

Coupling with Federal Tax Provisions

Effective with the enactment of Senate File 512 on April 12, 2011, Iowa tax provisions are coupled with federal provisions retroactive to January 1, 2010 in the areas listed below.

For Individual Income Tax Filers Only:

- Deduction of Educator Expenses
- Tuition and Fees Deduction for Higher Education
- Election to Deduct State Sales/Use Tax as an Itemized Deduction in lieu of State Income Tax
- Earned Income Tax Credit (EITC)
- Tax Free Distribution from an IRA to Certain Charities for Individuals 70½ and Older

For Individual Income Tax Filers as well as Corporate Income Tax (including S Corporations) filing, Partnership, Fiduciary, and Franchise Tax:

- Section 179 Asset Expensing
- Alternative Simplified Research Credit
- Deduction Related to Small Business Health Insurance Credit
- Start-up Expenditures
-

Please see [Tax Year 2010 Income Tax Changes for Iowa Taxpayers](#) for additional details.

Value of Health Care Coverage for Nonqualified Dependents

The federal health care bill passed by Congress in 2010 provided for health care coverage for nonqualified tax dependents through age 26. This federal legislation also provided that the value of this health care coverage is not subject to federal income tax.

Prior to the passage of the federal legislation, Iowa provided for health care coverage for nonqualified dependents through age 24. In addition, Iowa Code §422.7(29A) provided that the value of health care coverage for a nonqualified dependent was not subject to Iowa income tax. A deduction could be claimed on the Iowa income tax return for the value of this coverage that was included in federal income.

The Department has determined that Iowa Code §422.7(29A) provides that the value of health care coverage provided for a nonqualified dependent ages 25 and 26 is not subject to Iowa income tax. This will result in the same treatment of health care coverage for nonqualified dependents for both federal and Iowa income tax purposes. In addition, to the extent the value of health insurance for nonqualified dependents up to age 25 was included as income on the federal return, an adjustment should be made on line 24 of the IA 1040.

Unemployment Compensation

The federal deduction for the first \$2,400 in unemployment compensation was eliminated for tax year 2010. The instructions for line 12 of the Iowa 1040 include the phrase "a. Add back any amount of unemployment compensation excluded on your federal return." This phrase was included prior to the federal decision to eliminate this deduction; therefore, the reference to a federal exclusion of unemployment compensation in the line 12 instructions should be disregarded.

New Motor Vehicle Taxes

Prior to April 12, 2011, the online version of the Iowa Schedule A included on line 6 the phrase "DO NOT INCLUDE new motor vehicle taxes deducted on federal Schedule A, line 7." The Iowa Schedule A in the printed IA 1040 booklet contains the phrase "DO NOT INCLUDE new motor vehicle taxes deducted on federal Schedule A, line 7, or as indicated on federal 1040, line 40b." These references were included on the Iowa

Schedule A prior to the federal decision to eliminate this deduction; therefore, all such references on line 6 of the Iowa Schedule A should be disregarded.

Making Work Pay Credit

The federal Making Work Pay Credit should be entered on line 33 of the IA 1040 to the extent the credit reduced the federal income tax liability on the federal return filed during 2010. It is treated in the same manner as the federal Earned Income Credit and federal Additional Child Care Credit.

EXAMPLE: Individual A filed a 2009 federal income tax return reporting a tax liability of \$2,000. Individual A had \$1,800 of federal income tax withheld and a Making Work Pay Credit of \$400. Individual A can deduct \$1,800 as a federal income tax deduction on the Iowa return for 2009 and \$200 as a federal tax deduction on the Iowa return for 2010, since the federal tax deduction is limited to the extent it reduced the federal income tax liability. The refund of the Making Work Pay Credit of \$200 in this example should not be entered on line 27 of the IA 1040 for 2010.

Small Business Health Insurance Credit

For federal tax purposes, taxpayers claiming this credit must reduce the deduction for health insurance premiums by the amount of the credit. Since the deduction is disallowed for federal tax purposes, neither will it be allowed as a deduction for Iowa purposes and no adjustment can be made on the Iowa return.

Instructions / forms begin on the next page.



If you itemize deductions, attach a copy of this schedule or a copy of the federal Schedule A to your return.

| | | | | | |
|--|---|--|--|--|--|
| Name(s) as shown on page 1 of the IA 1040 | Social Security Number | | | | |
| | <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:25%;"></td> <td style="width:25%;"></td> <td style="width:25%;"></td> <td style="width:25%;"></td> </tr> </table> | | | | |
| | | | | | |

NOTE: If you have federal bonus depreciation, please see the 2010 Expanded Instructions on our Web site.

| | | | | |
|--|---|--------------|-----|-----|
| Medical and Dental Expenses | Do not include health insurance premiums deducted on IA 1040, line 18. | | | |
| | 1. Medical and dental expenses | 1. | .00 | |
| | 2. Multiply the amount on federal form 1040*, line 38 as adjusted for disallowance of bonus depreciation, from line 14 of the IA 1040 by 7.5% (.075). Enter result here..... | 2. | .00 | |
| | 3. Subtract line 2 from line 1. If less than zero, enter zero. | 3. | .00 | |
| Taxes You Paid | 4. State and Local (Check only one box): | | | |
| | a <input type="checkbox"/> Other state and local income taxes. Do not include Iowa Income Tax Include School District Surtax and EMS Surtax paid in 2010 | OR > | 4. | .00 |
| | b <input type="checkbox"/> General sales taxes only from line 5b of the Federal Schedule A. | | | |
| | 5. Real estate taxes | 5. | .00 | |
| | 6. Personal property taxes, including annual vehicle registration..... | 6. | .00 | |
| | 7. Other taxes. List the type and amount. | 7. | .00 | |
| | 8. Add amounts on lines 4, 5, 6, and 7. Enter the total here. | 8. | .00 | |
| Interest You Paid | 9a Home mortgage interest and points reported on federal form 1098 | 9a. | .00 | |
| | 9b Home mortgage interest not reported on federal form 1098 | 9b. | .00 | |
| | 10. Points not reported on federal form 1098..... | 10. | .00 | |
| | 11. Qualified mortgage insurance premiums | 11. | .00 | |
| | 12. Investment interest. Attach federal form 4952 if required. | 12. | .00 | |
| | 13. Add lines 9a-12. Enter total here. | 13. | .00 | |
| Gifts to Charity | 14. Contributions by cash or check. | 14. | .00 | |
| | 15. Other than by cash or check. You must attach federal form 8283 if more than \$500. | 15. | .00 | |
| | 16. Carryover from prior year as adjusted for disallowance of bonus depreciation | 16. | .00 | |
| | 17. Add lines 14 through 16. Enter total here. | 17. | .00 | |
| Casualty/Theft Loss | 18. Casualty or theft loss(es). Attach federal form 4684. | 18. | .00 | |
| Job Expenses and Misc. Deductions | 19. Unreimbursed employee expenses. Attach federal form 2106 or 2106-EZ if required. | 19. | .00 | |
| | 20. Tax preparation fees..... | 20. | .00 | |
| | 21. Other expenses. List type and amount. | 21. | .00 | |
| | 22. Add the amounts on lines 19, 20, and 21. Enter the total here. | 22. | .00 | |
| | 23. Multiply the amount of federal form 1040*, line 38 as adjusted for disallowance of bonus depreciation, from line 14 of the IA 1040* by 2% (.02). Enter the result here. | 23. | .00 | |
| | 24. Subtract line 23 from line 22. Enter the total. If less than zero, enter zero. | 24. | .00 | |
| Other Misc. Deductions | 25. Other miscellaneous deductions not subject to 2% AGI Limit. List type and amount. | 25. | .00 | |
| Total Itemized Deductions | 26. Add lines 3, 8, 13, 17, 18, 24, and 25, and enter the total here | 26. | .00 | |
| | If using filing statuses 1, 2, 5, or 6, enter the amount on Step 7, line 39 of the IA 1040. | | | |
| Proration of Deductions Between Spouses | Complete lines 27 through 31 ONLY if you are using filing status 3 or 4. | | | |
| | 27. Enter the Iowa net income of both spouses from IA 1040, line 26. | 27b. | .00 | |
| | 28. Total Iowa net income, add columns 27a and 27b. Enter the total here. | 28. | .00 | |
| | 29. Divide the amount on line 27a by the amount on line 28. Enter the percentage here. | 29. | % | |
| | 30. Multiply line 26 by the percentage on line 29. Enter here and on IA 1040, line 39, column A | (YOU) 30. | .00 | |
| | 31. Subtract line 30 from line 26. Enter here and on IA 1040, line 39, column B. If you are using filing status 4, enter this amount on line 39, column A of your spouse's return. | (SPOUSE) 31. | .00 | |

*If you filed federal 1040A, see line 21; if federal 1040EZ, see line 4.



2010 IA 1040 Schedule B

Interest and Dividend Income

| | | | | | | |
|--|--|--|--|--|--|--|
| Name(s) as shown on page 1 of the IA 1040 | Social Security Number | | | | | |
| | <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:15%; height: 20px;"></td> </tr> </table> | | | | | |
| | | | | | | |

NOTE: You must report all taxable interest and dividends on IA 1040, even if you are not required to complete Schedule B.

PART I: INTEREST INCOME

You must complete this part if you received more than \$1,500 in interest in 2010. Interest income which should be reported includes earnings from savings and loan associations, mutual savings banks, cooperative banks, credit unions, and bank deposits; state and municipal bonds (see instructions for IA 1040, line 2, Taxable Interest Income), and interest from tax refunds. Do not report interest from federal securities.

For each payer, indicate the type of account. If the interest was earned by you, check the column labeled "Taxpayer." If the interest was earned by your spouse, check "Spouse." If the interest was earned jointly, check "Joint." Check only one for each payer.

Interest Income. List Names of All Payers.

| Name of Payer | Check one for each payer | | | AMOUNT |
|---|--------------------------|--------|-------|--------|
| | Taxpayer | Spouse | Joint | |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| Total Taxable Interest Income. Add the amounts. Enter here and on IA 1040, line 2. | | | | |

PART II: DIVIDEND INCOME

You must complete this part if you received more than \$1,500 in gross dividends in 2010. Deduct that portion of any net dividend from mutual funds that is attributable to federal securities.

For each payer, indicate the type of account. If the dividends were earned by you, check the column labeled "Taxpayer." If the dividends were earned by your spouse, check "Spouse." If the dividends were earned jointly, check "Joint." Check only one for each payer.

Dividend Income. List Names of All Payers.

| Name of Payer | Check one for each payer | | | AMOUNT |
|---|--------------------------|--------|-------|--------|
| | Taxpayer | Spouse | Joint | |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| | | | | .00 |
| Total Taxable Dividend Income. Add the amounts. Enter here and on IA 1040, line 3. | | | | |