

## Tax Year 2019 Highlights

For tax years beginning in 2019, **the law couples Iowa tax law with federal tax law**, with some of the following exceptions.

### Section 179

The new law sets Iowa's section 179 deduction at \$100,000, with a phase-out threshold of \$400,000. Iowa Code § 422.7(51).

The law also provides taxpayers with an option in 2019 to make a subsection § 422.7(52) election, as explained in the 2018 updates.

### Bonus Depreciation

Additional first-year depreciation allowed under IRC §168(k) of federal law does not apply in computing net income for state tax purposes.

### QBI Deduction

In 2019, the law allows taxpayers to deduct from their Iowa taxable income an amount equal to 25 percent of their federal IRC § 199A "qualified business income" deduction.

### Like-Kind Exchange for Personal Property

In 2019, Iowa law will be coupled with federal law with respect to the elimination of IRC § 1031 like-kind exchange treatment for personal property. Taxpayers, however, may *elect* non-recognition of gain or loss treatment for the 2019 tax year. The Director of Revenue is tasked with issuing rules regarding the administration of this election. This election will be useful for taxpayers who trade depreciated equipment for something newer and are faced with recognition of recapture income, absent deferral treatment. This shouldn't be an issue after 2019 when Iowa's S179 deduction increases to the federal limit.

## Tax Rates

Beginning in 2019, individual tax rates are lowered. Following is a chart showing the reduced rates:

Taxed Income Brackets*		Current Law Tax Rates	TY 2019 Rates
Lower Limit	Upper Limit		
\$ 0	\$ 1,628	0.36%	0.33%
\$ 1,629	\$ 3,256	0.72%	0.67%
\$ 3,257	\$ 6,512	2.43%	2.25%
\$ 6,513	\$ 14,652	4.50%	4.14%
\$ 14,653	\$ 24,420	6.12%	5.63%
\$ 24,421	\$ 32,560	6.48%	5.96%
\$ 32,561	\$ 48,840	6.80%	6.25%
\$ 48,841	\$ 73,260	7.92%	7.44%
\$ 73,261	And Over	8.98%	8.53%

\*Estimated TY 2019 brackets. Iowa tax brackets are indexed annually for inflation.

(Tables are copied from the Legislative Services Agency Fiscal Note regarding SF 2417)

## AMT

The law retains the individual AMT, which is set at 75 percent of the maximum state individual income tax rate for the tax rate, rounded to the nearest one-tenth of one percent, times the state alternative minimum taxable income of the taxpayer. The corporate AMT is also retained through tax year 2020.

## \$10,000 Limit for State and Local Taxes

The law provides that the federal \$10,000 limit on the deduction for state and local taxes (or sales tax in lieu of those taxes) does not apply in computing taxable income for state tax purposes.

## Corporate Tax Rates

Corporate tax rates remain unchanged in 2019.

## Net Operating Losses

Although the Tax Cuts & Jobs Act has restricted a farmer's federal net operating loss carryback to two years, the law allows a taxpayer engaged in the trade or business of farming to carryback losses for five years. Iowa Code § 422.9(3)(d).

## **Sales & Use Taxes**

As of January 1, 2019, the law expands the sales and use tax base to include items and services not previously subject to sales tax in Iowa. These include information services, digital goods and services related to installing specified digital products, ride sharing, subscription services, online sellers, online marketplaces, and online travel agent websites.