IOWA
Department of Revenue

IA 163 Interest Expense Adjustments

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Name(s)

Federal Employer Identification Number (FEIN) or Social Security Number (SSN)

Tax Period End Date

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This form is intended to make adjustments for Iowa's nonconformity with Internal Revenue Code (IRC) section 163(j) business interest expense deduction limitations for tax years beginning on or after January 1, 2020. Before you complete this form, read the instructions.

1.	Business interest expense from federal form 8990, line 1	1	00
2.	Non-Iowa partnership adjustment from IA 163, Schedule A, line e, Total	2	00
3.	Floor plan financing interest expense, federal form 8990, line 4	3	00
4.	Total. Add lines 1-3	4	00
5.	Current year federal deduction from federal form 8990, line 30	5	00
6.	Current year Iowa adjustment. Subtract line 4 from line 5 (report positive values as an addition to income, report negative values as a reduction to income). See instructions	6	00

Amounts may be positive or negative.

IA 163 Schedule A

If you had current year excess business interest expense amounts shown on federal form 8990, Schedule A, column c, complete the following schedule and include it with your Iowa return. Columns a, b, and c of this schedule should match columns a, b, and c of your federal 8990, Schedule A. If you need more lines, you may include as many additional copies of this schedule as necessary.

A. Name of Partnership	B. FEIN	C. Current year excess business expense	D. Did you receive an IA 1065 K-1 from this partnership? (Y/N)	E. Re-enter column C amounts only for those rows in which you marked "N" in column D. Add all entries for this column and enter the result on the "Total" line below.
		00		00
		00		00
		00		00
		00		00
		00		00
		00		00
E. Total				E 00

Include this form with your tax return.

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42-039a (07/29/2024)

Who must file?

This form provides the adjustments necessary to account for Iowa's nonconformity with IRC section 163(j) business interest expense limitations for tax years beginning on or after January 1, 2020. This form may result in a reduction to Iowa income if the taxpayer's interest expense deduction was limited at the federal level for the tax year, or an addition to Iowa income if the taxpayer was allowed to deduct carried-forward interest expense amounts at the federal level from years in which the taxpayer's Iowa interest expense deduction was not limited.

If your business interest expense deduction was limited for Iowa purposes in tax year 2019, you may have additional adjustments in tax year 2020 that are not accounted for on this form. See 2020 IA 163A.

Taxpayers who have a federal business interest expense deduction to which IRC section 163(j) applies and taxpayers who were allowed to deduct prior year disallowed federal business interest expense this year must complete and submit this form.

Include this form with your tax return for any year in which you have an adjustment on IA 163, line 6.

This form may be used by taxpayers filing IA 1120, IA 1120F, IA 1120S, IA 1065, IA 1040 or IA 1041.

Instructions

Lines 1-3: Use only amounts from the lines indicated on your current year federal form 8990. Include a copy of your federal form 8990 with your return.

Federal consolidated filers: Corporate taxpayers that were included on a federal consolidated return but are filing separately for Iowa purposes, and Iowa consolidated groups that do not include all members of the federal consolidated group must properly complete a pro forma federal form 8990 using the information of the separate entity or Iowa consolidated group in order to complete this form. Include a copy of this pro forma federal form 8990 with your Iowa return.

Line 2: Non-Iowa partnership adjustment: If you had current year excess business interest expense amounts shown on federal form 8990, Schedule A, column c, you must also complete IA 163, Schedule A. Follow the instructions on the Schedule and enter the line e total here. Do not include amounts from a partnership which sent you an Iowa K-1 (those rows for which you entered "Y" in IA 163, Schedule A, column d) on this line as you have already deducted excess business interest expense from those partnerships as part of your regular Iowa partnership adjustments from the partnerships.

Line 6: Current year Iowa adjustment: The amount entered on line 6 is your current year Iowa business interest expense adjustment. The current year adjustment may be either positive or negative. If the amount on IA 163, line 6 is negative, this indicates a reduction to your current year Iowa income. If the amount on IA 163, line 6 is positive this indicates an addition to your current year Iowa income. The chart below indicates how additions and reductions should be reported for each tax type. Enter the result here and in the place indicated for your tax type on the chart below.

Iowa Form: Except as specified in this column for prior years, enter the amount from line 6 as directed in the columns to the right.	Enter additions to income from line 6 on:	Enter reductions to income from line 6 on:
1040 For 2022 and prior IA 1040 returns, enter as “other income” on line 14, code y.	Schedule 1, line 11, code y	Schedule 1, line 11, code y
1041	Other income, line 8	Other income, line 8
1065 For 2021 and prior IA 1065 returns, enter on Part III, line 3 (additions), or Part III, line 6 (reductions).	Schedule A, line 4	Schedule A, line 4
1120 For 2020 IA 1120 returns, enter on Schedule A, line 16 (Other).	Schedule A, line 6	Schedule A, line 6
1120S For 2021 and prior IA 1120S returns, enter on Part III, line 3 (additions), or Part III, line 7 (reductions).	Schedule A, line 4	Schedule A, line 4
1120F For 2022 and prior IA 1120F returns, enter Schedule A, line 6 (additions) or Schedule D, line 7 (reductions).	Schedule A, line 9	Schedule A, line 9