

CHANGES TO PROBATE AND ESTATE-RELATED TAXES

Prior Law

Previously, a fiduciary could not deduct administrative expenses for Iowa income tax purposes beyond those expenses claimed for federal fiduciary income tax purposes.

The Iowa Code specified several individuals who are exempt from inheritance tax, including the surviving spouse, various lineal ascendants and descendants, and stepchildren.

New Provisions

2015 Iowa Acts House File 661 allows fiduciaries to deduct administrative expenses for Iowa income tax purposes that were not deducted for federal fiduciary income tax purposes.

House File 661 also replaces the list of individuals who are exempt from inheritance tax with “the surviving spouse, lineal ascendants, lineal descendants, and stepchildren.” Additionally, the Act adds an exemption for the lineal descendants of stepchildren. Finally, the Act clarifies that descendants by adoption are “lineal descendants” for purposes of the individual exemption from inheritance tax.

Sections Amended

Section 1 of 2015 Iowa Acts House File 661 amends Section 422.7, Code 2015 by adding new subsection 57. Section 2 of House File 661 amends Section 450.9, Code 2015.

Effective Date

The amendment to Iowa Code section 422.7 applies to Iowa fiduciary income tax returns filed for tax years ending on or after July 1, 2015.

The amendment to Iowa Code section 450.9 is effective July 1, 2016. The amendment applies to estates of decedents dying on or after July 1, 2016.