Iowa Department of REVENUE

2018 Nonconformity Adjustments Worksheet

https://tax.iowa.gov

Name ____________________ Tax Period (MM/DD/YY) __________

Federal Employer Identification Number (FEIN) or SSN ____________________

Before you complete this schedule, read the instructions. Not all adjustments will apply to all taxpayers, or to all tax types. Individuals, estates, and trusts, note that certain of these adjustments have already been made elsewhere on the IA 1040 or IA 1041. Taxpayers with adjustments on the lines noted should enter zero as instructed when completing this worksheet to account for changes already made on the IA 1040 or IA 1041.

Enter amounts as a positive or negative.
Use whole dollars.

Adjustments to Federal Taxable Income (FTI)

1.	Contributions to Capital	1.	
2.	Like-Kind Exchanges (Individuals, estates, and trusts: enter 0)	2.	
3.	Limitation on Business Interest Expenses (Individuals: enter 0)	3.	
4.	Excessive Remuneration	4.	
5.	Certain Settlements and Other Fees	5.	
6.	Business Expense Deductions for FDIC Premiums	6.	
7.	Domestic Production Activities Deduction (Individuals: enter 0)	7.	
8.	Section 199A(a) Qualified Business Income Deduction (Individuals: enter 0)	8.	
9.	Section 199A(g) Deduction for Cooperatives and Patrons (Individuals: enter 0)	9.	
10.	Other Business Deduction Provisions (Individuals: see instructions)	10.	
11.	Charitable Contribution Limitations (Individuals: enter 0)	11.	
12.	Treatment of S-Corp Charitable Contributions for Certain ESBT Shareholders	12.	
13.	Limitation on Excess Business Losses (Individuals: enter 0)	13.	
14.	Qualified Equity Grants	14.	
15.	Capitalization Rules	15.	
16.	Certain Capital Assets	16.	
17.	Qualified Opportunity Zones	17.	
18.	Substantial Built-in Losses in the Case of a Transfer of Partnership Interest	18.	
19.	Basis Limitation on Partnership Losses	19.	
20.	Determination of Basis in a Life Insurance or Annuity Contract	20.	
21.	Transfer for Value of Life Insurance Contracts	21.	
22.	Tax Treatment of Alaska Native Corporations	22.	
23.	Global Intangible Low Taxed Income	23.	
24.	Related Party Amounts Paid in Hybrid Transactions (TCJA Sec. 14222)	24.	
25.	Source of Income from Sales of Inventory (TCJA Sec. 14303)	25.	
26.	Sales or Transfers Involving 10-percent Owned Foreign Corporations	26.	
27.	Sub-part F Provisions (TCJA Sec. 14211, 14212, 14213, 14214, 14215)	27.	
28.	Foreign-source dividends received deduction	28.	
29.	Deemed Repatriation of Deferred Foreign Income under IRC section 965	29.	
30.	Other Adjustments	30.	
31.	Total lines 1-30. See instructions	31.	

Instructions

For tax year 2018, Iowa generally conforms with the Internal Revenue Code (IRC) in effect on January 1, 2015. This means that, with a few limited exceptions, Iowa has not conformed with changes to the IRC included in Public Law 114-113 (PATH Act), Public Law 115-97 (TCJA), Public Law 115-123 (Bipartisan Budget Act of 2018), or Public Law 115-141 (Consolidated Appropriations Act of 2018) for tax years beginning on or after January 1, 2018, and before January 1, 2019. Iowa has specifically conformed to sections 13102 (small business accounting reform), 13221 (special rules for taxable year of inclusion), 13504 (technical termination of partnerships), 13543 (treatment of S-Corp conversions to C-corps), and several other provisions of the TCJA. See 2018 Iowa Acts, Senate File 2417, sec. 63 for a complete list.

This worksheet provides for common adjustments to Iowa net income resulting from non-conformity with federal law, as described above. Differences between Iowa and federal depreciation and section 179 expensing are accounted for on the IA 4562A & B, and are not entered on this form.

This worksheet may be used by taxpayers filing IA 1120, IA 1120F, IA 1120S, IA 1065, IA 1040 and IA 1041. Individual and fiduciary income tax (IA 1040 & IA 1041) filers should note that a number of adjustments included on this worksheet are already accounted for on Iowa individual or fiduciary income tax forms. Individual or fiduciary income taxpayers with these adjustments should account for them on those other forms, and enter zero for the noted lines when completing this worksheet.

All taxpayers with adjustments included on this worksheet should retain a copy for their records.

Line 1: Contributions to Capital - Contributions that were treated as contributions to capital for federal income tax purposes prior to the TCJA may still be treated as such and excluded from income for Iowa purposes to the same extent they would have been excluded from federal income prior to the TCJA, even if such contributions would no longer qualify as contributions to capital for federal purposes under section 13312 of the TCJA.

Line 2: Like-kind Exchanges - See IA 8824 worksheet, and enter the gain or loss adjustment here. This may also require adjustments on the IA 4562A & B. Individuals: enter zero and account for this adjustment on IA 1040, line 14, code “q”. Trusts and estates: enter zero and account for this adjustment on IA 1041, line 8.

Line 3: Limitation on Business Interest Expenses - The deduction for business interest expenses is allowed for Iowa purposes to the same extent allowed for federal purposes prior to the enactment of section 13301 of the TCJA. Individuals: enter zero and account for this adjustment on IA 1040, line 14, code “u”.

Line 4: Excessive Remuneration - The changes to limitations on the deduction for excessive employee remuneration under section 13601 of the TCJA do not apply for Iowa purposes. A taxpayer is permitted to deduct employee remuneration to the same extent allowed prior to the TCJA, even if the deduction includes some employees who would be subject to new limitations for federal purposes.

Line 5: Certain Settlements and Other Fees - The prohibition imposed by section 13307 of the TCJA on deducting settlements, payouts, and attorney’s fees that are related to sexual harassment or sexual abuse and subject to a nondisclosure agreement does not apply for Iowa purposes.

Line 6: Business Expense Deductions for FDIC Premiums - The limitation on business expense deductions for FDIC premiums imposed by section 13531 of the TCJA does not apply for Iowa purposes. FDIC premiums are still deductible as an ordinary and necessary business expense for Iowa purposes for 2018 to the extent such premiums would have been deductible prior to the TCJA.

Line 7: Domestic Production Activities Deduction - Complete federal form 8903 to calculate the Iowa deduction for 2018, but note the following Iowa nonconformity adjustments that may be required to properly calculate the deduction for Iowa purposes.

- Federal bonus depreciation is not allowed for Iowa tax purposes (see IA 4562A & B)

- The federal section 179 deduction is limited for Iowa tax purposes (see IA 4562A & B).
- Iowa has not conformed to the DPAD changes made in PL 114-113 relating to the treatment of transportation costs of independent refiners (see Internal Revenue Code section 199(c)(3)(C) in effect on December 21, 2017)
- Iowa has not conformed to the DPAD changes made in PL 114-113 or PL 115-123 extending the DPAD beyond 2014 with respect to income attributable to activities in Puerto Rico.

To the extent these and other Iowa nonconformity adjustments affect the calculation of the DPAD, including but not limited to the calculation of federal taxable income on line 11 of the federal form 8903, the taxpayer should calculate the DPAD with these adjustments. Enter the result here. Retain a copy of the completed form for your records. Individuals: enter zero and account for this adjustment on IA 1040, line 24, code "i".

Line 8: Section 199A(a) Qualified Business Income Deduction - Iowa has not conformed to the qualified business income (QBI) deduction provided in IRC section 199A(a). For individuals, no QBI deduction should be included on the IA 1040, thus no add-back adjustment should be necessary here. For qualifying estates and trusts with QBI deduction amounts not distributed to beneficiaries, add back such amounts here to the extent included on your IA 1041 return.

Line 9: Section 199A(g) Deduction for Cooperatives and Patrons - Iowa has not conformed to the deduction provided in IRC section 199A(g) for domestic production activities of certain agricultural and horticultural cooperatives. Add back such amounts here to the extent included on your Iowa return, but note that these entities are likely still eligible to claim the DPAD on line 7 above.

Line 10: Other Business Deductions - The business deductions for local lobbying expenses, for entertainment expenses, the provision of qualified fringe benefits or employee achievement awards, and for amounts paid or incurred to a government or specified nongovernmental entity for the violation or potential violation of law, allowable prior to the enactment of sections 13304, 13306, 13308, and 13310 of the TCJA are still permitted for Iowa purposes.

Individuals: for entertainment expense and qualified fringe benefit adjustments resulting from section 13304 of the TCJA, account for this adjustment on IA 1040, line 14, code "v", or on the IA 2106 worksheet, as appropriate, and do not include these amounts on this worksheet.

Line 11: Charitable Contribution Limitations - The modifications to the deduction for charitable contributions under section 13704 of the TCJA, and temporary suspension of charitable contribution limitations under section 20104 of the Bipartisan Budget Act of 2018 do not apply for Iowa purposes. Regular charitable contribution limitations in place on January 1, 2015, apply to these contributions. Individuals: enter zero and account for this adjustment on IA 1040, Schedule A.

Line 12: Treatment of S-Corp Charitable Contributions for Certain ESBT Shareholders - Section 13542 of the TCJA allows an Electing Small Business Trust (ESBT) that is shareholder in an S-Corporation to treat any charitable contribution deductions passed through from the S-Corp in the same manner as an individual. For Iowa purposes an ESBT receiving such a deduction is subject to the rules for charitable deductions that are generally applicable to trusts.

Line 13: Limitation on Excess Business Losses - Iowa has not conformed to the new limitation on excess business losses for noncorporate taxpayers under section 11012 of the TCJA. However, the limitation on excess farm losses for noncorporate taxpayers in IRC section 461(j) still applies for Iowa tax purposes. For more information, see 2017 federal Schedule F instructions and its accompanying excess farm loss worksheets. Enter any farm loss limitation adjustments here. Individuals: enter zero and account for this adjustment on IA 1040, line 14, code "m".

Line 14: Qualified Equity Grants - The election to defer the inclusion in income of the amount of certain qualified stock transfers under section 13603 of the TCJA is not permitted for Iowa purposes. An employee making this election must add back any amount the employee elected to defer, as reported to the employee in box 12 of federal form W-2, code HH.

If an employee has made this election, the employer's deduction of the amount of income attributable to the qualified stock may also be deferred. In such cases the employer must modify any deduction taken as a result of the employee's election under TCJA section 13603.

Line 15: Capitalization Rules

- The aging process for beer, wine, and distilled spirits is still included in the production period when calculating interest expense under the UNICAP rules for Iowa purposes to the same extent that process was included in the production period prior to the enactment of section 13801 of the TCJA.
- The new rules under section 13207 of the TCJA allowing certain persons other than the taxpayer to deduct replanting costs for citrus plants lost or damaged due to casualty do not apply for Iowa purposes.

Line 16: Certain Capital Assets - Patents, inventions, models or designs, and secret formulas held either by the taxpayer who created the property, or a taxpayer with a substituted or transferred basis from the taxpayer who created the property (or for whom the property was created), are still capital assets for Iowa purposes to the same extent they were treated as such prior to the enactment of section 13314 of the TCJA.

Line 17: Qualified Opportunity Zones - The temporary deferral of inclusion in gross income for capital gains that are reinvested in a qualified opportunity fund and the exclusion from gross income for the post-acquisition capital gains on investments in opportunity zone funds that are held for at least 10 years under section 13823 of the TCJA do not apply for Iowa purposes for 2018.

Line 18: Substantial Built-in Losses in the Case of a Transfer of a Partnership Interest - Section 13502 of the TCJA does not apply for Iowa purposes. A substantial built-in loss does not exist simply because the transferee would be allocated a net loss in excess of $250,000 upon a hypothetical disposition by the partnership of all partnership's assets in a fully taxable transaction for cash equal to the assets' fair market value, immediately after the transfer of the partnership interest.

Line 19: Basis Limitation on Partnership Losses - Section 13503 of the TCJA does not apply for Iowa purposes. The amount of the basis limitation on a partner's losses cannot be adjusted to account for the partner's distributive share of partnership charitable contributions or taxes paid or accrued to foreign countries or possessions of the United States.

Line 20: Determination of Basis in a Life Insurance or Annuity Contract - Section 13521 of the TCJA does not apply for Iowa purposes. Upon the sale of a cash value life insurance contract, the insured's (seller's) basis is adjusted by the cost of insurance as provided in Revenue Ruling 2009-13.

Line 21: Transfer for Value of Life Insurance Contracts - Exceptions to the transfer for value rules in effect prior to the enactment of section 13522 of the TCJA may still apply for Iowa purposes, meaning limitations on the excludable amounts paid by reason of the death of the insured may not apply for amounts paid in 2018.

Line 22: Tax Treatment of Alaska Native Corporations - Payments assigned by Alaska Native Corporations to settlement trusts must be included in Iowa income to the same extent they would have been included in federal income prior to the enactment of section 13821 of the TCJA. The elections to deduct certain contributions to settlement trusts and to defer recognition of income associated with the contributed property are not available for Iowa purposes. These amounts must be included in Iowa income to the extent excluded for federal purposes.

Line 23: Global Intangible Low Taxed Income - Global Intangible Low-Tax Income (GILTI), under sec. 14201 of the TCJA is not included in Iowa income, except to the extent it would have been included in federal taxable income prior to the TCJA, and may be subtracted here to the extent included on the Iowa return. The deductions for 50% of global intangible low-tax income, and 37.5% of foreign-derived intangible income under new section 250 of the IRC are not available for Iowa purposes, and must be added back here to the extent included in calculating the amount on the Iowa return.

Line 24: Related Party Amounts Paid in Hybrid Transactions - Amounts which may not be deducted pursuant to section 14222 of the TCJA, are deductible to the same extent such amounts would have been deductible for Iowa purposes prior to the TCJA.

Line 25: Source of Income from Sales of Inventory - Gains, profits, and income from the sale or exchange of inventory property produced partly within, and partly outside, the United States, are sourced either within or without the United States according to the rules in place prior to the passage of section 14303 of the TCJA for Iowa purposes. This means the taxpayer's federal taxable income may need to be either increased or reduced based on whether the sale was sourced within or without the United States.

Line 26: Sales or Transfers Involving 10-Percent Owned Foreign Corporations - Income or loss included in federal taxable income solely as a result of changes enacted by section 14102 of the TCJA should not be included in Iowa income. To the extent included any such income should be subtracted, and any such losses added back on this line.

Line 27: Sub-Part F Provisions - The adjustments to subpart F income included in sections 14211, 14212, 14213, 14214, and 14215 of the TCJA do not apply for Iowa purposes.

Line 28: Foreign-source dividends received deduction - The deduction for dividends received by a domestic corporation from certain foreign corporations under section 14101 of the TCJA is not permitted for Iowa purposes. This deduction must be added back to the extent included in Iowa income. However, these dividends may still qualify for the Iowa foreign dividend exclusion computed on IA 1120, Schedule B.

Line 29: Deemed Repatriation of Deferred Foreign Income under IRC section 965 - Iowa has not conformed to the deemed repatriation of deferred foreign income in section 14103 of the TCJA. To the extent the application of section 14103 of the TCJA affected a taxpayer's Iowa income in 2018, subtract the net amount of section 965 income here.

Line 30: Other Adjustments - Enter any adjustments to taxable income resulting from non-conformity not included elsewhere. This may include adjustments for Federal limitations triggered by recalculated FTI. Attach a supporting schedule explaining the adjustment amount.

Line 31: Total - Total lines 1-30. Enter the results in the appropriate place on your Iowa tax return, as provided in the chart below.

Iowa Form:	Enter positive amounts from line 31 on:	Enter negative amounts from line 31 on:
1040	Other income, line 14, code x	Other income, line 14, code x
1041	Other income, line 8	Other income, line 8
1065	Part III, line 3	Part III, line 6
1120	Schedule A, line 15	Schedule A, line 15
1120S	Part III, line 3	Part III, line 7
1120F	Schedule A, line 6	Schedule D, line 7