired after May 5, 2003, and before January 1, 2005. If the taxpayer elects to take the

additional first-year depreciation allowance authorized in section 168(k)(4) of the Internal Revenue Code for state tax purposes, the deduction may be taken on amended state tax returns, if necessary. If the taxpayer does not elect to take the additional first-year depreciation allowance authorized in section 168(k)(4) of the Internal Revenue Code for state tax purposes, the following adjustment shall be made:

(1) Add the total amount of depreciation taken on all property for which the election under section 168(k)(4) of the Internal Revenue Code was made for the tax year.

(2) Subtract an amount equal to depreciation allowed on such property for the tax year using the modified accelerated cost recovery system depreciation method applicable under section 168 of the Internal Revenue Code without regard to section 168(k)(4).

(3) Any other adjustments to gains or losses to reflect the adjustments made in subparagraphs (1) and (2) pursuant to rules adopted by the director.

Sec. 2. Section 422.7, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 44. A taxpayer may elect not to take the increased expensing allowance under section 179 of the Internal Revenue Code, as amended by Pub. L. No. 108-27, section 202, in computing state tax purposes. If the taxpayer does not take the increased expensing allowance under section 179 of the Internal Revenue Code for state tax purposes, the following adjustments shall be made:

a. Add the total amount of expense deduction taken on section 179 property for federal tax purposes under section 179 of the Internal Revenue Code.

b. Subtract the amount of expense deduction on section 179 property allowable for federal tax purposes under section 179 of the Internal Revenue Code prior to enactment of Pub. L. No. 108-27, section 202.

c. Any other adjustments to gains and losses to the adjustments made in paragraphs "a" and "b" pursuant to rules adopted by the director.

Sec. 3. Section 422.35, subsection 19, paragraph b, Code 2005, is amended to read as follows:

b. ~~The A taxpayer may elect to apply the~~ additional first-year depreciation allowance authorized in section 168(k)(4) of the Internal Revenue Code, as enacted by Pub. L. No. 108-27, ~~shall apply~~ in computing net income for state tax purposes, for qualified property acquired after May 5, 2003, and before January 1, 2005. If the taxpayer elects to take the additional first-year depreciation allowance authorized in section 168(k)(4) of the Internal Revenue Code for state tax purposes, the deduction may be taken on amended state tax returns, if necessary. If the taxpayer does not elect to take the additional first-year depreciation allowance authorized in section 168(k)(4) of the Internal Revenue Code for state tax purposes, the following adjustment shall be made:

(1) Add the total amount of depreciation taken on all property for which the election under section 168(k)(4) of the Internal Revenue Code was made for the tax year.

(2) Subtract an amount equal to depreciation allowed on such property for the tax year using the modified accelerated cost recovery system depreciation method applicable under section 168 of the Internal Revenue Code without regard to section 168(k)(4).

(3) Any other adjustments to gains or losses to reflect the adjustments made in subparagraphs (1) and (2) pursuant to rules adopted by the director.

Sec. 4. Section 422.35, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 20. A taxpayer may elect not to take the increased expensing allowance under section 179 of the Internal Revenue Code, as amended by Pub. L. No. 108-27, section 202, in computing state tax purposes. If the taxpayer

does not take the increased expensing allowance under section 179 of the Internal Revenue Code for state tax purposes, the following adjustments shall be made:

a. Add the total amount of expense deduction taken on section 179 property for federal tax purposes under section 179 of the Internal Revenue Code.

b. Subtract the amount of expense deduction on section 179 property allowable for federal tax purposes under section 179 of the Internal Revenue Code prior to enactment of Pub. L. No. 108-27, section 202.

c. Any other adjustments to gains and losses to the adjustments made in paragraphs "a" and "b" pursuant to rules adopted by the director.

Sec. 5. SPECIAL FILING PROVISIONS. Adjustments to federal adjusted gross income for individuals and federal taxable income for corporations made on previous tax returns filed prior to the effective date of this section of this Act may be required. These adjustments relate to the disallowance of both the additional fifty percent first-year depreciation allowance authorized in section 168(k) of the Internal Revenue Code for assets acquired after May 5, 2003, and before January 1, 2005, and the increase in the expensing allowance authorized in section 179(b) of the Internal Revenue Code for tax periods beginning on or after January 1, 2003. In lieu of filing an amended tax return, taxpayers may make these adjustments, pursuant to rules adopted by the director of revenue, on the next return filed subsequent to the effective date of this section of this Act or on the return for the tax year immediately preceding the tax year for which its return is filed subsequent to the effective date of this section of this Act. If the taxpayer elects not to file an amended return, the "allowed or allowable" provisions and regulations of sections 167 and 1016 of the Internal Revenue Code are suspended with regard to the depreciation adjustment otherwise available as a result of this Act.

Sec. 6. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.
This Act, being deemed of immediate importance, takes effect upon enactment. Sections 1 and 3 of this Act apply retroactively to tax years ending after May 5, 2003. Sections 2 and 4 of this Act apply retroactively to tax years beginning on or after January 1, 2003.

CHRISTOPHER C. RANTS
Speaker of the House

JEFFREY M. LAMBERTI
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 102, Eighty-first General Assembly.

MARGARET THOMSON
Chief Clerk of the House

Approved 2/24, 2005

THOMAS J. VILSACK
Governor