

Subject Section 179 conformity

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Summary

Allows a state subtraction for federal section 179 carryforwards arising from property placed in service in taxable years before 2020.

Background. Prior to 2020, the legislature did not allow the full amount of the federal section 179 deduction to be claimed, requiring the deduction to be taken over a period of six years. In 2020, the legislature eliminated the six-year period, conforming fully to the federal deduction. However, this 2020 provision was effective for property placed in service in 2020 and thereafter. The effect is that the portion of a taxpayer's current year federal section 179 deduction that includes a carryforward from property placed in service a year prior to 2020 must still be taken over the state's six-year period. H.F. 1937 would address this by not requiring any portion of a section 179 deduction claimed federally for tax years beginning after 2019 to be added back and subtracted over the previously applicable six-year time period.