

Name(s): \_\_\_\_\_ Tax Period (MM/DD/YY): \_\_\_\_\_

Federal Employer Identification Number (FEIN) or SSN: \_\_\_\_\_

Before you complete this form, read the instructions. **A copy of this form and supporting documentation should be retained for as long as adjustments are applicable. This form is for reporting carryforward and other adjustments resulting from 2018 and 2019 nonconformity with the Internal Revenue Code (IRC).** Not all adjustments will apply to all taxpayers, or to all tax types. Individuals note that certain adjustments have already been made elsewhere on the IA 1040. Individual taxpayers with adjustments on the lines noted should enter zero as instructed when completing this form to account for changes already made on the IA 1040.

Amounts may be positive or negative.  
Use whole dollars.

**Part I: Nonconformity Adjustments**

- 1. Contributions to Capital ..... 1. \_\_\_\_\_
- 2. Like-Kind Exchanges ..... 2. \_\_\_\_\_
- 3. Limitation on Business Interest Expenses (see instructions) ..... 3. \_\_\_\_\_
- 4. Charitable Contribution Limitations (Individuals: enter 0) ..... 4. \_\_\_\_\_
- 5. Treatment of S-Corp Charitable Contributions for Certain ESBT Shareholders .... 5. \_\_\_\_\_
- 6. Limitation on Excess Business Losses ..... 6. \_\_\_\_\_
- 7. Qualified Equity Grants ..... 7. \_\_\_\_\_
- 8. Capitalization Rules ..... 8. \_\_\_\_\_
- 9. Qualified Opportunity Zones ..... 9. \_\_\_\_\_
- 10. Basis Limitation on Partnership Losses ..... 10. \_\_\_\_\_
- 11. Sales or Transfers Involving 10-percent Owned Foreign Corporations ..... 11. \_\_\_\_\_
- 12. Other Adjustments ..... 12. \_\_\_\_\_
- 13. Total Nonconformity Adjustments. Add lines 1-12. .... 13. \_\_\_\_\_

Include this form with your tax return.



\*1942029019999\*

**Part II: Accumulated IA 101 Nonconformity Adjustments**

Keep a copy of this form for your records. You will need the information from this chart to complete this form for future years.

	A 2018 Nonconformity Adjustment Amount	B IA 101 Nonconformity Adjustments claimed in prior years	C Current Year IA 101 Nonconformity Adjustment	D Amount remaining as adjustments for future years on IA 101
a. Contributions to Capital				
b. Limitations on Business Interest Expense				
c. S-Corp Charitable Contributions for ESBT Shareholders				
d. Qualified Equity Grants				
e. Capitalization Rules				
f. Qualified Opportunity Zones				
g. Basis Limitation on Partnership Losses				

Include this form with your tax return.



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This form provides for common adjustments to Iowa net income that may be necessary in tax years 2019 and later resulting from Iowa's 2018 nonconformity with federal law, as described below. If you were not required to file an Iowa return in 2018, and did not make an Iowa like-kind exchange election in 2019, do not complete this form.

**Include this form with your tax return if you enter any adjustment on Part I lines 1-12.**

For tax year 2018, Iowa generally conformed with the Internal Revenue Code (IRC) in effect on January 1, 2015. This meant that, with a few limited exceptions, Iowa did not conform 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. See 2018 Iowa Acts, Senate File 2417, sec. 63 for a complete list of provisions of the TCJA with which Iowa did conform for 2018.

For tax years beginning on or after January 1, 2019, but before January 1, 2020, Iowa generally conforms with the IRC in effect on March 24, 2018. For tax years beginning on or after January 1, 2020, Iowa has adopted what is commonly referred to as "rolling conformity" and generally conforms with the most recent version of the IRC.

However, as a result of Iowa's nonconformity for 2018, certain adjustments to Iowa income may be needed in 2019 and subsequent years.

This form may be used by taxpayers filing IA 1120, IA 1120F, IA 1120S, IA 1065, IA 1040 and IA 1041. Individual income tax (IA 1040) filers should note that the adjustment for charitable contribution carryforwards on line 4 of this form must be accounted for on IA 1040, Schedule A. Individual income taxpayers should enter zero on line 4 when completing this form.

For all tax types, differences between Iowa and federal depreciation and § 179 expensing are accounted for on the IA 4562A and B, and are not entered on this form.

## Part I Instructions

**Line 1: Contributions to Capital** - Certain contributions to the capital of a corporation by a governmental entity or civic group made during tax year 2018 were required to be included in the corporation's 2018 gross income for federal purposes, but were treated as a tax-free contribution to capital for Iowa purposes. This adjustment was reported on line 1 of the 2018 Nonconformity Adjustments Worksheet. When the property is disposed of, the corporation will need to apply the basis rules for capital contributions under IRC § 362(c) and reduce the corporation's basis for Iowa tax purposes in any such property received or purchased with property received in 2018 from a governmental entity or civic group by the amount on line 1 of the 2018 Nonconformity Adjustments Worksheet. Adjust the amount of gain or loss on that property accordingly and enter any adjustment here in the year you dispose of the property.

It is possible that not all adjustments will be taken in the same year if different properties acquired through 2018 contributions are disposed of at different times. Use Part II of this form to track your adjustments over multiple years. The cumulative amount of positive adjustments on this line for all tax years cannot exceed the amount subtracted on line 1 of the 2018 Iowa Nonconformity Worksheet (Part II, row a, Column A).

**Line 2: Like-kind Exchanges** - See IA 8824 Worksheet, line 25 and enter the gain or loss adjustment from that line here. This may also require adjustments on the IA 4562A and B.

## Line 3: Limitation on Business Interest Expenses

For tax year 2018, Iowa did not conform with the business interest expense limitation in IRC § 163(j), which imposed a limitation on the business interest expense deduction but allowed taxpayers to carry forward the disallowed amount. For tax year 2018, Iowa allowed a full deduction for business interest expense that was disallowed for federal purposes under IRC § 163(j). The adjustment for this full deduction was reported on the 2018

Nonconformity Adjustments Worksheet, line 3, or on the IA 1040, line 14, code “u”.

For tax years 2019 and thereafter, Iowa requires taxpayers to add back the amount that was deducted for Iowa purposes in 2018 to the extent that amount is included as a federal carryforward amount from 2018 and deducted for federal purposes in the current year. Please see the following instructions on how to calculate the amount for line 3.

First complete Part II, row b, Columns A and B of this form using the instructions for Part II, then complete the “Current Year Interest Expense Adjustment Worksheet” below.

Current Year Interest Expense Adjustment Worksheet:

1. \_\_\_\_\_ Enter the amount from your current year federal form 8990, line 5.
2. \_\_\_\_\_ Enter the sum of the amounts from your current year federal form 8990, line 2 and line 3.
3. \_\_\_\_\_ Subtract line 2 from line 1 of this worksheet. Enter that amount here.
4. \_\_\_\_\_ Enter the amount from your current year federal form 8990, line 30.
5. \_\_\_\_\_ Subtract line 3 from line 4 of this worksheet. If zero or less, **STOP**, you do not have a current year Iowa business interest expense adjustment to enter on your IA 101, line 3. If greater than zero enter here and continue to line 6 of this worksheet.
6. \_\_\_\_\_ Enter the amount from Part II, row b, Column D of your most recently filed IA 101. If this is your first year completing the IA 101, enter the amount from Part II, row b, Column A of **this year’s** IA 101.
7. \_\_\_\_\_ Enter the lesser of the amount on line 5 or line 6 of this worksheet here. This is your current year Iowa business interest expense adjustment. Also enter this amount on Part I, line 3 of this form.

#### Line 4: Charitable Contribution Limitations (IA 1120 and IA 1120F filers only).

Individuals: Enter zero and account for this adjustment on IA 1040, Schedule A.

For tax year 2018 only, Iowa did not conform with the federal repeal of the charitable deduction for college athletic event seating rights under § 13704 of the TCJA. If you made such a charitable contribution in 2018 and it was not otherwise limited by your contribution percentage limitation under IRC § 170(b), it was deducted on line 11 of the 2018 Nonconformity Adjustments Worksheet. However, if the allowable deduction was instead limited and not deductible for Iowa tax purposes in 2018, you may recalculate your Iowa contribution carryforward amount under IRC § 170(d) for tax years 2019-2023 to include the amount of that 2018 contribution otherwise allowable for Iowa tax purposes.

Also, for tax year 2018 only, Iowa did not conform with the temporary suspension under § 20104 of the Bipartisan Budget Act of 2018 of charitable contribution limitations for certain contributions made for California wildfire relief efforts. To the extent you made one of these qualifying contributions but it caused you to exceed your contribution percentage limitation under IRC § 170(b) in tax year 2018, the amount of the excess was added back on line 11 of the 2018 Nonconformity Adjustments Worksheet. If you included such an add back in tax year 2018, you may recalculate your Iowa contribution carryforward amount under IRC § 170(d) for tax years 2019-2023 to include the amount added back on line 11 of the 2018 Nonconformity Adjustments Worksheet.

To the extent the recalculation of your Iowa contribution carryforward to include either of the amounts described above increases your current year charitable contribution deduction, enter that deduction here. No adjustment shall be made on this line for tax year 2024 or later.

#### Line 5: Treatment of S-Corp Charitable Contributions for Certain Electing Small Business Trust (ESBT) Shareholders

ESBTs only: Enter as a positive adjustment on this line the amount of any charitable contribution deduction carryforward allowed

as a deduction for federal purposes this year, which you were already allowed to deduct for Iowa tax purposes on the 2018 Nonconformity Adjustments Worksheet, line 12, due to Iowa's nonconformity.

It is possible that not all ESBT charitable contribution adjustments on this line due to 2018 nonconformity will be taken in the same year. If you do not claim your entire federal carryforward attributable to this 2018 Iowa nonconformity deduction for federal tax purposes in one year, use Part II of this form to track your adjustments over multiple years. The cumulative positive adjustments entered on this line for all years shall not exceed the amount subtracted on line 12 of the 2018 Iowa Nonconformity Adjustments Worksheet (IA 101 Part II, row c, Column A).

**Line 6: Limitation on Excess Business Losses** For tax year 2018, the limitation on excess farm losses for noncorporate taxpayers in IRC § 461(j) still applied for Iowa tax purposes. This means that you may have a carryforward of excess farm losses as described in IRC § 461(j)(2) for Iowa purposes from tax year 2018 to tax year 2019, even though you had no such carryforward for federal purposes. Noncorporate taxpayers were instructed, on the Iowa 1040, to calculate their 2018 excess farm loss limitation (and carryforward amount to 2019) using the 2017 federal schedule F excess farm loss worksheets and to add the disallowed amount back on their 2018 IA 1040, line 14, using code "m". Enter the allowable amount of your carryforward to 2019 on line 6 of the IA 101. The deduction entered on this line may not exceed the amount of carryforward generated for Iowa purposes in tax year 2018 under IRC § 461(j) and previously added back.

No deduction is allowed on this line for tax year 2020 or later.

### **Line 7: Qualified Equity Grants**

Employees: Enter as a negative adjustment the amount of income, if any, included on your federal return that is attributable to qualified stock for which you made the election in IRC § 83(i) in tax year 2018. This adjustment applies only if you made an IRC § 83(i) election in 2018 and had to include the stock as income on your 2018 Nonconformity Adjustments Worksheet. If

you made an IRC § 83(i) election in 2019 or any later year, or made the election in 2018 but did not file an Iowa return for that year, no adjustment should be made on this line. The amount entered on this line may not exceed the amount of income you included on line 14 of the 2018 Nonconformity Adjustments Worksheet for the stock you are including in federal income this year.

Employers: Enter as a positive adjustment the amount of any deduction you were allowed in the current year for income attributable to qualified stock for which your employee made an IRC § 83(i) election in tax year 2018, and for which you were allowed an Iowa, but not a federal, deduction in 2018 due to Iowa's nonconformity with IRC § 83(i) for that year. The positive adjustment entered on this line should equal the amount you deducted on line 14 of the 2018 Iowa Nonconformity Adjustments Worksheet for the employee(s) and the stock(s) for which you are allowed a federal deduction this year.

It is possible that adjustments on this line due to 2018 nonconformity will need to be taken over multiple years if the deferred income from 2018 is included in the employees' federal income in different years. If not all adjustments attributable to Qualified Equity Grants from 2018 are made in one year, use Part II of this form to track your adjustments over multiple years. The cumulative adjustments entered on this line for all of the years in which you have an adjustment on this line shall not exceed the amount you entered on line 14 of the 2018 Nonconformity Adjustments Worksheet (IA 101 Part II, row d, Column A).

### **Line 8: Capitalization Rules**

Certain amounts of interest expense incurred in the aging process of beer, wine, or distilled spirits and of replanting costs incurred in the replanting of citrus plants lost by reason of casualty as provided in IRC § 263A(d)(2)(C) were allowed as a deduction for federal purposes but not for Iowa purposes in 2018.

Enter these amounts as a negative adjustment on line 8 in the year or years in which you dispose of the property for which the 2018 federal deduction was allowed. You may only

deduct amounts attributable to property which you actually disposed of in any given year, so it may take more than one year to recover all costs entered on line 15 of the 2018 Iowa Nonconformity Adjustments Worksheet. The cumulative amounts entered on this line for all years may not exceed the amount you entered on line 15 of the 2018 Iowa Nonconformity Adjustments Worksheet for a given asset. Use IA 101 Part II to track your allowable deductions for this line over time. The cumulative adjustments entered on this line for all years shall not exceed the amount you entered on line 15 of the 2018 Nonconformity Adjustments Worksheet (IA 101 Part II, row e, Column A).

### **Line 9: Qualified Opportunity Zones**

If you made an investment of capital gains in a federal qualified opportunity fund in tax year 2018 that qualified for deferral from inclusion in federal taxable income under IRC § 1400Z-2, and that capital gain income was added back for Iowa tax purposes on line 17 of your 2018 Nonconformity Adjustments Worksheet, you are allowed a subtraction for Iowa tax purposes during the tax year the capital gains are ultimately included in federal taxable income.

This subtraction is equal to the total amount of the previously-deferred capital gains that are included in federal taxable income, not to exceed the amount previously included on line 17 of your 2018 Nonconformity Adjustments Worksheet.

It is possible that the total adjustment will be subtracted over several years if the capital gain is recognized in different years for federal purposes. Use Part II of this form to track your adjustments over multiple years. The cumulative amount of negative adjustments on this line for all tax years cannot exceed the amount added back on line 17 of the 2018 Iowa Nonconformity Worksheet (Part II, row f, Column A).

No adjustment is allowed on this line for tax years beginning on or after January 1, 2027.

### **Line 10: Basis Limitation on Partnership Losses**

For tax year 2018 Iowa did not require partners to include charitable contributions or foreign

taxes in the partners' loss limitation calculation as described in IRC § 704(d)(3)(A). As a result, the partners may have been allowed a larger partnership loss deduction in 2018 for Iowa purposes than for federal purposes, and therefore have less carryforward to deduct in 2019 and subsequent tax years. Enter as a positive adjustment on this line any amount that was allowed as a 2018 deduction for Iowa purposes on line 19 of the 2018 Nonconformity Adjustments Worksheet, but for federal purposes was disallowed in 2018, carried forward, and deducted this year.

It may take several years for the partner to add back all amounts that were deductible for Iowa purposes but disallowed and carried forward for federal purposes as a result of this provision. Use Part II of this form to track your adjustments over multiple years. The cumulative amount of positive adjustments on this line for all tax years cannot exceed the amount subtracted on line 19 of the 2018 Nonconformity Worksheet (IA 101 Part II, row g, Column A).

### **Line 11: Sales or Transfers Involving 10-Percent Owned Foreign Corporations**

If you are required to adjust your basis in a specified 10-percent owned foreign corporation under IRC § 961(d) and part of that basis adjustment includes a reduction in basis for an IRC § 245A deduction taken for federal purposes, but not allowed for Iowa purposes in tax year 2018, you may add back the amount of that 2018 federal § 245A deduction to your basis for purposes of calculating your Iowa loss in the year of the stock disposition. Your basis adjustment may not exceed the amount you entered on line 28 of the 2018 Nonconformity Adjustments Worksheet that was attributable to your ownership in the corporation for which you are disposing of stock in the current year.

### **Line 12: Other Adjustments**

Enter any adjustments to taxable income resulting from carryforward issues related to 2018 nonconformity not included elsewhere. This may include adjustments for federal limitations triggered by recalculated federal taxable income. Attach a supporting schedule explaining the adjustment amount.

**Line 13: Total**

Total lines 1-12. 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 13 on:	Enter negative amounts from line 13 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

**Part II: Accumulated IA 101 Nonconformity Adjustments**

Part II of this form was created to assist taxpayers in calculating the remaining amount of nonconformity adjustments which may be required on Part I of this form in future tax years.

This Part is intended to track cumulative adjustments over time. In order to ensure all calculations in Part II are accurate, all entries in Part II should be entered as positive amounts, even if the adjustment in Part I was negative (a deduction).

**Column A: 2018 Nonconformity Adjustment Amount**

Generally, insert on rows a-g the amount of the 2018 nonconformity adjustment reported. This amount may have been a negative adjustment in 2018, if this is the case, enter that figure as a positive amount here. The amounts in Column A should be the same each year you use this form.

**Row a: Contributions to Capital**

Insert the amount reported on your 2018 Nonconformity Adjustments Worksheet, line 1. This amount should have been a negative adjustment in 2018, but enter that figure as a positive amount here.

**Row b: Limitations on Business Interest Expense**

Insert the amount of your 2018 nonconformity adjustment attributable to the business interest expense limitation. This amount should have been a negative adjustment in 2018, but enter that figure as a positive amount here.

For individuals, this will be the sum of the amount you entered on your 2018 IA 1040, line 14, Code "u", and the amounts shown on all 2019 IA 1065 Schedule K-1s, line 17 that you received.

For entities taxed as partnerships, this will be the sum of the amounts shown on all 2019 IA 1065 Schedule K-1s, line 17 that you received as a partner in another partnership, but should not include the amount that you entered on your 2018 Nonconformity Adjustments Worksheet, line 3 and reported to your partners on the partners' 2019 IA 1065 K-1s, line 17.

For all other taxpayers, this will be the sum of the amount you entered on your 2018 Nonconformity Adjustments Worksheet, line 3 and the amounts shown on all 2019 IA 1065 Schedule K-1s, line 17 that you received as a partner in another partnership.

If you received a 2018 IA 1065 Schedule K-1 from a partnership but did not receive a 2019 IA 1065 Schedule K-1 from that partnership, contact that partnership and request information on your share of the partnership's 2018 business interest expense adjustment, if any, that would have been included on the 2019 IA 1065 Schedule K-1, line 17.

**CAUTION:** For partnerships, the amount entered in Column A should not exceed, but

may be less than, the sum of the amounts listed in your 2018 federal form 8990, Schedule A, column (c). For all other taxpayers, the amount entered in Column A should not exceed, but may be less than, the sum of your 2018 federal form 8990, line 31, plus the sum of the amounts listed in your 2018 federal form 8990, Schedule A, column (c).

**Row c: S-Corporation Charitable Contributions for ESBT Shareholders**

Insert the amount from your 2018 Nonconformity Adjustment Worksheet, line 12. This amount should have been a negative adjustment in 2018, but enter that figure as a positive amount here.

**Row d: Qualified Equity Grants**

Insert the amount from your 2018 Nonconformity Adjustments Worksheet, line 14. The amount may have been either a positive (employee) or negative (employer) adjustment in 2018. Always enter that figure as a positive amount in Part II.

**Row e: Capitalization Rules** - Insert the amount from your 2018 Nonconformity Adjustments Worksheet, line 15. This should be a positive amount.

**Row f: Qualified Opportunity Zones**

Insert the amount from your 2018 Nonconformity Adjustments Worksheet, line 17. This should be a positive amount.

**Row g: Basis Limitation on Partnership Losses**

Insert the amount from your 2018 Nonconformity Adjustments Worksheet, line 19. This amount should have been a negative adjustment in 2018, but enter that figure as a positive amount here.

**Column B: IA 101 Adjustments Claimed in Prior Years**

Report in Column B the sum of the amounts, by appropriate row category, you entered on your IA 101 for all prior years (beginning in tax year 2019). This should equal the sum of the Part II, Column B and Column C from your most recently filed prior year IA 101. For the first tax year that you file an IA 101, these amounts should be zero. If Column B is equal to Column A you have no current or future Column C adjustments. The amount in Column B can never exceed the amount in Column A.

**Column C: Current Year IA 101 Nonconformity Adjustment**

Enter the amount reported on Part I by appropriate row category for the current tax year. The amount in Column C should always be entered as a positive number, even if you made a negative adjustment for the corresponding line in Part I.

**Column D: Amount Remaining as Adjustment for Future Years on IA 101**

Column D will equal the amount reported in Column A, less the amount reported in Column B, less the amount reported in Column C. This amount can never be negative.

For rows a, b, c, and g this is the amount you have remaining to add back in future years.

For rows e, and f, this is the amount you have remaining to deduct in future years.

For row d, if you had a 2018 adjustment because you were an employee who was required to include a deferred federal amount for lowa purposes, this is the amount you have remaining to deduct in future years. If you were an employer who was allowed a deduction in 2018 because your employee was not allowed to defer recognition of qualifying stocks, this is the amount you have remaining to add back in future years.