

CHAPTER 221

STATE INCOME TAX REFUNDS

S.F. 536

AN ACT relating to the limitation period for filing for an Iowa income tax credit or refund.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 422.73, subsection 2, Code 1991, is amended to read as follows:

2. If it appears that an amount of tax, penalty, or interest has been paid which was not due under division II, III or V of this chapter, then that amount shall be credited against any tax due on the books of the department by the person who made the excessive payment, or that amount shall be refunded to the person or with the person's approval, credited to tax to become due. A claim for refund or credit that has not been filed with the department within three years after the return upon which a refund or credit claimed became due, or within one year after the payment of the tax upon which a refund or credit is claimed was made, whichever time is the later, shall not be allowed by the director. If, as a result of a carryback of a net operating loss or a net capital loss, the amount of tax in a prior period is reduced and an overpayment results, the claim for refund or credit of the overpayment shall be filed with the department within the three years after the return for the taxable year of the net operating loss or net capital loss became due. Notwithstanding the period of limitation specified, the taxpayer shall have six months from the day of final disposition of any income tax matter between the taxpayer and the internal revenue service with respect to the particular tax year to claim an income tax refund or credit, ~~provided the taxpayer has notified the department in writing no later than six months after the expiration of the three-year limitations period of the existence of this income tax matter.~~

Sec. 2. Section 422.73, subsection 2, Code 1991, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The department shall enter into an agreement with the Internal Revenue Service for the transmission of federal income tax reports on individuals required to file an Iowa income tax return who have been involved in an income tax matter with the Internal Revenue Service. After final disposition of the income tax matter between the taxpayer and the Internal Revenue Service, the department shall determine whether the individual is due a state income tax refund as a result of final disposition of such income tax matter. If the individual is due a state income tax refund, the department shall notify the individual within thirty days and request the individual to file a claim for refund or credit with the department.

Approved May 29, 1991