

## Iowa Tax Reform Guidance: State Sales and Use Tax Deduction

Iowa Governor Kim Reynolds signed Senate File 2417, an extensive state tax reform bill to improve the tax structure in Iowa. The 2018 Iowa Tax Reform Bill includes an updated federal conformity provision for tax year 2018, which allows Iowa taxpayers options if they itemize deductions at the federal level.

Iowa individual taxpayers who itemize deductions may deduct property and certain other taxes paid during the tax year. In addition, they may choose to deduct either: (1) state and local income taxes; or (2) state sales and use taxes paid during the tax year. In tax years 2016 and 2017, the deduction for state sales and use taxes was not allowed at the state level.

### Specific scenarios created by the new law



If individual taxpayers itemize deductions at both the state and federal level and they choose to deduct state and local income taxes, they may deduct state and local income taxes (other than Iowa income taxes) – but not state sales and use taxes.



If individual taxpayers itemize deductions at the federal level and they choose to deduct state sales and use taxes, then if they itemize at the state level they may deduct state sales and use taxes.



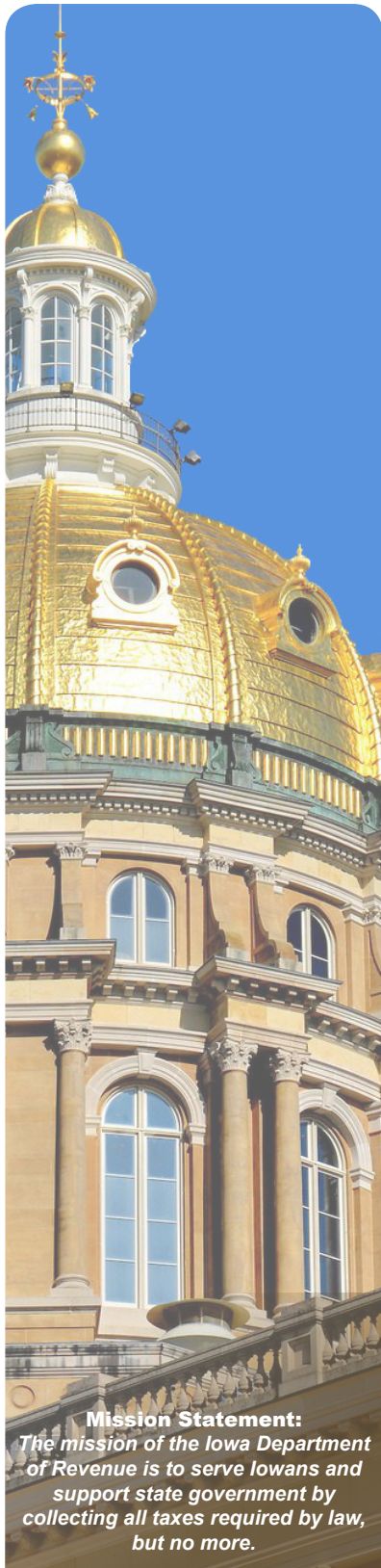
If individual taxpayers do not itemize deductions at the federal level – and instead take the standard deduction – but do itemize in Iowa, they can deduct state and local income taxes (other than Iowa income taxes) – but not state sales and use taxes.



If individual taxpayers do not itemize deductions at the state level, deducting state and local income taxes or state sales and use taxes is not available.

### What does this mean?

- For 2018, individual taxpayers who choose to deduct state sales and use taxes for federal purposes may do so for Iowa purposes as well, if they choose to itemize.



**Mission Statement:**

*The mission of the Iowa Department of Revenue is to serve Iowans and support state government by collecting all taxes required by law, but no more.*