CHAPTER 1118

TAXATION, BUSINESS ENTITIES, SHORT-TERM RENTALS, SPECIAL REGISTRATION PLATES, AND FOOD OPERATION TRESPASS

H.F. 2641

AN ACT relating to state taxation and related laws of the state, including the administration by the department of revenue of certain tax credits and refunds, income taxes, moneys and credits taxes, sales and use taxes, partnership and pass-through entity audits, and by modifying provisions relating to the reinstatement of business entities, the assessment and valuation of property, the Iowa reinvestment Act, short-term rentals, special registration plates, and animals and food, and providing penalties, and including effective date and retroactive applicability provisions.

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

DIVISION I
DEPARTMENT OF REVENUE ADMINISTRATION AND PENALTY PROVISIONS

Section 1. Section 421.6, Code 2020, is amended to read as follows:

421.6 Definition of return.

For purposes of this title, unless the context otherwise requires, "*return*" means any tax or information return, amended return, declaration of estimated tax, or claim for refund that is required by, provided for, or permitted under, the provisions of this title or section 533.329, and which is filed with the department by, on behalf of, or with respect to any person. "*Return*" includes any amendment or supplement to these items, including supporting schedules, attachments, or lists which are supplemental to or part of the filed return.

Sec. 2. Section 421.17, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 36. To enter into an agreement pursuant to chapter 28E with the state fair organized under chapter 173 or with a fair defined in section 174.1, to collect and remit taxes and fees from sellers making sales at retail on property owned, controlled, or operated by a fair or through events conducted by a fair.

Sec. 3. Section 421.27, subsection 1, Code 2020, is amended to read as follows:

1. *Failure to timely file a return or deposit form.*

a. If a person fails to file with the department on or before the due date a return or deposit form there shall be added to the tax shown due or required to be shown due a penalty of ten percent of the tax shown due or required to be shown due.

b. In the case of a specified business with no tax shown due or required to be shown due that fails to timely file an income return, the specified business shall pay the greater of the following penalty amounts:

(1) Two hundred dollars.

(2) An amount equal to ten percent of the imputed Iowa liability of the specified business, not to exceed twenty-five thousand dollars.

c. The penalty, if assessed pursuant to paragraph "*a*" or "*b*", shall be waived by the department upon a showing of any of the following conditions:

~~*a.*~~ (1) ~~At~~ An amount of tax greater than zero is required to be shown due and at least ninety percent of the tax required to be shown due has been paid by the due date of the tax.

~~*b.*~~ (2) Those taxpayers who are required to file quarterly returns, or monthly or semimonthly deposit forms may have one late return or deposit form within a three-year period. The use of any other penalty exception will not count as a late return or deposit form for purposes of this exception.

~~*c.*~~ (3) The death of a taxpayer, death of a member of the immediate family of the taxpayer, or death of the person directly responsible for filing the return and paying the tax, when the death interferes with timely filing.

~~*d.*~~ (4) The onset of serious, long-term illness or hospitalization of the taxpayer, of a member of the immediate family of the taxpayer, or of the person directly responsible for filing the return and paying the tax.

~~*e.*~~ (5) Destruction of records by fire, flood, or other act of God.

~~*f.*~~ (6) The taxpayer presents proof that the taxpayer relied upon applicable, documented, written advice specifically made to the taxpayer, to the taxpayer's preparer, or to an association representative of the taxpayer from the department, state department of transportation, county treasurer, or federal internal revenue service, whichever is appropriate, that has not been superseded by a court decision, ruling by a quasi-judicial body, or the adoption, amendment, or repeal of a rule or law.

~~*g.*~~ (7) Reliance upon results in a previous audit was a direct cause for the failure to file where the previous audit expressly and clearly addressed the issue and the previous audit results have not been superseded by a court decision, or the adoption, amendment, or repeal of a rule or law.

~~*h.*~~ (8) Under rules prescribed by the director, the taxpayer presents documented proof of substantial authority to rely upon a particular position or upon proof that all facts and circumstances are disclosed on a return or deposit form.

~~*i.*~~ (9) The return, deposit form, or payment is timely, but erroneously, mailed with adequate postage to the internal revenue service, another state agency, or a local government agency and the taxpayer provides proof of timely mailing with adequate postage.

~~*j.*~~ (10) The tax has been paid by the wrong licensee and the payments were timely remitted to the department for one or more tax periods prior to notification by the department.

~~*k.*~~ (11) The failure to file was discovered through a sanctioned self-audit program conducted by the department.

~~*l.*~~ (12) If the availability of funds in payment of tax required to be made through electronic funds transfer is delayed and the delay of availability is due to reasons beyond the control of the taxpayer. *"Electronic funds transfer"* means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, that is initiated through an electronic terminal telephone, computer, magnetic tape, or similar device for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account.

~~*m.*~~ (13) The failure to file a timely inheritance tax return resulting solely from a disclaimer that required the personal representative to file an inheritance tax return. The penalty shall be waived if such return is filed and any tax due is paid within the later of nine months from the date of death or sixty days from the delivery or filing of the disclaimer pursuant to section 633E.12.

~~*n.*~~ (14) That an Iowa inheritance tax return is filed for an estate within the later of nine months from the date of death or sixty days from the filing of a disclaimer by the beneficiary of the estate refusing to take the property or right or interest in the property.

Sec. 4. Section 421.27, subsections 4 and 6, Code 2020, are amended to read as follows:

4. *Willful failure to file or deposit.*

a. (1) In case of willful failure to file a return or deposit form with the intent to evade tax or a filing requirement, or in case of willfully filing a false return or deposit form with the intent to evade tax, in lieu of the penalties otherwise provided in this section, a penalty of seventy-five percent shall be added to the amount shown due or required to be shown as tax on the return or deposit form.

(2) In case of a willful failure by a specified business to file an income return with no tax shown due or required to be shown due with intent to evade a filing requirement, or in case of willfully filing a false income return with no tax shown due or required to be shown due with the intent to evade reporting of Iowa-source income, the penalty imposed shall be the greater of the following amounts:

(a) One thousand five hundred dollars.

(b) An amount equal to seventy-five percent of the imputed Iowa liability of the specified business.

(3) If penalties are applicable for failure to file a return or deposit form and failure to pay the tax shown due or required to be shown due on the return or deposit form, the penalty provision for failure to file shall be in lieu of the penalty provisions for failure to pay the tax

shown due or required to be shown due on the return or deposit form, except in the case of willful failure to file a return or deposit form or willfully filing a false return or deposit form with intent to evade tax.

b. The penalties imposed under this subsection are not subject to waiver.

6. ~~*Improper receipt of payments*~~ *Liability — fraudulent practice.* A person who makes an erroneous application for refund, credit, reimbursement, rebate, or other payment shall be liable for any overpayment received or tax liability reduced plus interest at the rate in effect under section 421.7.

a. In addition, a person ~~who willfully~~ commits a fraudulent practice and is liable for a penalty equal to seventy-five percent of the refund, credit, exemption, reimbursement, rebate, or other payment or benefit being claimed if the person does any of the following:

(1) Willfully makes a false or frivolous application for refund, credit, exemption, reimbursement, rebate, or other payment or benefit with intent to evade tax or with intent to receive a refund, credit, exemption, reimbursement, rebate, or other payment or benefit, to which the person is not entitled ~~is guilty of a fraudulent practice and is liable for a penalty equal to seventy-five percent of the refund, credit, reimbursement, rebate, or other payment being claimed~~.

(2) Willfully submits any false information, document, or document containing false information in support of an application for refund, credit, exemption, reimbursement, rebate, or other payment or benefit with the intent to evade tax.

(3) Willfully submits with any false information, document, or document containing false information in support of an application for refund with the intent to receive a refund, credit, exemption, reimbursement, rebate, or other payment benefit, to which the person is not entitled.

b. Payments, penalties, and interest due under this subsection may be collected and enforced in the same manner as the tax imposed.

Sec. 5. Section 421.27, Code 2020, is amended by adding the following new subsections:

NEW SUBSECTION. 8. *Definitions.* As used in this section:

a. "Imputed Iowa liability" means any of the following:

(1) In the case of corporations other than corporations described in section 422.34 or section 422.36, subsection 5, the corporation's Iowa net income after the application of the Iowa business activity ratio, if applicable, multiplied by the top income tax rate imposed under section 422.33 for the tax year.

(2) In the case of financial institutions as defined in section 422.61, the financial institution's Iowa net income after the application of the Iowa business activity ratio, if applicable, multiplied by the franchise tax rate imposed under section 422.63 for the tax year.

(3) In this case of all other entities, including corporations described in section 422.36, subsection 5, and all other entities required to file an information return under section 422.15, subsection 2, the entity's Iowa net income after the application of the Iowa business activity ratio, if applicable, multiplied by the top income tax rate imposed under section 422.5A for the tax year.

b. "Income return" means an income tax return or information return required under section 422.15, subsection 2, or section 422.36, 422.37, or 422.62.

c. "Specified business" means a partnership or other entity required to file an information return under section 422.15, subsection 2, a corporation required to file a return under section 422.36 or 422.37, or a financial institution required to file a return under section 422.62.

NEW SUBSECTION. 9. *Additional penalty.* In addition to the penalties imposed by this section, if a taxpayer fails to file a return within ninety days of written notice by the department that the taxpayer is required to do so, there shall be added to the amount shown due or required to be shown due a penalty in the amount of one thousand dollars.

Sec. 6. NEW SECTION. **421.27A Perjury.**

1. For purposes of this title, a form, application, or any other documentation required or requested by the department shall be required to be certified under penalty of perjury that the information contained in the form, application, or other documentation is true and correct.

2. A person commits a class "D" felony under any of the following circumstances:

a. The person makes a form, application, or other document containing false information in support of an application for refund, credit, exemption, reimbursement, rebate, or other payment or benefit with intent to evade tax.

b. The person makes a form, application, or other document containing false information with intent to unlawfully receive a refund, credit, exemption, reimbursement, rebate, or other payment or benefit, to which the person is not entitled.

c. The person knowingly makes any false affidavit.

d. The person knowingly swears or affirms falsely to any matter or thing required by the terms of this title to be sworn to or affirmed.

Sec. 7. NEW SECTION. **421.59 Power of attorney — authority to act on behalf of taxpayer.**

1. *a.* A taxpayer may authorize an individual to act on behalf of the taxpayer by filing a power of attorney with the department, on a form prescribed by the department.

b. A taxpayer may at any time revoke a power of attorney filed with the department pursuant to subsection 1. Upon processing of the taxpayer's revocation of a power of attorney, the department shall cease honoring the power of attorney.

2. The department may authorize the following persons to act and receive information on behalf of and exercise all of the rights of a taxpayer, regardless of whether a power of attorney has been filed pursuant to subsection 1:

a. A guardian, conservator, or custodian appointed by a court, if a taxpayer has been deemed legally incompetent by a court. The authority of the appointee to act on behalf of the taxpayer shall be limited to the extent specifically stated in the order of appointment.

(1) Upon request, a guardian, conservator, or custodian of a taxpayer shall submit to the department a copy of the court order appointing the guardian, conservator, or custodian.

(2) The department may petition the court that appointed the guardian, conservator, or custodian to verify the appointment or to determine the scope of the appointment.

b. A receiver appointed pursuant to chapter 680. An appointed receiver shall be limited to act on behalf of the taxpayer by the authority stated in the order of appointment.

(1) Upon the request of the department, a receiver shall submit to the department a copy of the court order appointing the receiver.

(2) The department may petition the court that appointed the receiver to verify the appointment or to determine the scope of the appointment.

c. An individual who has been named as an authorized representative on a fiduciary return of income filed under section 422.14 or a tax return filed under chapter 450.

d. (1) An individual holding the following title or position within a corporation, association, partnership, or other business entity:

(a) A president or chief executive officer, or any other officer of the corporation or association if the president or chief executive officer certifies that the officer has the authority to legally bind the corporation or association.

(b) A designated partner duly authorized to act on behalf of the partnership.

(c) A person authorized to act on behalf of a limited liability company in tax matters pursuant to a valid statement of authority.

(2) An individual seeking to act on behalf of a taxpayer pursuant to this paragraph shall file an affidavit with the department attesting to the identity and qualifications of the individual and any necessary certifications required under this paragraph. The department may require any documents or other evidence to demonstrate the individual has authority to act on behalf of the taxpayer before the department.

e. A licensed attorney who has appeared on behalf of the taxpayer or the taxpayer's estate in a court proceeding. Authorization under this paragraph is limited to those matters within the scope of the representation.

f. A parent or guardian of a taxpayer who has not reached the age of majority where the parent or guardian has signed the taxpayer's return on behalf of the taxpayer. Authorization under this paragraph is limited to those matters relating to the return signed by the parent or guardian. Authorization under this paragraph automatically terminates when the taxpayer reaches the age of majority pursuant to section 599.1.

3. *a.* In lieu of executing a power of attorney pursuant to subsection 1, the department may enter into a memorandum of understanding with the taxpayer for each employee, officer, or member of a third-party entity engaged with or otherwise hired by a taxpayer to manage the tax matters of the taxpayer, to permit the disclosure of confidential tax information to the third-party entity and the authority to act on behalf of the taxpayer. The memorandum of understanding shall adhere to requirements as established by the director.

b. The memorandum of understanding shall be signed by the director, the taxpayer, and the third-party entity or an authorized representative of the third-party entity.

c. At any time, a taxpayer may unilaterally revoke a memorandum of understanding entered into pursuant to this subsection by filing a notice of revocation with the department. Upon the filing of such a revocation by the taxpayer, the department shall cease honoring the memorandum of understanding.

4. The department shall adopt rules pursuant to chapter 17A to administer this section.

Sec. 8. Section 421.60, subsection 2, paragraph a, subparagraph (2), Code 2020, is amended to read as follows:

(2) The statement prepared in accordance with this paragraph shall be available on the department's internet site. The internet site for this information shall be distributed by the department to all taxpayers at the first contact by the department with respect to the determination or collection of any tax, except in the case of simply providing tax forms.

Sec. 9. Section 421.60, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 11. *Electronic communication.* Notwithstanding any provision of the law to the contrary, for purposes of this title and sections 321.105A and 533.329, a taxpayer may elect to receive any notices, correspondence, or other communication electronically that the department is required to send by regular mail. The director may establish procedures and limitations for obtaining this election from the taxpayer.

Sec. 10. Section 421.62, subsection 1, Code 2020, is amended by adding the following new paragraph:

NEW PARAGRAPH. *0b. "Income tax return or claim for refund"* means any tax return or claim for refund under chapter 422, excluding withholding returns under section 422.16.

Sec. 11. Section 421.62, subsection 1, paragraph c, subparagraph (1), Code 2020, is amended to read as follows:

(1) *"Tax return preparer"* means any individual who, for a fee or other consideration, prepares ten or more income tax returns or claims for refund ~~under chapter 422~~ during a calendar year, or who assumes final responsibility for completed work on such income tax returns or claims for refund ~~under chapter 422~~ on which preliminary work has been done by another individual.

Sec. 12. Section 421.62, subsection 2, paragraph a, Code 2020, is amended to read as follows:

a. On or after January 1, 2020, a tax return preparer is required to include the tax return preparer's PTIN on any income tax return or claim for refund prepared by the tax return preparer and filed ~~under chapter 422~~ with the department.

Sec. 13. Section 421.64, subsection 1, Code 2020, is amended to read as follows:

1. For purposes of this section, *"tax return preparer"* means the same as defined in section ~~421.61~~ 421.62.

Sec. 14. Section 422.20, subsections 1 and 2, Code 2020, are amended to read as follows:

1. It shall be unlawful for any present or former officer or employee of the state to willfully or recklessly divulge or to make known in any manner whatever not provided by law to any person the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any income return, or to permit any income return or copy thereof or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law; and it shall be unlawful for any person to willfully or

recklessly print or publish in any manner whatever not provided by law any income return, or any part thereof or source of income, profits, losses, or expenditures appearing in any income return; and any person committing an offense against the foregoing provision shall be guilty of a serious misdemeanor. If the offender is an officer or employee of the state, such person shall also be dismissed from office or discharged from employment. Nothing herein shall prohibit turning over to duly authorized officers of the United States or tax officials of other states state information and income returns pursuant to agreement between the director and the secretary of the treasury of the United States or the secretary's delegate or pursuant to a reciprocal agreement with another state.

2. It is unlawful for an officer, employee, or agent, or former officer, employee, or agent of the state to willfully or recklessly disclose to any person, except as authorized in subsection 1 of this section, any federal tax return or return information as defined in section 6103(b) of the Internal Revenue Code. It is unlawful for a person to whom any federal tax return or return information, as defined in section 6103(b) of the Internal Revenue Code, is disclosed in a manner unauthorized by subsection 1 of this section to thereafter willfully or recklessly print or publish in any manner not provided by law any such return or return information. A person violating this provision is guilty of a serious misdemeanor.

Sec. 15. Section 422.20, subsection 3, paragraph a, Code 2020, is amended to read as follows:

a. Unless otherwise expressly permitted by section 8A.504, section 8G.4, section 11.41, section 96.11, subsection 6, section 421.17, subsections 22, 23, and 26, section 421.17, subsection 27, paragraph *"k"*, section 421.17, subsection 31, section 252B.9, section 321.40, subsection 6, sections 321.120, 421.19, 421.28, 421.59, 422.72, and 452A.63, this section, or another provision of law, a tax return, return information, or investigative or audit information shall not be divulged to any person or entity, other than the taxpayer, the department, or internal revenue service for use in a matter unrelated to tax administration.

Sec. 16. Section 422.20, Code 2020, is amended by adding the following new subsections:

NEW SUBSECTION. 3A. The director may disclose the tax return of a partnership, limited liability company, or S corporation, any such return information, or any investigative information related to the return, to any person who was a partner, shareholder, or member of such an entity during any part of the period covered by the return.

NEW SUBSECTION. 3B. *a.* Prior to being made available for public inspection, the department shall redact from the record in an appeal or contested case the following information from any pleading, exhibit, attachment, motion, written evidence, final order, decision, or opinion:

(1) A financial account number.
(2) An account number generated by the department to identify an audit or examination.
(3) A social security number.
(4) A federal employer identification number.
(5) The name of a minor.
(6) A medical record or other medical information.

b. Upon a motion filed by the taxpayer, the department may redact from the record in an appeal or contested case any other information from a pleading, exhibit, attachment, motion, or written evidence, if the taxpayer proves by clear and convincing evidence that the release of such information would disclose a trade secret or be a clear, unwarranted invasion of personal privacy.

c. Notwithstanding paragraph *"a"*, when making final orders, decisions, or opinions available for public inspection, the department may disclose the items in paragraph *"a"* if the department determines such information is necessary to the resolution or decision of the appeal or case.

d. Except as described in paragraphs *"a"* and *"b"*, all information contained in a pleading, exhibit, attachment, motion, written evidence, final order, decision, opinion, and the record in an appeal or contested case is subject to examination to the extent provided by chapter 22.

Sec. 17. Section 422.25, subsection 1, Code 2020, is amended by adding the following new paragraph:

NEW PARAGRAPH. *c.* The period of examination and determination is unlimited under this title in the case of any action by the department to recover or rescind any tax expenditure as defined by section 2.48, subsection 1, or any other incentive or assistance, due to a failure to meet or maintain the requirements of a program administered by the economic development authority.

Sec. 18. Section 422.69, subsection 1, Code 2020, is amended to read as follows:

1. All fees, taxes, interest, and penalties imposed under this chapter shall be paid to the department in the form of remittances payable to the ~~state treasurer~~ department and the department shall transmit each payment daily to the state treasurer.

Sec. 19. Section 422.72, subsection 1, paragraph a, subparagraph (1), Code 2020, is amended to read as follows:

(1) It is unlawful for the director, or any person having an administrative duty under this chapter, or any present or former officer or other employee of the state authorized by the director to examine returns, to willfully or recklessly divulge in any manner whatever, the business affairs, operations, or information obtained by an investigation under this chapter of records and equipment of any person visited or examined in the discharge of official duty, or the amount or source of income, profits, losses, expenditures or any particular thereof, set forth or disclosed in any return, or to willfully or recklessly permit any return or copy of a return or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law.

Sec. 20. Section 422.72, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 7A. *a.* Prior to being made available for public inspection, the department shall redact from the record in an appeal or contested case the following information from any pleading, exhibit, attachment, motion, written evidence, final order, decision, or opinion:

(1) A financial account number.
(2) An account number generated by the department to identify an audit or examination.
(3) A social security number.
(4) A federal employer identification number.
(5) The name of a minor.
(6) A medical record or other medical information.

b. Upon a motion filed by the taxpayer, the department may redact from the record in an appeal or contested case any other information from a pleading, exhibit, attachment, motion, or written evidence, if the taxpayer proves by clear and convincing evidence that the release of such information would disclose a trade secret or be a clear, unwarranted invasion of personal privacy.

c. Notwithstanding paragraph *"a"*, when making final orders, decisions, or opinions available for public inspection, the department may disclose the items in paragraph *"a"* if the department determines such information is necessary to the resolution or decision of the appeal or case.

d. Except as described in paragraphs *"a"* and *"b"*, all information contained in a pleading, exhibit, attachment, motion, written evidence, final order, decision, opinion, and the record in an appeal or contested case is subject to examination to the extent provided by chapter 22.

Sec. 21. Section 423.37, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 4. The period of limitation on examination and determination is unlimited under this title in the case of any action by the department to recover or rescind any tax expenditure as defined by section 2.48, subsection 1, or any other incentive or assistance, due to a failure to meet or maintain the requirements of a program administered by the economic development authority.

Sec. 22. Section 428A.1, subsection 3, Code 2020, is amended to read as follows:

3. The declaration of value shall state the full consideration paid for the real property transferred. If agricultural land, as defined in section 9H.1, is purchased by a corporation, limited partnership, trust, alien or nonresident alien, the declaration of value shall include the name and address of the buyer, the name and address of the seller, a legal description of the agricultural land, and identify the buyer as a corporation, limited partnership, trust, alien, or nonresident alien. The county recorder shall not record the declaration of value, but shall enter on the declaration of value information the director of revenue requires for the production of the sales/assessment ratio study and transmit all declarations of value to the city or county assessor in whose jurisdiction the property is located. The city or county assessor shall ~~enter on the declaration of value~~ provide the information the director of revenue requires for the production of the sales/assessment ratio study ~~and transmit one copy of each declaration of value to the director of revenue,~~ at times as directed by the director of revenue. The assessor shall retain ~~one copy of each declaration of value~~ for three years from December 31 of the year in which the transfer of realty for which the declaration was filed took place. The director of revenue shall, upon receipt of the information required to be filed under this chapter by the city or county assessor, send to the office of the secretary of state that part of the declaration of value which identifies a corporation, limited partnership, trust, alien, or nonresident alien as a purchaser of agricultural land as defined in section 9H.1.

Sec. 23. Section 441.48, Code 2020, is amended to read as follows:

441.48 Notice of adjustment.

1. Before the department of revenue shall adjust the valuation of any class of property any such percentage, the department shall first serve ten days' notice by mail, on the county auditor of the county whose valuation is proposed to be adjusted. ~~The department shall hold an adjourned meeting after such~~

2. If the county or assessing jurisdiction intends to protest the proposed adjustment, the board of supervisors or city council, as applicable, shall provide the department with notice of intent to protest prior to expiration of the ten days' notice.

3. After expiration of the ten days' notice, ~~at which time~~ the county or assessing jurisdiction may appear by its city council or board of supervisors, city or county attorney, ~~and other assessing jurisdiction,~~ or city or county officials, and make written or oral protest against such proposed adjustment.

4. The protest shall consist simply of a statement of the error, or errors, complained of with such facts as may lead to their correction. ~~At the adjourned meeting~~

5. After written protest is received, or an oral protest is heard, the final action may be taken in reference to the proposed adjustment.

Sec. 24. Section 489.706, subsection 2, Code 2020, is amended to read as follows:

2. The secretary of state shall refer the federal tax identification number contained in the application for reinstatement to the ~~departments~~ department of ~~revenue and~~ workforce development. The ~~departments~~ department of ~~revenue and~~ workforce development shall report to the secretary of state the tax status of the limited liability company. If ~~either~~ the department reports to the secretary of state that a filing delinquency or liability exists against the limited liability company, the secretary of state shall not cancel the declaration of dissolution until the filing delinquency or liability is satisfied.

Sec. 25. Section 490.1422, subsection 2, paragraph a, Code 2020, is amended to read as follows:

a. The secretary of state shall refer the federal tax identification number contained in the application for reinstatement to the ~~departments~~ department of ~~revenue and~~ workforce development. The ~~departments~~ department of ~~revenue and~~ workforce development shall report to the secretary of state the tax status of the corporation. If ~~either~~ the department reports to the secretary of state that a filing delinquency or liability exists against the corporation, the secretary of state shall not cancel the certificate of dissolution until the filing delinquency or liability is satisfied.

Sec. 26. Section 501.813, subsection 2, paragraph a, Code 2020, is amended to read as follows:

a. The secretary of state shall refer the federal tax identification number contained in the application for reinstatement to the ~~departments~~ department of ~~revenue and~~ workforce development. The ~~departments~~ department of ~~revenue and~~ workforce development shall report to the secretary of state the tax status of the cooperative. If ~~either~~ the department reports to the secretary of state that a filing delinquency or liability exists against the cooperative, the secretary of state shall not cancel the certificate of dissolution until the filing delinquency or liability is satisfied.

Sec. 27. Section 504.1423, subsection 2, paragraph a, Code 2020, is amended to read as follows:

a. The secretary of state shall refer the federal tax identification number contained in the application for reinstatement to the ~~departments~~ department of ~~revenue and~~ workforce development. The ~~departments~~ department of ~~revenue and~~ workforce development shall report to the secretary of state the tax status of the corporation. If ~~either~~ the department reports to the secretary of state that a filing delinquency or liability exists against the corporation, the secretary of state shall not cancel the certificate of dissolution until the filing delinquency or liability is satisfied.

Sec. 28. Section 533.329, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 03. Returns shall be in the form the director of revenue prescribes, and shall be filed with the department of revenue on or before the last day of the fourth month after the expiration of the tax year. The moneys and credits tax is due and payable on the last day of the fourth month after the expiration of the tax year.

Sec. 29. Section 533.329, subsection 3, Code 2020, is amended to read as follows:

3. The department of revenue shall administer and enforce the provisions of this section, and except as explicitly provided in this section or another provision of law, shall apply all applicable penalty, interest, and administrative provisions of chapters 421 and 422 as nearly as possible in administering and enforcing the moneys and credits tax imposed by this section.

Sec. 30. LEGISLATIVE INTENT. It is the intent of the general assembly that the sections of this division amending Code sections 422.25 and 423.37 are conforming amendments consistent with current state law, and that the amendments do not change the application of current law but instead reflect current law both before and after the enactment of this division of this Act.

Sec. 31. EFFECTIVE DATE. The following, being deemed of immediate importance, take effect upon enactment:

1. The section of this division of this Act amending section 422.25.
2. The section of this division of this Act amending section 423.37.

Sec. 32. APPLICABILITY. The following applies to any return for which a written notice that the taxpayer is required to file such return is issued by the department on or after January 1, 2022:

The portion of the section of this division of this Act enacting section 421.27, subsection 9.

Sec. 33. APPLICABILITY. The following apply to tax years beginning on or after January 1, 2022:

1. The section of this division of this Act amending section 421.27, subsection 1.
2. The portion of the section of this division of this Act amending section 421.27, subsection 4.
3. The portion of the section of this division of this Act enacting section 421.27, subsection 8.

DIVISION II
SALES AND USE TAX

Sec. 34. Section 321G.4, subsection 2, Code 2020, is amended to read as follows:

2. *a.* The owner of the snowmobile shall file an application for registration with the department through the county recorder of the county of residence in the manner established by the commission. The application shall be completed by the owner and shall be accompanied by a fee of fifteen dollars and a writing fee as provided in section 321G.27. A snowmobile shall not be registered by the county recorder until the county recorder is presented with receipts, bills of sale, or other satisfactory evidence that the sales or use tax has been paid for the purchase of the snowmobile or that the owner is exempt from paying the tax. A snowmobile that has an expired registration certificate from another state may be registered in this state upon proper application, payment of all applicable registration and writing fees, and payment of a penalty of five dollars.

b. If the owner of the snowmobile is unable to present satisfactory evidence that the sales or use tax has been paid, the county recorder shall collect the tax. On or before the tenth day of each month, the county recorder shall remit to the department of revenue the amount of the taxes collected during the preceding month, together with an itemized statement on forms furnished by the department of revenue showing the name of each taxpayer, the make and purchase price of each snowmobile, the amount of tax paid, and such other information as the department of revenue requires.

Sec. 35. Section 321I.4, subsection 2, Code 2020, is amended to read as follows:

2. *a.* The owner of the all-terrain vehicle shall file an application for registration with the department through the county recorder of the county of residence, or in the case of a nonresident owner, in the county of primary use, in the manner established by the commission. The application shall be completed by the owner and shall be accompanied by a fee of fifteen dollars and a writing fee as provided in section 321I.29. An all-terrain vehicle shall not be registered by the county recorder until the county recorder is presented with receipts, bills of sale, or other satisfactory evidence that the sales or use tax has been paid for the purchase of the all-terrain vehicle or that the owner is exempt from paying the tax. An all-terrain vehicle that has an expired registration certificate from another state may be registered in this state upon proper application, payment of all applicable registration and writing fees, and payment of a penalty of five dollars.

b. If the owner of the all-terrain vehicle is unable to present satisfactory evidence that the sales or use tax has been paid, the county recorder shall collect the tax. On or before the tenth day of each month, the county recorder shall remit to the department of revenue the amount of the taxes collected during the preceding month, together with an itemized statement on forms furnished by the department of revenue showing the name of each taxpayer, the make and purchase price of each all-terrain vehicle, the amount of tax paid, and such other information as the department of revenue requires.

Sec. 36. Section 423.2, subsection 6, paragraph bs, Code 2020, is amended to read as follows:

bs. Services arising from or related to installing, maintaining, servicing, repairing, operating, upgrading, or enhancing either specified digital products or software sold as tangible personal property.

Sec. 37. Section 423.2, subsection 8, paragraph d, subparagraph (1), Code 2020, is amended to read as follows:

(1) The retail sale of tangible personal property or specified digital product and a service, where the tangible personal property or specified digital product is essential to the use of the service, and is provided exclusively in connection with the service, and the true object of the transaction is the service.

Sec. 38. Section 423.3, subsection 3A, Code 2020, is amended to read as follows:

3A. The sales price from the sale of a commercial recreation service offering the opportunity to hunt a preserve whitetail as defined in section 484C.1 if the sale occurred between July 1, 2005, and December 31, 2015.

Sec. 39. Section 423.3, subsection 31, unnumbered paragraph 1, Code 2020, is amended to read as follows:

The sales price of tangible personal property or specified digital products sold to and of services furnished to a tribal government as defined in 216A.161, or the sales price of tangible personal property or specified digital products sold to and of services furnished, and used for public purposes sold to a tax-certifying or tax-levying body of the state or a governmental subdivision of the state, including the following: regional transit systems, as defined in section 324A.1~~,~~; the state board of regents~~,~~; department of human services~~,~~; state department of transportation~~,~~; any municipally owned solid waste facility which sells all or part of its processed waste as fuel to a municipally owned public utility~~,~~; and all divisions, boards, commissions, agencies, or instrumentalities of state, federal, county, ~~or~~ municipal ~~government~~, or tribal government which have no earnings going to the benefit of an equity investor or stockholder, except any of the following:

Sec. 40. Section 423.3, subsection 80, paragraphs b and c, Code 2020, are amended to read as follows:

b. Subject to the limitations in paragraph "*c*", if a contractor, subcontractor, or builder is to use building materials, supplies, ~~and~~ equipment, or services in the performance of a written construction contract with a designated exempt entity, the person shall purchase such items of tangible personal property or services without liability for the tax if such property or services will be used in the performance of the written construction contract and a purchasing agent authorization letter and an exemption certificate, issued by the designated exempt entity, are presented to the retailer.

c. (1) With regard to a written construction contract with a designated exempt entity described in paragraph "*a*", subparagraph (1), the sales price of building materials, supplies, ~~or~~ equipment, or services is exempt from tax by this subsection only to the extent the building materials, supplies, ~~or~~ equipment, or services are completely consumed in the performance of the construction contract with the designated exempt entity, and only if the property that is the subject of the construction project becomes public property or the property of the designated exempt entity.

(2) With regard to a written construction contract with a designated exempt entity described in paragraph "*a*", subparagraph (2), the sales price of building materials, supplies, ~~or~~ equipment, or services is exempt from tax by this subsection only to the extent the building materials, supplies, ~~or~~ equipment, or services are completely consumed in the performance of a construction contract to construct a project, as defined in section 15J.2, subsection 10, which project has been approved by the economic development authority board in accordance with chapter 15J.

Sec. 41. Section 423.4, subsection 1, Code 2020, is amended to read as follows:

1. *a.* For purposes of this subsection, a "*designated exempt entity*" means any of the following:

(1) A private nonprofit educational institution in this state~~,~~.

(2) A nonprofit Iowa affiliate of a nonprofit international organization whose primary activity is the promotion of the construction, remodeling, or rehabilitation of one-family or two-family dwellings for low-income families~~,~~.

(3) A nonprofit private museum in this state~~,~~.

(4) A tax-certifying or tax-levying body or governmental subdivision of the state, including the state board of regents, state department of human services, state department of transportation~~, a~~.

(5) A municipally owned solid waste facility which sells all or part of its processed waste as fuel to a municipally owned public utility~~, and all~~.

(6) The state of Iowa.

(7) Any political subdivision of the state.

(8) All divisions, boards, commissions, agencies, or instrumentalities of state, federal, county, or municipal government which do not have earnings going to the benefit of an equity investor or stockholder~~,~~.

(9) A tribal government as defined in section 216A.161, and any instrumentalities of the tribal government which do not have earnings going to the benefit of an equity investor or stockholder.

b. A designated exempt entity may ~~make application~~ apply to the department for the refund of the sales or use tax upon the sales price of all sales of ~~goods, wares, or merchandise~~ building materials, supplies, equipment, or from services furnished to a contractor, used in the ~~fulfillment~~ performance of a written contract with the ~~state of Iowa, any political subdivision of the state, or a division, board, commission, agency, or instrumentality of the state or a political subdivision, a private nonprofit educational institution in this state, a nonprofit Iowa affiliate described in this subsection, or a nonprofit private museum in this state if the property becomes an integral part of the project under contract and at the completion of the project becomes public property, is devoted to educational uses, becomes part of a low-income one-family or two-family dwelling in the state, or becomes a nonprofit private museum; except goods, wares, or merchandise,~~ designated exempt entity if all of the following apply:

(1) The building materials, supplies, equipment, or services are completely consumed in the performance of a construction project with the designated entity.

(2) The property that is subject of the construction project becomes public property or the property of an exempt entity.

(3) The building materials, supplies, equipment, or services furnished ~~which~~ are not used in the performance of any contract in connection with the operation of any municipal utility engaged in selling gas, electricity, or heat to the general public or in connection with the operation of a municipal pay television system; and ~~except goods, wares, and merchandise~~ are not used in the performance of a contract for a "project" under chapter 419 as defined in that chapter other than goods, wares, or merchandise used in the performance of a contract for a "project" under chapter 419 for which a bond issue was approved by a municipality prior to July 1, 1968, or for which the goods, wares, or merchandise becomes an integral part of the project under contract and at the completion of the project becomes public property or is devoted to educational uses.

~~*a.*~~ *c.* ~~Such~~ A contractor shall state under oath, on forms provided by the department, the amount of such sales of goods, wares, or merchandise, or services furnished and used in the performance of such contract, and upon which sales or use tax has been paid, and shall file such forms with the ~~governmental unit, private nonprofit educational institution, nonprofit Iowa affiliate, or nonprofit private museum~~ designated exempt entity which has made any written contract for performance by the contractor. The forms shall be filed by the contractor with the ~~governmental unit, educational institution, nonprofit Iowa affiliate, or nonprofit private museum~~ designated exempt entity before final settlement is made.

~~*b.*~~ *d.* ~~Such governmental unit, educational institution, nonprofit Iowa affiliate, or nonprofit private museum~~ A designated exempt entity shall, not more than one year after the final settlement has been made, ~~make application~~ apply to the department for any refund of the amount of the sales or use tax which shall have been paid upon any ~~goods, wares, or merchandise~~ building materials, supplies, equipment, or services furnished, the application to be made in the manner and upon forms to be provided by the department, and the department shall forthwith audit the claim and, if approved, issue a warrant to the ~~governmental unit, educational institution, nonprofit Iowa affiliate, or nonprofit private museum~~ designated exempt entity in the amount of the sales or use tax which has been paid to the state of Iowa under the contract.

~~*c.*~~ *e.* Refunds authorized under this subsection shall accrue interest in accordance with section 421.60, subsection 2, paragraph *"e"*.

~~*d.*~~ *f.* Any contractor who willfully makes a false report of tax paid under the provisions of this subsection is guilty of a simple misdemeanor and in addition shall be liable for the payment of the tax and any applicable penalty and interest.

Sec. 42. Section 423.4, subsection 2, paragraphs a and b, Code 2020, are amended to read as follows:

a. A contractor awarded a contract for a transportation construction project is considered the consumer of all building materials, building supplies, ~~and~~ equipment, and services and shall pay sales tax to the supplier or remit consumer use tax directly to the department.

b. The contractor is not required to file information with the state department of transportation stating the amount of ~~goods, wares, or merchandise, or services rendered, furnished, or performed and~~ building materials, supplies, equipment, or services used in the performance of the contract or the amount of sales or use tax paid.

Sec. 43. Section 423.4, subsection 6, paragraph a, subparagraph (1), Code 2020, is amended to read as follows:

(1) The owner of a collaborative educational facility in this state may make application to the department for the refund of the sales or use tax upon the sales price of all sales of ~~goods, wares, or merchandise~~ building materials, supplies, equipment, or from services furnished to a contractor, used in the fulfillment of a written construction contract with the owner of the collaborative educational facility for the original construction, or additions or modifications to, a building or structure to be used as part of the collaborative educational facility.

Sec. 44. Section 423.4, subsection 6, paragraphs b and c, Code 2020, are amended to read as follows:

b. ~~Such~~ A contractor shall state under oath, on forms provided by the department, the amount of such sales of ~~goods, wares, or merchandise~~ building materials, supplies, equipment, or services furnished and used in the performance of such contract, and upon which sales or use tax has been paid, and shall file such forms with the owner of the collaborative educational facility which has made any written contract for performance by the contractor.

c. (1) The owner of the collaborative educational facility shall, not more than one year after the final settlement has been made, make application to the department for any refund of the amount of the sales or use tax which shall have been paid upon any ~~goods, wares, or merchandise~~ building materials, supplies, equipment, or services furnished, the application to be made in the manner and upon forms to be provided by the department, and the department shall forthwith audit the claim and, if approved, issue a warrant to the owner of the collaborative educational facility in the amount of the sales or use tax which has been paid to the state of Iowa under the contract.

(2) Refunds authorized under this subsection shall accrue interest in accordance with section 421.60, subsection 2, paragraph *"e"*.

Sec. 45. Section 423.5, subsection 1, paragraph b, Code 2020, is amended by striking the paragraph.

Sec. 46. Section 423.29, subsection 1, Code 2020, is amended to read as follows:

1. Every seller who is a retailer and who is making taxable sales of tangible personal property or specified digital products in Iowa or who is a retailer maintaining a place of business in this state making taxable sales of tangible personal property or specified digital products shall, at the time of making the sale, collect the sales tax. ~~Every seller who is a retailer that is not otherwise required to collect sales tax under the provisions of this chapter and who is selling tangible personal property or specified digital products for use in Iowa shall, at the time of making the sale, whether within or without the state, collect the use tax.~~ Sellers required to collect sales or use tax shall give to any purchaser a receipt for the tax collected in the manner and form prescribed by the director.

Sec. 47. Section 423.33, subsection 1, Code 2020, is amended to read as follows:

1. *Liability of purchaser ~~for sales tax~~ and retailer.*

a. If a purchaser fails to pay sales tax to the retailer required to collect the tax, then in addition to all of the rights, obligations, and remedies provided, ~~the~~ a use tax is payable by the purchaser directly to the department, and sections 423.31, 423.32, 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 apply to the purchaser.

b. For failure to pay the sales or use tax as described in paragraph *"a"*, the retailer and purchaser are jointly liable, unless the circumstances described in section 29C.24, subsection 3, paragraph *"a"*, subparagraph (2), section 421.60, subsection 2, paragraph *"m"*, section 423.34A, or section 423.45, subsection 4, paragraph *"b"* or *"e"*, or subsection 5, paragraph *"c"* or *"e"*, are applicable.

c. If the retailer fails to collect sales tax at the time of the transaction, the retailer shall thereafter remit the applicable sales tax, or the purchaser thereafter shall remit the applicable use tax. If the purchaser remits all applicable use tax, the retailer remains liable for any local sales and services tax under chapter 423B that the retailer failed to collect.

Sec. 48. REFUNDS RELATED TO PRESERVE WHITETAIL DEER HUNTING. Refunds of taxes, interest, or penalties that arise from claims resulting from the amendment of section 423.3, subsection 3A, for sales occurring between July 1, 2005, and the effective date of the amendment to section 423.3, subsection 3A, shall not be allowed, notwithstanding any other law to the contrary.

Sec. 49. LEGISLATIVE INTENT.

1. It is the intent of the general assembly that the section of this division of this Act amending section 423.29 is a conforming amendment consistent with current state law, and that the amendment does not change the application of current law but instead reflects current law both before and after the enactment of this division of this Act.

2. It is the intent of the general assembly that the addition of "jointly" in the section of this division of this Act amending section 423.33 is a conforming amendment consistent with current state law, and that the amendment does not change the application of current law but instead reflects current law both before and after the enactment of this division of this Act.

Sec. 50. EFFECTIVE DATE. The following, being deemed of immediate importance, take effect upon enactment:

1. The section of this division of this Act amending section 423.3, subsection 3A.

2. The section of this division of this Act relating to refunds for commercial recreation services offering an opportunity to hunt preserve whitetail deer.

Sec. 51. RETROACTIVE APPLICABILITY. The following applies retroactively to July 1, 2005:

The section of this division of this Act amending section 423.3, subsection 3A.

DIVISION III
INCOME TAX

Sec. 52. Section 422.9, subsection 3, paragraph c, Code 2020, is amended by striking the paragraph and inserting in lieu thereof the following:

c. A taxpayer may elect to waive the entire carryback period with respect to an Iowa net operating loss for any taxable year beginning on or after January 1, 2020. The election shall be made in the manner and form prescribed by the department, and shall be made by the due date for filing the taxpayer's Iowa return, including extensions of time. After the election is made for any taxable year, the election shall be irrevocable for such taxable year. When an election has been properly made, the Iowa net operating loss shall be carried forward twenty taxable years.

Sec. 53. Section 422.9, subsection 3, paragraph d, Code 2020, is amended to read as follows:

d. Notwithstanding paragraph *"a"*, for a taxpayer who is engaged in the trade or business of farming, which means the same as a *"farming business"* as defined in section 263A(e)(4) of the Internal Revenue Code, and has a farming loss ~~from farming~~ as defined in section 172(b)(1)(B) of the Internal Revenue Code including modifications prescribed by rule by the director, the Iowa farming loss ~~from the trade or business of farming~~ is a net operating loss which may, at the time of the election of the taxpayer, be carried back five taxable years prior to the taxable year of the loss. The election shall be made in the manner and form

prescribed by the department, and shall be made by the due date for filing the taxpayer's return, including extensions of time. After the election is made for any taxable year, the election shall be irrevocable for such taxable year.

Sec. 54. APPLICABILITY. This division of this Act applies to tax years beginning on or after January 1, 2020.

DIVISION IV
RESEARCH ACTIVITIES CREDIT

Sec. 55. Section 15.335, subsection 4, paragraph a, Code 2020, is amended to read as follows:

a. In lieu of the credit amount computed in subsection 2, an eligible business may elect to compute the credit amount for qualified research expenses incurred in this state in a manner consistent with the alternative simplified credit described in section ~~41(c)(5)~~ 41(c)(4) of the Internal Revenue Code. The taxpayer may make this election regardless of the method used for the taxpayer's federal income tax. The election made under this paragraph is for the tax year and the taxpayer may use another or the same method for any subsequent year.

Sec. 56. Section 15.335, subsection 4, paragraph b, unnumbered paragraph 1, Code 2020, is amended to read as follows:

For purposes of the alternate credit computation method in paragraph "*a*", the credit percentages applicable to qualified research expenses described in section ~~41(c)(5)(A)~~ 41(c)(4)(A) and clause (ii) of section ~~41(c)(5)(B)~~ 41(c)(4)(B) of the Internal Revenue Code are as follows:

Sec. 57. Section 422.10, subsection 1, paragraphs c and d, Code 2020, are amended to read as follows:

c. In lieu of the credit amount computed in paragraph "*b*", subparagraph (1), subparagraph division (a), a taxpayer may elect to compute the credit amount for qualified research expenses incurred in this state in a manner consistent with the alternative simplified credit described in section ~~41(c)(5)~~ 41(c)(4) of the Internal Revenue Code. The taxpayer may make this election regardless of the method used for the taxpayer's federal income tax. The election made under this paragraph is for the tax year and the taxpayer may use another or the same method for any subsequent year.

d. For purposes of the alternate credit computation method in paragraph "*c*", the credit percentages applicable to qualified research expenses described in section ~~41(c)(5)(A)~~ 41(c)(4)(A) and clause (ii) of section ~~41(c)(5)(B)~~ 41(c)(4)(B) of the Internal Revenue Code are four and fifty-five hundredths percent and one and ninety-five hundredths percent, respectively.

Sec. 58. Section 422.33, subsection 5, paragraphs c and d, Code 2020, are amended to read as follows:

c. In lieu of the credit amount computed in paragraph "*a*", subparagraph (1), a corporation may elect to compute the credit amount for qualified research expenses incurred in this state in a manner consistent with the alternative simplified credit described in section ~~41(c)(5)~~ 41(c)(4) of the Internal Revenue Code. The taxpayer may make this election regardless of the method used for the taxpayer's federal income tax. The election made under this paragraph is for the tax year and the taxpayer may use another or the same method for any subsequent year.

d. For purposes of the alternate credit computation method in paragraph "*c*", the credit percentages applicable to qualified research expenses described in section ~~41(c)(5)(A)~~ 41(c)(4)(A) and clause (ii) of section ~~41(c)(5)(B)~~ 41(c)(4)(B) of the Internal Revenue Code are four and fifty-five hundredths percent and one and ninety-five hundredths percent, respectively.

Sec. 59. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 60. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2019, for tax years beginning on or after that date.

DIVISION V
PARTNERSHIP AND PASS-THROUGH ENTITY AUDITS AND REPORTING OF FEDERAL ADJUSTMENTS

Sec. 61. Section 421.27, subsection 2, paragraph c, Code 2020, is amended to read as follows:

c. (1) ~~The~~ Except in the case of a final federal partnership adjustment governed by subparagraph (2), the taxpayer ~~provides written notification to the department of a federal audit while it is in progress and~~ voluntarily files an amended return which includes a copy of the federal document showing the final disposition or final federal adjustments and pays any additional Iowa tax due within ~~sixty~~ one hundred eighty days of the final ~~disposition~~ determination date of the federal government's audit. For purposes of this subparagraph, *"final determination date"* means the same as defined in section 422.25.

(2) (a) In the case of a final federal partnership adjustment arising from a partnership level audit, with respect to the audited partnership or a direct partner or indirect partner of the audited partnership, the audited partnership, direct partner, or indirect partner voluntarily and timely complies with its reporting and payment requirements under section 422.25A, subsection 4 or 5.

(b) As used in this subparagraph, all words and phrases defined in section 422.25A shall have the same meaning given them by that section.

Sec. 62. Section 422.7, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 59. Any income subtracted from federal taxable income for an adjustment year pursuant to section 6225 of the Internal Revenue Code and the regulations thereunder shall be added back in computing net income for state tax purposes for the adjustment year.

Sec. 63. Section 422.25, subsections 1 and 2, Code 2020, are amended by striking the subsections and inserting in lieu thereof the following:

1. *a.* For purposes of this subsection:

(1) *"Federal adjustment"* means a change to an item or amount required to be determined under the Internal Revenue Code and the regulations thereunder that is used by the taxpayer to compute state tax owed whether such change results from action by the internal revenue service, or the filing of a timely amended federal return or timely federal refund claim. A federal adjustment is positive to the extent that it increases Iowa taxable income as determined under this title and is negative to the extent that it decreases Iowa taxable income as determined under this title.

(2) *"Federal adjustments report"* means the method or form required by the department by rule to report final federal adjustments or final federal partnership adjustments as defined in section 422.25A, and in the case of any entity taxed as a partnership or S corporation for federal income tax purposes, identifies all owners that hold an interest directly in such entity and provides the effect of the final federal adjustments on such owner's Iowa income.

(3) *"Final determination date"* means the following:

(a) Except as provided in subparagraph divisions (b) and (c), for federal adjustments arising from an internal revenue service audit or other action by the internal revenue service, the final determination date is the first day on which no federal adjustments arising from that audit or other action remain to be finally determined, whether by internal revenue service decision with respect to which all rights of appeal have been waived or exhausted, by agreement, or, if appealed or contested, by a final decision with respect to which all rights of appeal have been waived or exhausted. For agreements required to be signed by the internal revenue service and the taxpayer, the final determination date is the date on which the last party signed the agreement.

(b) For federal adjustments arising from an internal revenue service audit or other action by the internal revenue service, if the taxpayer filed as a member of a consolidated return under section 422.37, the final determination date is the first day on which no related federal

adjustments arising from that audit or other action remain to be finally determined, as described in subparagraph division (a), for the entire group.

(c) For federal adjustments arising from a timely filed amended federal return or a timely filed federal refund claim, or if it is a federal adjustment reported on a timely amended federal return or other similar report filed pursuant to section 6225(c) of the Internal Revenue Code, the final determination date is the day on which the amended return, refund claim, or other similar report was filed.

(4) *"Final federal adjustment"* means a federal adjustment after the final determination date for that federal adjustment has passed.

b. Within three years after the return is filed or within three years after the return became due, including any extensions of time for filing, whichever time is the later, the department shall examine the return and determine the tax. However, if the taxpayer omits from income an amount which will, under the Internal Revenue Code, extend the statute of limitations for assessment of federal tax to six years under the federal law, the period for examination and determination is six years.

c. The period for examination and determination of the correct amount of tax is unlimited in the case of a false or fraudulent return made with the intent to evade tax or in the case of a failure to file a return.

d. In lieu of the period of limitation for any prior year for which an overpayment of tax or an elimination or reduction of an underpayment of tax due for that prior year results from the carryback to that prior year of a net operating loss or net capital loss, the period is the period of limitation for the taxable year of the net operating loss or net capital loss which results in the carryback.

e. (1) In addition to the applicable period of limitation for examination and determination in paragraph *"b"*, *"c"*, or *"d"*, the department may make an examination and determination at any time within one year from the date of receipt by the department of a federal adjustments report with respect to a final federal adjustment or final federal partnership adjustment as defined in section 422.25A for a particular tax year. In order to begin the running of the one-year period, the federal adjustments report related to the final federal adjustment or final federal partnership adjustment shall be transmitted to the department by the taxpayer in the form and manner specified by the department by rule.

(2) The department in its discretion may adopt rules to establish a de minimis amount for which subparagraph (1) shall not apply and the taxpayer shall not be required to file a federal adjustments report.

(3) The department may in its discretion and when administratively feasible adopt a process through rule by which a taxpayer may make estimated payments of tax expected to result from a pending internal revenue service audit prior to the filing of a federal adjustments report with the department. The process shall provide that the estimated tax payments shall be credited against any tax liability ultimately found to be due to the state from the internal revenue service audit and will limit the accrual of further statutory interest on that liability. The process shall also provide that if the estimated tax payments exceed the final tax liability and statutory interest ultimately determined to be due, the taxpayer is entitled to a refund or credit for the excess, without interest, provided the taxpayer files a federal adjustments report, or a claim for refund or credit of tax under section 422.73, no later than one year following the final determination date.

2. *a.* If the tax found due under subsection 1 is greater than the amount paid, the department shall compute the amount due, together with interest and penalties as provided in paragraph *"b"*, and shall mail a notice of assessment to the taxpayer and, if applicable, to the taxpayer's authorized representative of the total, which shall be computed as a sum certain, with interest computed to the last day of the month in which the notice is dated.

b. In addition to the tax or additional tax determined by the department under subsection 1, the taxpayer shall pay interest on the tax or additional tax at the rate in effect under section 421.7 for each month counting each fraction of a month as an entire month, computed from the date the return was required to be filed. In addition to the tax or additional tax, the taxpayer shall pay a penalty as provided in section 421.27.

Sec. 64. NEW SECTION. **422.25A Reporting and treatment of certain partnership adjustments.**

1. *Definitions.* As used in this section and sections 422.25B and 422.25C, unless the context otherwise requires:

a. "Administrative adjustment request" means the same as provided in section 6227 of the Internal Revenue Code.

b. "Audited partnership" means a partnership subject to a final federal partnership adjustment resulting from a partnership level audit.

c. "C corporation" means an entity that elects or is required to be taxed as a corporation under title 26, chapter 1, subchapter A, part 2, of the Internal Revenue Code.

d. "Corporate partner" means a C corporation partner that is subject to tax pursuant to section 422.33.

e. "Direct partner" means a person that holds an interest directly in a partnership or pass-through entity.

f. "Exempt partner" means a partner that is exempt from taxation pursuant to section 422.34.

g. "Federal adjustments report" means the same as defined in section 422.25.

h. "Federal partnership adjustment" means a change to an item or amount required to be determined under the Internal Revenue Code and the regulations thereunder that is used by a partnership and its direct and indirect partners to compute state tax owed for the reviewed year where such change results from a partnership level audit or an administrative adjustment request. A federal partnership adjustment is positive to the extent that it increases Iowa taxable income as determined under this title and is negative to the extent that it decreases Iowa taxable income as determined under this title. A federal adjustment reported on an amended federal return or other similar report filed pursuant to section 6225(c) of the Internal Revenue Code shall not be considered a federal partnership adjustment for purposes of this section.

i. "Federal partnership representative" means the person the partnership designates for the taxable year as the partnership's representative, or the person the internal revenue service has appointed to act as the federal partnership representative, pursuant to section 6223(a) of the Internal Revenue Code and the regulations thereunder.

j. "Fiduciary partner" means a partner that is a fiduciary that is subject to tax pursuant to sections 422.5 and 422.6.

k. "Final determination date" means any one of the following dates:

(1) In the case of a federal partnership adjustment that arises from a partnership level audit, the first day on which no federal adjustments arising from that audit remain to be finally determined, whether by agreement, or, if appealed or contested, by a final decision with respect to which all rights of appeal have been waived or exhausted. For agreements required to be signed by the internal revenue service and the audited partnership, the final determination date is the date on which the last party signed the agreement.

(2) In the case of a federal partnership adjustment that results from a timely filed administrative adjustment request, the day on which the administrative adjustment request was filed with the internal revenue service.

l. "Final federal partnership adjustment" means a federal partnership adjustment after the final determination date for that federal partnership adjustment has passed.

m. "Indirect partner" means a partner in a partnership or pass-through entity where such partnership or pass-through entity itself holds an interest directly, or through another indirect partner, in a partnership or pass-through entity.

n. "Individual partner" means a partner who is a natural person that is subject to tax pursuant to section 422.5.

o. "Nonresident partner" means a partner that is not a resident partner as defined in this subsection.

p. "Partner" means a person that holds an interest, directly or indirectly, in a partnership or pass-through entity.

q. "Partnership" means an entity subject to taxation under subchapter K of the Internal Revenue Code and the regulations thereunder and includes but is not limited to a syndicate, group, pool, joint venture, or other unincorporated organization through or by means of

which any business, financial operation, or venture is carried on and which is not, within the meaning of this chapter, a trust, estate, or corporation.

r. "Partnership level audit" means an examination by the internal revenue service at the partnership level pursuant to subchapter C, title 26, subtitle F, chapter 63, of the Internal Revenue Code, as enacted by the Bipartisan Budget Act of 2015, Pub. L. No. 114-74, and as amended, which results in final federal partnership adjustments initiated and made by the internal revenue service.

s. "Pass-through entity" means an entity, other than a partnership, that is not subject to tax under section 422.33 for C corporations but excluding an exempt partner. *"Pass-through entity"* includes but is not limited to S corporations, estates, and trusts other than grantor trusts.

t. "Reallocation adjustment" means a final federal partnership adjustment that changes the shares of items of partnership income, gain, loss, expense, or credit allocated to a partner that holds an interest directly in a partnership or pass-through entity. A positive reallocation adjustment means the portion of a reallocation adjustment that would increase Iowa taxable income for such partners, and a negative reallocation adjustment means the portion of a reallocation adjustment that would decrease Iowa taxable income for such partners.

u. "Resident partner" means any of the following:

(1) For an individual partner, a *"resident"* as defined in section 422.4.

(2) For a fiduciary partner, one with situs in Iowa.

(3) For all other partners, a partner whose headquarters or principal place of business is located in Iowa.

v. "Reviewed year" means the taxable year of a partnership that is subject to a partnership level audit from which final federal partnership adjustments arise, or otherwise means the taxable year of the partnership or pass-through entity that is the subject of a state partnership audit.

w. "State partnership audit" means an examination by the director at the partnership or pass-through entity level which results in adjustments to partnership or pass-through entity related items or reallocations of income, gains, losses, expenses, credits, and other attributes among such partners for the reviewed year.

x. "Tiered partner" means any partner that is a partnership or pass-through entity.

y. "Unrelated business income" means the income which is defined in section 512 of the Internal Revenue Code and the regulations thereunder.

2. *Application.* Partnerships and their direct partners and indirect partners shall report final federal partnership adjustments as provided in this section.

3. *State partnership representative.* Notwithstanding any other law to the contrary, the state partnership representative for the reviewed year shall have the sole authority to act on behalf of the partnership or pass-through entity with respect to an action required or permitted to be taken by a partnership or pass-through entity under this section or section 422.28 or 422.29 with respect to final federal partnership adjustments arising from a partnership level audit or an administrative adjustment request, and its direct partners and indirect partners shall be bound by those actions.

4. *Reporting and payment requirements for audited partnerships and their partners subject to final federal partnership adjustments.*

a. Unless an audited partnership makes the election in subsection 5, the audited partnership shall do all of the following for all final federal partnership adjustments no later than ninety days after the final determination date of the audited partnership:

(1) File a completed federal adjustments report.

(2) Notify each direct partner of such partner's distributive share of the adjustments in the manner and form prescribed by the department by rule.

(3) File an amended composite return under section 422.13 if one was originally filed, and if applicable for withholding from partners, file an amended withholding report under section 422.16, and pay the additional amount under this title that would have been due had the final federal partnership adjustments been reported properly as required, including any applicable interest and penalties.

b. Unless an audited partnership paid an amount on behalf of the direct partners of the audited partnership pursuant to subsection 5, all direct partners of the audited partnership

shall do all of the following no later than one hundred eighty days after the final determination date of the audited partnership:

(1) File a completed federal adjustments report reporting the direct partner's distributive share of the adjustments required to be reported to such partners under paragraph *"a"*.

(2) If the direct partner is a tiered partner, notify all partners that hold an interest directly in the tiered partner of such partner's distributive share of the adjustments in the manner and form prescribed by the department by rule.

(3) If the direct partner is a tiered partner and subject to section 422.13, file an amended composite return under section 422.13 if such return was originally filed, and if applicable for withholding from partners file an amended withholding report under section 422.16 if one was originally required to be filed.

(4) Pay any additional amount under this title that would have been due had the final federal partnership adjustments been reported properly as required, including any applicable penalty and interest.

c. Unless a partnership or tiered partner paid an amount on behalf of the partners pursuant to subsection 5, each indirect partner shall do all of the following:

(1) Within ninety days after the time for filing and furnishing statements to tiered partners and their partners as established by section 6226 of the Internal Revenue Code and the regulations thereunder, file a completed federal adjustments report.

(2) If the indirect partner is a tiered partner, within ninety days after the time for filing and furnishing statements to tiered partners and their partners as established by section 6226 of the Internal Revenue Code and the regulations thereunder but within sufficient time for all indirect partners to also complete the requirements of this subsection, notify all of the partners that hold an interest directly in the tiered partner of such partner's distributive share of the adjustments in the manner and form prescribed by the department by rule.

(3) Within ninety days after the time for filing and furnishing statements to tiered partners and their partners as established by section 6226 of the Internal Revenue Code and the regulations thereunder, if the indirect partner is a tiered partner and subject to section 422.13, file an amended composite return under section 422.13 if such return was originally filed, and if applicable for withholding from partners, file an amended withholding report under section 422.16 if one was originally required to be filed.

(4) Within ninety days after the time for filing and furnishing statements to tiered partners and the partners of the tiered partners as established by section 6226 of the Internal Revenue Code and the regulations thereunder, pay any additional amount due under this title, including any penalty and interest that would have been due had the final federal partnership adjustments been reported properly as required.

5. *Election for partnership or tiered partners to pay.*

a. An audited partnership, or a tiered partner that receives a notification of a final federal partnership adjustment under subsection 4, may make an election to pay as provided under this subsection.

b. An audited partnership or tiered partner makes an election to pay under this subsection by filing a completed federal adjustments report, notifying the department in the manner and form prescribed by the department that it is making the election under this subsection, notifying each of the direct partners of such partner's distributive share of the adjustments, and paying on behalf of its partners an amount calculated in paragraph *"c"*, including any applicable penalty and interest. These requirements shall all be fulfilled within one of the following time periods:

(1) For the audited partnership, no later than ninety days after the final determination date of the audited partnership.

(2) For a direct tiered partner, no later than one hundred eighty days after the final determination date of the audited partnership.

(3) For an indirect tiered partner, within ninety days after the time for filing and furnishing statements to a tiered partner and the partner of the tiered partner, as established by section 6226 of the Internal Revenue Code and the regulations thereunder.

c. The amount due under this subsection from an audited partnership or tiered partner shall be calculated as follows:

(1) Exclude from final federal partnership adjustments and any positive reallocation adjustments the distributive share of such adjustments reported to an exempt partner that holds an interest directly in the audited partnership if the audited partnership is making the election or that holds an interest directly in the tiered partner if the tiered partner is making the election, but only to the extent the distributive share is not unrelated business income.

(2) Determine the total distributive share of all final federal partnership adjustments and positive reallocation adjustments as modified by this title that are reported to corporate partners, and to exempt partners to the extent the distributive share is unrelated business income, and allocate and apportion such adjustments as provided in section 422.33 at the partnership or tiered partner level, and multiply the resulting amount by the maximum state corporate income tax rate pursuant to section 422.33 for the reviewed year.

(3) Determine the total distributive share of all final federal partnership adjustments and positive reallocation adjustments as modified by this title that are reported to nonresident individual partners and nonresident fiduciary partners and allocate and apportion such adjustments as provided in section 422.33 at the partnership or tiered partner level, and multiply the resulting amount by the maximum individual income tax rate pursuant to section 422.5A for the reviewed year.

(4) For the total distributive share of all final federal partnership adjustments and positive reallocation adjustments as modified by this title that are reported to tiered partners:

(a) Determine the amount of such adjustments which are of a type that would be subject to sourcing to Iowa under section 422.8, subsection 2, paragraph "*a*", as a nonresident, and then determine the portion of this amount that would be sourced to Iowa under those provisions as if the tiered partner were a nonresident.

(b) Determine the amount of such adjustments which are of a type that would not be subject to sourcing to Iowa under section 422.8, subsection 2, paragraph "*a*", as a nonresident.

(c) Determine the portion of the amount in subparagraph division (b) that can be established, as prescribed by the department by rule, to be properly allocable to indirect partners that are nonresident partners or other partners not subject to tax on the adjustments.

(d) Multiply the total of the amounts determined in subparagraph divisions (a) and (b), reduced by any amount determined in subparagraph division (c), by the highest individual income tax rate pursuant to section 422.5A for the reviewed year.

(5) For the total distributive share of all final federal partnership adjustments and positive reallocation adjustments as modified by this title that are reported to resident individual partners and resident fiduciary partners, multiply that amount by the highest individual income tax rate pursuant to section 422.5A for the reviewed year.

(6) Total the amounts computed pursuant to subparagraphs (2) through (5) and calculate any interest and penalty as provided under this title. Notwithstanding any provision of law to the contrary, interest and penalties on the amount due by the audited partnership or tiered partner shall be computed from the day after the due date of the reviewed year return without extension, and shall be imposed as if the audited partnership or tiered partner was required to pay tax or show tax due on the original return for the reviewed year.

d. Adjustments subject to the election in this subsection do not include any adjustments arising from an administrative adjustment request.

e. An audited partnership or tiered partner not otherwise subject to any reporting or payment obligation to Iowa that makes an election under this subsection consents to be subject to the Iowa laws related to reporting, assessment, collection, and payment of Iowa tax, interest, and penalties calculated under the election.

6. *Modified reporting and payment method.* The department may adopt procedures for an audited partnership or tiered partner to enter into an agreement with the department to use an alternative reporting and payment method, including applicable time requirements or any other provision of this section. The audited partnership or tiered partner must demonstrate that the requested method will reasonably provide for the reporting and payment of taxes, penalties, and interest due under the provisions of this section. Application for approval of an alternative reporting and payment method must be made by the audited partnership or tiered partner within the time for making an election to pay under subsection 5 and in the manner prescribed by the department. Approval of such an alternative reporting and payment method shall be at the discretion of the department.

7. *Effect of election by partnership or tiered partner and payment of amount due.*

a. The election made under subsection 5 is irrevocable, unless in the discretion of the director, the director determines otherwise.

b. The amount determined in subsection 5, when properly reported and paid by the audited partnership or tiered partner, shall be treated as paid on behalf of the partners of such audited partnership or tiered partner on the same final federal partnership adjustments, provided, however, that no partner may take any deduction or credit for the amount, claim a refund of the amount, or include the amount on such partner's Iowa return in any manner.

c. In the event another state offers to an audited partnership or tiered partner a similar election to pay state tax resulting from final federal partnership adjustments, nothing in this subsection shall prohibit a resident who holds an interest directly in that audited partnership or tiered partner, as the case may be, from claiming a credit for taxes paid by the resident to another state under section 422.8, subsection 1, for any amounts paid by the audited partnership or tiered partner on such resident partner's behalf to another state, provided such payment otherwise meets the requirements of section 422.8, subsection 1.

d. Nothing in this section shall prohibit the department from assessing direct partners and indirect partners for taxes they owe in the event that an audited partnership or tiered partner fails to timely make any report or payment required by this section for any reason.

8. *Assessments of additional Iowa income tax, interest, and penalties, and claims for refund, arising from final federal partnership adjustments.*

a. The department shall assess additional Iowa income tax, interest, and penalties arising from final federal partnership adjustments in the same manner as provided in this title unless a different treatment is provided by this subsection. Since final federal partnership adjustments are determined at the audited partnership level, any assessment issued to partners shall not be appealable by the partner. The department may assess any taxes, including on-behalf-of amounts, interest, and penalties arising from the final federal partnership adjustments if it issues a notice of assessment to the audited partnership, tiered partner, or other direct or indirect partner on or before the expiration of the applicable limitations period specified in section 422.25.

b. In addition to the period for claiming a refund or credit provided in section 422.73, subsection 1, paragraph *"a"*, and notwithstanding section 422.73, subsection 1, paragraph *"b"*, a partnership, tiered partner, or other direct or indirect partner, as the case may be, may file a claim for refund of Iowa income tax arising directly or indirectly from a final federal partnership adjustment arising from a partnership level audit on or before the date which is one year from the date the federal adjustments report for that final federal partnership adjustment was required to be filed by such person under this section.

9. *Rules.* The department may adopt any rules pursuant to chapter 17A to implement this section.

Sec. 65. NEW SECTION. **422.25B State partnership representative.**

1. As used in this section, all words and phrases defined in section 422.25A shall have the same meaning given them by that section.

2. The state partnership representative for the reviewed year for a partnership shall be the partnership's federal partnership representative with respect to an action required or permitted to be taken by a state partnership representative under this chapter for a reviewed year, unless the partnership designates in writing another person as the state partnership representative as provided in subsection 3. The state partnership representative for the reviewed year for a pass-through entity is the person designated in subsection 3.

3. The department may establish reasonable qualifications for a person to be a state partnership representative. If a partnership desires to designate a person other than the federal partnership representative, the partnership shall designate such person in the manner and form prescribed by the department. A pass-through entity shall designate a person as the state partnership representative in the manner and form prescribed by the department. A partnership or pass-through entity shall be allowed to change such designation by notifying the department at the time the change occurs in the manner and form prescribed by the department.

4. The department may adopt any rules pursuant to chapter 17A to implement this section.

Sec. 66. NEW SECTION. **422.25C Partnership and pass-through entity audits and examinations — consistent treatment of entity-level items — binding actions — amended returns.**

1. As used in this section, all words and phrases defined in section 422.25A shall have the same meaning given them by that section.

2. For tax years beginning on or after January 1, 2020, any adjustments to a partnership's or pass-through entity's items of income, gain, loss, expense, or credit, or an adjustment to such items allocated to a partner that holds an interest in a partnership or pass-through entity for the reviewed year by the department as a result of a state partnership audit, shall be determined at the partnership level or pass-through entity level in the same manner as provided by section 6221(a) of the Internal Revenue Code and the regulations thereunder unless a different treatment is specifically provided in this title. The provisions of sections 6222, 6223, and 6227 of the Internal Revenue Code and the regulations thereunder shall also apply to a partnership or pass-through entity and its direct or indirect partners in the same manner as provided in such sections unless a different treatment is specifically provided in this title. For purposes of applying such sections, due account shall be made for differences in federal and Iowa terminology. The adjustment provided by section 6221(a) of the Internal Revenue Code shall be determined as provided in such section but shall be based on Iowa taxable income or other tax attributes of the partnership as determined pursuant to this chapter for the reviewed year. The department shall issue a notice of adjustment to the partnership or pass-through entity. Such notice shall be treated as an assessment for the purposes of section 422.25, and the notice shall be appealable by the partnership or pass-through entity pursuant to sections 422.28 and 422.29 and shall be issued within the time period provided by section 422.25. Once the adjustments to partnership-related or pass-through entity-related items or reallocations of income, gains, losses, expenses, credits, and other attributes among such partners for the reviewed year are finally determined, the partnership or pass-through entity and any direct partners or indirect partners shall then be subject to the provisions of section 422.25, subsection 1, paragraph *"e"*, and section 422.25A in the same manner as if the state partnership audit were a federal partnership level audit, and as if the final state partnership audit adjustment were a final federal partnership adjustment. The penalty exceptions in section 421.27, subsection 2, paragraphs *"b"* and *"c"*, shall not apply to a state partnership audit.

3. The state partnership representative for the reviewed year as determined under section 422.25B shall have the sole authority to act on behalf of the partnership or pass-through entity with respect to an action required or permitted to be taken by a partnership or pass-through entity under this section, including proceedings under section 422.28 or 422.29, and the partnership's or pass-through entity's direct partners and indirect partners shall be bound by those actions.

4. If the department, the partnership or pass-through entity, and the partnership or pass-through entity owners agree, the provisions of this section may be applied to tax years beginning before January 1, 2020.

5. The department may adopt rules pursuant to chapter 17A to implement this section.

Sec. 67. Section 422.35, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 26. Any income subtracted from federal taxable income for an adjustment year pursuant to section 6225 of the Internal Revenue Code and the regulations thereunder shall be added back in computing net income for state tax purposes for the adjustment year.

Sec. 68. Section 422.39, Code 2020, is amended by striking the section and inserting in lieu thereof the following:

422.39 Statutes applicable to corporations and corporation tax.

All the provisions of sections 422.24 through 422.27 of division II, respecting payment, collection, reporting, examination, and assessment, shall apply in respect to a corporation subject to the provisions of this division and to the tax due and payable by a corporation taxable under this division. This includes but is not limited to a corporation that is a pass-through entity as defined in section 422.25A.

Sec. 69. Section 422.73, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 01. For purposes of this section, *"federal adjustment"*, *"final determination date"*, and *"final federal adjustment"* all mean the same as defined in section 422.25.

Sec. 70. Section 422.73, subsections 1 and 3, Code 2020, are amended to read as follows:

1. *a.* 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.

b. Notwithstanding the period of limitation specified in paragraph *"a"*, the taxpayer shall have ~~six months~~ one year from the ~~day of final disposition~~ final determination date of any ~~income tax matter between the taxpayer and the internal revenue service~~ final federal adjustment arising from an internal revenue service audit or other similar action by the internal revenue service with respect to the particular tax year to claim an income tax refund or credit arising from that final federal adjustment.

3. 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~~ the final determination date of the income tax matter that involves a final federal adjustment 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 that final ~~disposition of~~ federal adjustment from 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.

Sec. 71. APPLICABILITY. This division of this Act applies to federal adjustments and federal partnership adjustments that have a final determination date after the effective date of this division of this Act.

DIVISION VI
SETOFF PROCEDURES — RULEMAKING — EFFECTIVE DATE

Sec. 72. RULES. The following applies to 2020 Iowa Acts, House File 2565,[1] if enacted:

The department of revenue shall adopt rules governing setoffs that occur during the transition from the department of administrative services to the department of revenue.

Sec. 73. 2020 Iowa Acts, House File 2565,[2] section 28, if enacted, is amended to read as follows:

SEC. 28. EFFECTIVE DATE. This Act takes effect on the later of January 1, 2021, or the effective date of the rules adopted by the department of revenue pursuant to chapter 17A implementing this Act other than transitional rules.

Sec. 74. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

[1] Chapter 1064 herein
[2] Chapter 1064 herein

DIVISION VII
MARRIED TAXPAYERS — JOINT LIABILITY

Sec. 75. Section 422.21, subsection 7, Code 2020, is amended to read as follows:

7. If married taxpayers file a joint return or file separately on a combined return in accordance with rules prescribed by the director, both spouses are jointly and severally liable for the total tax due on the return, except when one spouse is ~~considered to be an innocent spouse~~ eligible for relief under criteria established pursuant to section 6015 of the Internal Revenue Code. The department may notify the nonrequesting spouse or former spouse and permit, by rule, the intervention of a nonrequesting spouse or former spouse when relief from joint and several liability is requested.

Sec. 76. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION VIII
BUSINESS INTEREST EXPENSE DEDUCTION AND GLOBAL INTANGIBLE LOW-TAXED INCOME

Sec. 77. Section 422.7, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 59. *a.* Section 163(j) of the Internal Revenue Code does not apply in computing net income for state tax purposes. If the taxpayer's federal adjusted gross income for the tax year was increased or decreased by reason of the application of section 163(j) of the Internal Revenue Code, the taxpayer shall recompute net income for state tax purposes under rules prescribed by the director.

b. Paragraph *"a"* shall not apply during any tax year in which the additional first-year depreciation allowance authorized in section 168(k) of the Internal Revenue Code applies in computing net income for state tax purposes.

c. For any tax year in which paragraph *"a"* does not apply, a taxpayer shall not be permitted to deduct any amount of interest expense paid or accrued in a previous taxable year that is allowed as a deduction in the current taxable year by reason of the carryforward of disallowed business interest provisions of section 163(j)(2) of the Internal Revenue Code, if either of the following apply:

(1) The interest expense was originally paid or accrued during a tax year in which paragraph *"a"* applied.

(2) The interest expense was originally paid or accrued during a tax year in which the taxpayer was not required to file an Iowa return.

Sec. 78. Section 422.35, Code 2020, is amended by adding the following new subsections:

NEW SUBSECTION. 26. *a.* Section 163(j) of the Internal Revenue Code does not apply in computing net income for state tax purposes. If the taxpayer's federal taxable income for the tax year was increased or decreased by reason of the application of section 163(j) of the Internal Revenue Code, the taxpayer shall recompute net income for state tax purposes under rules prescribed by the director.

b. Paragraph *"a"* shall not apply during any tax year in which the additional first-year depreciation allowance authorized in section 168(k) of the Internal Revenue Code applies in computing net income for state tax purposes.

c. For any tax year in which paragraph *"a"* does not apply, a taxpayer shall not be permitted to deduct any amount of interest expense paid or accrued in a previous taxable year that is allowed as a deduction in the current taxable year by reason of the carryforward of disallowed business interest provisions of section 163(j)(2) of the Internal Revenue Code, if either of the following apply:

(1) The interest expense was originally paid or accrued during a tax year in which paragraph *"a"* applied.

(2) The interest expense was originally paid or accrued during a tax year in which the taxpayer was not required to file an Iowa return.

NEW SUBSECTION. 27. Subtract, to the extent included, global intangible low-taxed income under section 951A of the Internal Revenue Code.

Sec. 79. RESCISSION OF ADMINISTRATIVE RULES.

1. Contingent upon the enactment of the section of this Act amending section 422.35, subsection 27, the following Iowa administrative rules are rescinded:

a. 701 Iowa administrative code, rule 54.2, subrule 3, paragraph "i".

b. 701 Iowa administrative code, rule 59.28, subrule 2, paragraph "p".

2. As soon as practicable, the Iowa administrative code editor shall remove the language of the Iowa administrative rules referenced in subsection 1 of this section from the Iowa administrative code.

Sec. 80. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 81. RETROACTIVE APPLICABILITY. The following applies retroactively to January 1, 2019, for tax years beginning on or after that date:

The portion of the section of this division of this Act enacting section 422.35, subsection 27.

Sec. 82. RETROACTIVE APPLICABILITY. The following apply retroactively to January 1, 2020 for tax years beginning on or after that date:

1. The section of this division of this Act enacting section 422.7, subsection 59.

2. The portion of the section of this division of this Act enacting section 422.35, subsection 26.

DIVISION IX
IOWA REINVESTMENT ACT

Sec. 83. Section 15J.2, subsections 4, 7, 8, and 9, Code 2020, are amended to read as follows:

4. *"District"* means the area ~~within a municipality~~ that is designated a reinvestment district pursuant to section 15J.4.

7. *"Municipality"* means ~~a county or an incorporated city.~~ any of the following:

a. A county.

b. An incorporated city.

c. A joint board or other legal entity established or designated in an agreement between two or more contiguous municipalities identified in paragraph *"a"* or *"b"* pursuant to chapter 28E.

8. *a. "New lessor"* means a lessor, as defined in section 423A.2, operating a business in the district that was not in operation in the area of the district before the effective date of the ordinance or resolution establishing the district, regardless of ownership.

b. "New lessor" also includes any lessor, defined in section 423A.2, operating a business in the district if the place of business for that business is the subject of a project that was approved by the board.

9. *a. "New retail establishment"* means a business operated in the district by a retailer, as defined in section 423.1, that was not in operation in the area of the district before the effective date of the ordinance or resolution establishing the district, regardless of ownership.

b. "New retail establishment" also includes any business operated in the district by a retailer, as defined in section 423.1, if the place of business for that retail establishment is the subject of a project that was approved by the board.

Sec. 84. Section 15J.4, subsection 1, unnumbered paragraph 1, Code 2020, is amended to read as follows:

A municipality that has an area suitable for development within the boundaries of the municipality or within the combined boundaries of a municipality under section 15J.2, subsection 7, paragraph *"c"*, is eligible to seek approval from the board to establish a reinvestment district under this section consisting of the area suitable for development. To be designated a reinvestment district, an area shall meet the following requirements:

Sec. 85. Section 15J.4, subsection 1, paragraphs c and d, Code 2020, are amended to read as follows:

c. ~~The~~ For districts approved before July 1, 2018, the area consists of contiguous parcels and does not exceed twenty-five acres in total. For districts approved on or after July 1, 2020, the area consists of contiguous parcels and does not exceed seventy-five acres in total.

d. For a municipality that is a city or for a city that is party to an agreement under section 15J.2, subsection 7, paragraph "*c*", the area does not include the entire incorporated area of the city.

Sec. 86. Section 15J.4, subsection 3, paragraph a, Code 2020, is amended to read as follows:

a. The municipality shall submit a copy of the resolution, the proposed district plan, and all accompanying materials adopted pursuant to this section to the board for evaluation. The board shall not approve a proposed district plan on or after July 1, ~~2018~~ 2025.

Sec. 87. Section 15J.4, subsection 3, paragraph b, subparagraph (6), Code 2020, is amended to read as follows:

(6) The amount of proposed capital investment within the proposed district related to retail businesses in the proposed district does not exceed fifty percent of the total capital investment for all proposed projects in the proposed district plan. For the purposes of this subparagraph, *"retail business"* means any business engaged in the business of selling tangible personal property or taxable services at retail in this state that is obligated to collect state sales or use tax under chapter 423. However, for the purposes of this subparagraph, *"retail business"* does not include a new lessor or a business engaged in an activity subject to tax under section 423.2, subsection 3.

Sec. 88. Section 15J.4, subsection 3, paragraph f, Code 2020, is amended to read as follows:

f. (1) The total aggregate amount of state sales tax revenues and state hotel and motel tax revenues that may be approved by the board for remittance to all municipalities and that may be transferred to the state reinvestment district fund under section 423.2A or 423A.6, and remitted to all municipalities having a reinvestment district under this chapter for districts approved by the board before July 1, 2018, shall not exceed one hundred million dollars.

(2) The total aggregate amount of state sales tax revenues and state hotel and motel tax revenues that may be approved by the board for remittance to all municipalities and that may be transferred to the state reinvestment district fund under section 423.2A or 423A.6, and remitted to all municipalities having a reinvestment district under this chapter for districts approved on or after July 1, 2020, but before July 1, 2025, shall not exceed one hundred million dollars.

Sec. 89. Section 15J.4, subsections 4 and 5, Code 2020, are amended to read as follows:

4. *a.* Upon receiving the approval of the board, the municipality ~~may~~ shall adopt an ordinance, or in the case of a municipality under section 15J.2, subsection 7, paragraph "*c*", a resolution, establishing the district and shall notify the director of revenue of the district's commencement date established by the board and the information required under paragraph "*b*" no later than thirty days after adoption of the ordinance or resolution.

b. For each district approved by the board on or after July 1, 2020, the municipality shall include in the notification under paragraph "*a*" and in the statement required under paragraph "*c*" all of the following:

(1) For each new retail establishment under section 15J.2, subsection 9, paragraph "*b*", that was in operation before the establishment of the district, the monthly amount of sales subject to the state sales tax from the most recently available twelve-month period preceding the establishment of the district.

(2) For each new lessor under section 15J.2, subsection 8, paragraph "*b*", that was in operation before the establishment of the district, the monthly amount of sales subject to the state hotel and motel tax from the most recently available twelve-month period preceding the establishment of the district.

c. The ordinance or resolution adopted by the municipality shall include the district's commencement date and a detailed statement of the manner in which the approved projects to be undertaken in the district will be financed, including but not limited to the financial information included in the project plan under subsection 2, paragraph *"d"*.

d. Following establishment of the district, a municipality may use the moneys deposited in the municipality's reinvestment project fund created pursuant to section 15J.7 to fund the development of those projects included within the district plan.

5. A municipality may amend the district plan to add or modify projects. However, a proposed modification to a project and each project proposed to be added shall first be approved by the board in the same manner as provided for the original plan. In no case, however, shall an amendment to the district plan result in the extension of the commencement date established by the board. If a district plan is amended to add or modify a project, the municipality shall, if necessary, amend the ordinance or resolution, as applicable, ~~if necessary,~~ to reflect any changes to the financial information required to be included under subsection 4.

Sec. 90. Section 15J.5, subsection 1, paragraph b, Code 2020, is amended to read as follows:

b. (1) ~~The~~ For districts established before July 1, 2020, the amount of new state sales tax revenue for purposes of paragraph *"a"* shall be the product of the amount of sales subject to the state sales tax in the district during the quarter from new retail establishments times four percent.

(2) For districts established on or after July 1, 2020, the amount of new state sales tax revenue for purposes of paragraph *"a"* shall be the product of four percent times the remainder of amount of sales subject to the state sales tax in the district during the quarter from new retail establishments minus the sum of the sales from the corresponding quarter of the twelve-month period determined under section 15J.4, subsection 4, paragraph *"b"*, subparagraph (1), for new retail establishments identified under section 15J.4, subsection 4, paragraph *"b"*, subparagraph (1), that were in operation at the end of the quarter.

Sec. 91. Section 15J.5, subsection 2, paragraph b, Code 2020, is amended to read as follows:

b. (1) ~~The~~ For districts established before July 1, 2020, the amount of new state hotel and motel tax revenue for purposes of paragraph *"a"* shall be the product of the amount of sales subject to the state hotel and motel tax in the district during the quarter from new lessors times the state hotel and motel tax rate imposed under section 423A.3.

(2) For districts established on or after July 1, 2020, the amount of new state hotel and motel tax revenue for purposes of paragraph *"a"* shall be the product of the state hotel and motel tax rate imposed under section 423A.3 times the remainder of amount of sales subject to the state hotel and motel tax in the district during the quarter from new lessors minus the sum of the sales from the corresponding quarter of the twelve month period determined under section 15J.4, subsection 4, paragraph *"b"*, subparagraph (2), for new lessors identified under section 15J.4, subsection 4, paragraph *"b"*, subparagraph (2), that were in operation at the end of the quarter.

Sec. 92. Section 15J.7, subsection 4, paragraph b, Code 2020, is amended to read as follows:

b. For the purposes of this subsection, *"relocation"* means the closure or substantial reduction of an enterprise's existing operations in one area of the state and the initiation of substantially the same operation in the same county or a contiguous county in the state. However, if the initiation of operations includes an expanded scope or nature of the enterprise's existing operations, the new operation shall not be considered to be substantially the same operation. *"Relocation"* does not include an enterprise expanding its operations in another area of the state provided that existing operations of a similar nature are not closed or substantially reduced.

Sec. 93. Section 15J.7, subsection 6, Code 2020, is amended to read as follows:

6. Upon dissolution of a district pursuant to section 15J.8, moneys remaining in the reinvestment project fund that were deposited pursuant to subsection 2 and all interest remaining in the fund that was earned on such amounts shall be deposited in the general fund of the municipality or, for a municipality under section 15J.2, subsection 7, paragraph "c", the governing body shall allocate such amounts to the participating cities and counties for deposit in each city or county general fund according to the chapter 28E agreement.

Sec. 94. Section 15J.8, Code 2020, is amended to read as follows:

15J.8 End of deposits — district dissolution.

1. As of the date twenty years after the district's commencement date, the department shall cease to deposit state sales tax revenues and state hotel and motel tax revenues into the district's account within the fund, unless the municipality dissolves the district by ordinance or resolution prior to that date. Following the expiration of the twenty-year period, the district shall be dissolved by ordinance or resolution of the municipality adopted within twelve months of the conclusion of the twenty-year period.

2. If the municipality dissolves the district by ordinance or resolution prior to the expiration of the twenty-year period specified in subsection 1, the municipality shall notify the director of revenue of the dissolution as soon as practicable after adoption of the ordinance or resolution, and the department shall, as of the effective date of dissolution, cease to deposit state sales tax revenues and state hotel and motel tax revenues into the district's account within the fund.

3. Upon request of the municipality prior to the dissolution of the district, and following a determination by the board that the amounts of new state sales tax revenue and new state hotel and motel tax revenue deposited in the municipality's reinvestment project fund under section 15J.7 are substantially lower than the amounts established by the board under section 15J.4, subsection 3, paragraph "e", the board may extend the district's twenty-year period of time for depositing and receiving revenues under this chapter by up to five additional years if such an extension is in the best interest of the public.

DIVISION X
COMPUTER PERIPHERALS

Sec. 95. Section 423.1, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 10A. *"Computer peripheral"* means an ancillary device connected to the computer digitally, by cable, or by other medium, used to put information into or get information out of a computer.

Sec. 96. Section 423.3, subsection 47, Code 2020, is amended to read as follows:

47. *a.* The sales price from the sale or rental of computers, computer peripherals, machinery, equipment, replacement parts, supplies, and materials used to construct or self-construct computers, computer peripherals, machinery, equipment, replacement parts, and supplies, if such items are any of the following:

(1) Directly and primarily used in processing by a manufacturer.

(2) Directly and primarily used to maintain the integrity of the product or to maintain unique environmental conditions required for either the product or the computers, computer peripherals, machinery, and equipment used in processing by a manufacturer, including test equipment used to control quality and specifications of the product.

(3) Directly and primarily used in research and development of new products or processes of processing.

(4) Computers and computer peripherals used in processing or storage of data or information by an insurance company, financial institution, or commercial enterprise.

(5) Directly and primarily used in recycling or reprocessing of waste products.

(6) Pollution-control equipment used by a manufacturer, including but not limited to that required or certified by an agency of this state or of the United States government.

b. The sales price from the sale of fuel used in creating heat, power, steam, or for generating electrical current, or from the sale of electricity, consumed by computers,

computer peripherals, machinery, or equipment used in an exempt manner described in paragraph *"a"*, subparagraph (1), (2), (3), (5), or (6).

c. The sales price from the sale or rental of the following shall not be exempt from the tax imposed by this subchapter:

(1) Hand tools.

(2) Point-of-sale equipment, ~~and~~ computers, and computer peripherals.

(3) The following within the scope of section 427A.1, subsection 1, paragraphs *"h"* and *"i"*:

(a) Computers.

(b) Computer peripherals.

~~(b)~~ (c) Machinery.

~~(c)~~ (d) Equipment, including pollution control equipment.

~~(d)~~ (e) Replacement parts.

~~(e)~~ (f) Supplies.

~~(f)~~ (g) Materials used to construct or self-construct the following:

(i) Computers.

(ii) Computer peripherals.

~~(ii)~~ (iii) Machinery.

~~(iii)~~ (iv) Equipment, including pollution control equipment.

~~(iv)~~ (v) Replacement parts.

~~(v)~~ (vi) Supplies.

(4) Vehicles subject to registration, except vehicles subject to registration which are directly and primarily used in recycling or reprocessing of waste products.

d. As used in this subsection:

(1) *"Commercial enterprise"* means businesses and manufacturers conducted for profit, for-profit and nonprofit insurance companies, and for-profit and nonprofit financial institutions, but excludes other nonprofits and professions and occupations.

(2) *"Financial institution"* means as defined in section 527.2.

(3) *"Insurance company"* means an insurer organized or operating under chapter 508, 514, 515, 518, 518A, 519, or 520, or authorized to do business in Iowa as an insurer or an insurance producer under chapter 522B.

(4) (a) *"Manufacturer"* means a business that primarily purchases, receives, or holds personal property of any description for the purpose of adding to its value by a process of manufacturing with a view to selling the property for gain or profit.

(b) *"Manufacturer"* includes contract manufacturers. A contract manufacturer is a manufacturer that otherwise falls within the definition of manufacturer, except that a contract manufacturer does not sell the tangible personal property the contract manufacturer processes on behalf of other manufacturers.

(c) *"Manufacturer"* does not include persons who are not commonly understood as manufacturers, including but not limited to persons primarily engaged in any of the following activities:

(i) Construction contracting.

(ii) Repairing tangible personal property or real property.

(iii) Providing health care.

(iv) Farming, including cultivating agricultural products and raising livestock.

(v) Transporting for hire.

(d) For purposes of this subparagraph:

(i) *"Business"* means those businesses conducted for profit, but excludes professions and occupations and nonprofit organizations.

(ii) *"Manufacturing"* means those activities commonly understood within the ordinary meaning of the term, and shall include:

(A) Refining.

(B) Purifying.

(C) Combining of different materials.

(D) Packing of meats.

(E) Activities subsequent to the extractive process of quarrying or mining, such as crushing, washing, sizing, or blending of aggregate materials.

(iii) *"Manufacturing"* does not include activities occurring on premises primarily used to make retail sales.

(5) *"Processing"* means a series of operations in which materials are manufactured, refined, purified, created, combined, or transformed by a manufacturer, ultimately into tangible personal property. Processing encompasses all activities commencing with the receipt or producing of raw materials by the manufacturer and ending at the point products are delivered for shipment or transferred from the manufacturer. Processing includes but is not limited to refinement or purification of materials; treatment of materials to change their form, context, or condition; maintenance of the quality or integrity of materials, components, or products; maintenance of environmental conditions necessary for materials, components, or products; quality control activities; and construction of packaging and shipping devices, placement into shipping containers or any type of shipping devices or medium, and the movement of materials, components, or products until shipment from the processor.

(6) *"Receipt or producing of raw materials"* means activities performed upon tangible personal property only. With respect to raw materials produced from or upon real estate, the receipt or producing of raw materials is deemed to occur immediately following the severance of the raw materials from the real estate.

(7) *"Replacement part"* means tangible personal property other than computers, computer peripherals, machinery, equipment, or supplies, regardless of the cost or useful life of the tangible personal property, that meets all of the following conditions:

(a) The tangible personal property replaces a component of a computer, computer peripheral, machinery, or equipment, which component is capable of being separated from the computer, computer peripheral, machinery, or equipment.

(b) The tangible personal property performs the same or similar function as the component it replaced.

(c) The tangible personal property restores the computer, computer peripheral, machinery, or equipment to an operational condition, or upgrades or improves the efficiency of the computer, computer peripheral, machinery, or equipment.

(8) *"Supplies"* means tangible personal property, other than computers, computer peripherals, machinery, equipment, or replacement parts, that meets one of the following conditions:

(a) The tangible personal property is to be connected to a computer, computer peripheral, machinery, or equipment and requires regular replacement because the property is consumed or deteriorates during use, including but not limited to saw blades, drill bits, filters, and other similar items with a short useful life.

(b) The tangible personal property is used in conjunction with a computer, computer peripheral, machinery, or equipment and is specially designed for use in manufacturing specific products and may be used interchangeably and intermittently on a particular computer, computer peripheral, machine, or piece of equipment, including but not limited to jigs, dies, tools, and other similar items.

(c) The tangible personal property comes into physical contact with other tangible personal property used in processing and is used to assist with or maintain conditions necessary for processing, including but not limited to cutting fluids, oils, coolants, lubricants, and other similar items with a short useful life.

(d) The tangible personal property is directly and primarily used in an activity described in paragraph *"a"*, subparagraphs (1) through (6), including but not limited to prototype materials and testing materials.

Sec. 97. RESCISSION OF ADMINISTRATIVE RULES.

1. The following Iowa administrative rules are rescinded as of July 1, 2020:

a. 701 Iowa administrative code, rule 18.34, subrule 1, paragraph "b", subparagraph (1).

b. 701 Iowa administrative code, rule 18.45, subrule 1, definition of "computer".

c. 701 Iowa administrative code, rule 18.58, subrule 1, definition of "computer".

d. 701 Iowa administrative code, rule 230.14, subrule 2, paragraph "a".

2. As soon as practicable after July 1, 2020, the Iowa administrative code editor shall remove the language of the Iowa administrative rules referenced in subsection 1 of this section from the Iowa administrative code.

DIVISION XI
SCHOOL TUITION ORGANIZATION TAX CREDIT

Sec. 98. Section 422.11S, subsection 8, paragraph a, subparagraph (2), Code 2020, is amended to read as follows:

(2) (a) *"Total approved tax credits"* means for the 2006 calendar year, two million five hundred thousand dollars, for the 2007 calendar year, five million dollars, for calendar years beginning on or after January 1, 2008, but before January 1, 2012, seven million five hundred thousand dollars, for calendar years beginning on or after January 1, 2012, but before January 1, 2014, eight million seven hundred fifty thousand dollars, for calendar years beginning on or after January 1, 2014, but before January 1, 2019, twelve million dollars, and for calendar years beginning on or after January 1, 2019, but before January 1, 2020, thirteen million dollars, and for calendar years beginning on or after January 1, 2020, fifteen million dollars.

(b) (i) During any calendar year beginning on or after January 1, 2022, if the amount of awarded tax credits from the preceding calendar year are equal to or greater than ninety percent of the total approved tax credits for the current calendar year, the total approved tax credits for the current calendar year shall equal the product of ten percent multiplied by the total approved tax credits for the current calendar year plus the total approved tax credits for the current calendar year.

(ii) If total approved tax credits are recomputed pursuant to subparagraph subdivision (i), the total approved tax credits shall equal the previous total approved tax credits recomputed pursuant to subparagraph subdivision (i) for purposes of future recomputations under subparagraph subdivision (i), provided that the maximum total approved tax credits recomputed pursuant to this subparagraph division (b) shall not exceed twenty million dollars in a calendar year.

Sec. 99. Section 422.33, subsection 28, Code 2020, is amended to read as follows:

28. The taxes imposed under this division shall be reduced by a school tuition organization tax credit allowed under section 422.11S. ~~The maximum amount of tax credits that may be approved under this subsection for a tax year equals twenty-five percent of the school tuition organization's tax credits that may be approved pursuant to section 422.11S, subsection 8, for a tax year.~~

DIVISION XII
BROADBAND INFRASTRUCTURE TAXATION

Sec. 100. Section 422.7, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 18. *a.* Subtract, to the extent included, the amount of a federal, state, or local grant provided to a communications service provider, if the grant is used to install broadband infrastructure that facilitates broadband service in targeted service areas at or above the download and upload speeds.

b. As used in this subsection, *"broadband infrastructure"*, *"communications service provider"*, and *"targeted service area"* mean the same as defined in section 8B.1, respectively.

Sec. 101. Section 422.35, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 26. *a.* Subtract, to the extent included, the amount of a federal, state, or local grant provided to a communications service provider, if the grant is used to install broadband infrastructure that facilitates broadband service in targeted service areas at or above the download and upload speeds.

b. As used in this subsection, *"broadband infrastructure"*, *"communications service provider"*, and *"targeted service area"* mean the same as defined in section 8B.1, respectively.

Sec. 102. REFUNDS. Refunds of taxes, interest, or penalties that arise from claims resulting from the enactment of this division of this Act, in the tax year beginning January 1, 2019, but before January 1, 2020, shall not be allowed unless refund claims are filed prior to October 1, 2020, notwithstanding any other provision of law to the contrary.

Sec. 103. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 104. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2019, and applies to tax years beginning on or after that date.

DIVISION XIII
LOCAL ASSESSORS

Sec. 105. Section 441.6, subsection 2, Code 2020, is amended to read as follows:

2. Upon receipt of the report of the examining board, the chairperson of the conference board shall by written notice call a meeting of the conference board to appoint an assessor. The meeting shall be held not later than seven days after the receipt of the report of the examining board by the conference board. At the meeting, the conference board shall appoint an assessor from the register of eligible candidates. However, if a special examination has not been conducted previously for the same vacancy, the conference board may request the director of revenue to hold a special examination pursuant to section 441.7. The chairperson of the conference board shall give written notice to the director of revenue of the appointment ~~and its effective date~~ within ten days of the decision of the board.

Sec. 106. Section 441.6, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 3. The appointee selected by the conference board under subsection 2 shall not assume the office of city or county assessor until such appointment is confirmed by the director of revenue. If the director of revenue rejects the appointment, the examining board shall conduct a new examination and submit a new report to the conference board under subsection 1. The director of revenue shall adopt rules pursuant to chapter 17A to implement and administer this subsection.

Sec. 107. Section 441.17, subsection 2, Code 2020, is amended to read as follows:

2. Cause to be assessed, in accordance with section 441.21, all the property in the assessor's county or city, except property exempt from taxation, or the assessment of which is otherwise provided for by law. However, an assessor or deputy assessor shall not personally assess a property if the person or a member of the person's immediate family owns the property, has a financial interest in the property, or has a financial interest in the entity that owns the property. The director of revenue shall adopt rules pursuant to chapter 17A to implement and administer this subsection.

Sec. 108. Section 441.41, Code 2020, is amended to read as follows:

441.41 Legal counsel.

In the case of cities having an assessor, the city legal department shall represent the assessor and board of review in all litigation dealing with assessments. In the case of counties, the county attorney shall represent the assessor and board of review in all litigation dealing with assessments. Any taxing district interested in the taxes received from such assessments may be represented by an attorney and shall be required to appear by attorney upon written request of the assessor to the presiding officer of any such taxing district. ~~The~~ Subject to review and prior approval by either the city legal department in the case of a city or the county attorney in the case of a county, the conference board may employ special counsel to assist the city legal department or county attorney as the case may be.

DIVISION XIV
PAYCHECK PROTECTION PROGRAM (PPP)

Sec. 109. IOWA NET INCOME EXCLUSION FOR FEDERAL PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS FOR CERTAIN FISCAL-YEAR FILERS IN TAX YEAR 2019. Notwithstanding any other provision of law to the contrary, for any tax year beginning on or after January 1, 2019, and ending after March 27, 2020, Pub. L. No. 116-136, §1106(i), applies in computing net income for state tax purposes under section 422.7 or 422.35.

Sec. 110. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION XV
IOWA INCOME TAX EXCLUSION — EMERGENCY STUDENT GRANT MONEY

Sec. 111. Section 422.7, Code 2020, is amended by adding the following new subsection:
NEW SUBSECTION. 59. Notwithstanding any other provision of law to the contrary, any funds received by a student through a higher education institution to support the student's financial needs as a result of the COVID-19 pandemic pursuant to §§3504, 18004, or 18008 of Pub. L. No. 116-136 shall not be included in the student's Iowa net income for any tax year ending after March 27, 2020.

Sec. 112. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 113. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to March 27, 2020, for tax years ending on or after that date.

DIVISION XVI
IOWA INCOME TAX EXCLUSION — STIMULUS CHECKS

Sec. 114. IOWA INCOME TAX EXCLUSION FOR ECONOMIC IMPACT PAYMENTS. In determining the amount of deduction for federal income tax under section 422.9 for tax years beginning in the 2020 calendar year, the amount of the deduction for the tax year shall not be adjusted by the amount received during the tax year of the income tax rebate provided pursuant to the federal Recovery Rebates and Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, §2201, and the amount of such income tax rebate shall not be subject to taxation under chapter 422, division II.

DIVISION XVII
PRO RATA SHARE OF ENTITY-LEVEL INCOME TAX PAID BY SHAREHOLDERS OR BENEFICIARIES

Sec. 115. Section 422.8, subsection 1, Code 2020, is amended to read as follows:
1. *a.* The amount of income tax paid to another state or foreign country by a resident taxpayer of this state on income derived from sources outside of Iowa shall be allowed as a credit against the tax computed under this chapter, except that the credit shall not exceed what the amount of the Iowa tax would have been on the same income which was taxed by the other state or foreign country. The limitation on this credit shall be computed according to the following formula: Income earned outside of Iowa and taxed by another state or foreign country shall be divided by the total income of the resident taxpayer of Iowa. This quotient multiplied ~~times~~ by the net Iowa tax as determined on the total income of the taxpayer as if entirely earned in Iowa shall be the maximum tax credit against the Iowa net tax.

b. (1) For purposes of paragraph "*a*", a resident partner of an entity taxed as a partnership for federal tax purposes, a resident shareholder of an S corporation, or a resident beneficiary of an estate or trust shall be deemed to have paid the resident partner's, resident shareholder's, or resident beneficiary's pro rata share of entity-level income tax paid by the partnership, S corporation, estate, or trust to another state or foreign country on income that is also subject to tax under this division, but only if the entity provides the resident partner, resident shareholder, or resident beneficiary a statement that documents the resident partner's, resident shareholder's, or resident beneficiary's share of the income derived in the other state or foreign country, the income tax liability of the entity in that state or foreign country, and the income tax paid by the entity to that state or foreign country.

(2) For purposes of paragraph "*a*", a resident shareholder of a regulated investment company shall be deemed to have paid the shareholder's pro rata share of entity-level income tax paid by the regulated investment company to another state or foreign country and treated as paid by its shareholders pursuant to section 853 of the Internal Revenue Code,

but only if the regulated investment company provides the resident shareholder a statement that documents the resident shareholder's share of the income derived in the other state or foreign country, the income tax liability of the regulated investment company in that state or foreign country, and the income tax paid by the regulated investment company to that state or foreign country.

Sec. 116. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 117. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2020, for tax years beginning on or after that date.

DIVISION XVIII
IOWA SMALL BUSINESS RELIEF GRANT PROGRAM

Sec. 118. Section 422.7, Code 2020, is amended by adding the following new subsection:
NEW SUBSECTION. 59. Subtract, to the extent included, the amount of any financial assistance grant provided to an eligible small business by the economic development authority under the Iowa small business relief grant program created during calendar year 2020 to provide financial assistance to eligible small businesses economically impacted by the COVID-19 pandemic.

Sec. 119. Section 422.35, Code 2020, is amended by adding the following new subsection:
NEW SUBSECTION. 26. Subtract, to the extent included, the amount of any financial assistance grant provided to an eligible small business by the economic development authority under the Iowa small business relief grant program created during calendar year 2020 to provide financial assistance to eligible small businesses economically impacted by the COVID-19 pandemic.

Sec. 120. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 121. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to March 23, 2020, for tax years ending on or after that date.

DIVISION XIX
SECTION 179 EXPENSING

Sec. 122. Section 422.7, subsections 51 and 52, Code 2020, are amended by striking the subsections.

Sec. 123. Section 422.9, subsection 2, paragraph h, Code 2020, is amended to read as follows:
h. For purposes of calculating the deductions in this subsection that are authorized under the Internal Revenue Code, and to the extent that any of such deductions is determined by an individual's federal adjusted gross income, the individual's federal adjusted gross income is computed in accordance with section 422.7, subsections 39, 39A, 39B, ~~51, 52,~~ and 53.

Sec. 124. Section 422.35, subsections 14 and 15, Code 2020, are amended by striking the subsections.

Sec. 125. PRESERVATION OF EXISTING RIGHTS. The sections of this division striking section 422.7, subsections 51 and 52, and section 422.35, subsections 14 and 15, respectively, shall not limit, modify, or otherwise adversely affect a taxpayer's right to deduct for a tax year beginning on or after January 1, 2020, any amount determined under section 422.7, subsection 52, paragraph "b", subparagraph (3), Code 2020, or under section 422.35, subsection 15, paragraph "b", subparagraph (3), Code 2020, for a tax year beginning prior to January 1, 2020.

Sec. 126. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2020, for tax years beginning on or after that date.

DIVISION XX
IOWA EDUCATIONAL SAVINGS PLAN TRUST (529 PLANS)

Sec. 127. Section 12D.1, subsection 2, paragraph k, Code 2020, is amended to read as follows:

k. "Qualified education expenses" means the same as *"qualified higher education expenses"* as defined in section 529(e)(3) of the Internal Revenue Code, as amended by Pub. L. No. 115-97, and shall include elementary and secondary school expenses for tuition described in section 529(c)(7) of the Internal Revenue Code, subject to the limitations imposed by section 529(e)(3)(A) of the Internal Revenue Code. *"Qualified education expenses"* includes expenses for the participation in an apprenticeship program registered and certified with the United States secretary of labor under section 1 of the National Apprenticeship Act, 29 U.S.C. §50, and amounts paid as principal or interest on any qualified education loan on behalf of a beneficiary or a sibling of the beneficiary, subject to the limitations imposed by section 529(c)(9)(B) and (C) of the Internal Revenue Code.

Sec. 128. Section 12D.1, subsection 2, Code 2020, is amended by adding the following new paragraphs:

NEW PARAGRAPH. *0l. "Qualified education loan"* means the same as *"qualified education loan"* as defined in section 221(d) of the Internal Revenue Code.

NEW PARAGRAPH. *0m. "Sibling"* means a brother, sister, stepbrother, or stepsister of the beneficiary.

Sec. 129. Section 422.7, subsection 32, paragraph c, subparagraph (1), Code 2020, is amended by adding the following new subparagraph divisions:

NEW SUBPARAGRAPH DIVISION. (d) The payment of expenses for fees, books, supplies, and equipment required for the participation of a beneficiary in an apprenticeship program.

NEW SUBPARAGRAPH DIVISION. (e) The payment of qualified education loan repayments.

Sec. 130. Section 422.7, subsection 32, paragraph c, subparagraph (2), Code 2020, is amended by adding the following new subparagraph divisions:

NEW SUBPARAGRAPH DIVISION. (0a) *"Apprenticeship program"* means a program registered and certified with the United States secretary of labor under section 1 of the National Apprenticeship Act, 29 U.S.C. §50.

NEW SUBPARAGRAPH DIVISION. (0c) *"Qualified education loan"* means the same as defined in section 12D.1, subsection 2.

NEW SUBPARAGRAPH DIVISION. (00c) *"Qualified education loan repayments"* means amounts paid as principal or interest on any qualified education loan of the beneficiary or a sibling of the beneficiary. The repayment amounts shall not exceed ten thousand dollars in the aggregate for the beneficiary or the sibling, respectively.

NEW SUBPARAGRAPH DIVISION. (d) *"Sibling"* means the same as defined in section 12D.1, subsection 2.

Sec. 131. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 132. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2019, for tax years beginning on or after that date.

DIVISION XXI
IOWA EDUCATIONAL SAVINGS ACCOUNT AND FIRST-TIME HOMEBUYER ACCOUNT — EXTENSIONS

Sec. 133. EXTENSION OF IOWA EDUCATIONAL SAVINGS ACCOUNT CONTRIBUTION DEDUCTION FOR TAX YEAR 2019. Notwithstanding any provision of law to the contrary, in determining the deduction provided under section 422.7, subsection 32, paragraph "a", for tax years beginning during the 2019 calendar year, a participant who makes a contribution to the Iowa educational savings plan trust pursuant to section 12D.3, subsection 1, on or after January 1, 2020, but on or before July 31, 2020, may elect to be deemed to have made the contribution on the last day of calendar year 2019.

Sec. 134. EXTENSION OF IOWA FIRST-TIME HOMEBUYER ACCOUNT AND BENEFICIARY DESIGNATION FOR ACCOUNTS OPENED IN 2019.

1. Notwithstanding section 541B.3, subsection 1, paragraph "a", or any other provision of law to the contrary, an individual who opened a first-time homebuyer account during calendar year 2019 and who wishes to participate in the Iowa first-time homebuyer savings account program shall designate the account as a first-time homebuyer account on or before July 31, 2020, on forms provided by the department of revenue.

2. Notwithstanding section 541B.3, subsection 2, paragraph "a", or any other provision of law to the contrary, an individual who opened a first-time homebuyer account during calendar year 2019 and who wishes to participate in the Iowa first-time homebuyer savings account program shall designate an individual as beneficiary of the first-time homebuyer savings account on or before July 31, 2020, on forms provided by the department of revenue.

Sec. 135. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION XXII
IOWA EDUCATIONAL SAVINGS PLAN TRUST (529 PLANS) — RECONTRIBUTIONS

Sec. 136. Section 422.7, subsection 32, paragraph c, subparagraph (1), Code 2020, is amended by adding the following new subparagraph division:

NEW SUBPARAGRAPH DIVISION. (d) (i) A recontribution of a refund of any qualified higher education expenses from an eligible educational institution to the extent that such refund has been recontributed to the Iowa educational savings plan trust described in chapter 12D and meets all of the following criteria:

(A) The recontribution is made to the same account from which the original withdrawal was made.

(B) The recontribution occurs within sixty days of the date of refund.

(C) The recontribution amount does not exceed the amount refunded by the eligible educational institution.

(ii) A deduction under paragraph *"a"* shall not be taken for the amount of the recontribution.

Sec. 137. Section 422.7, subsection 32, paragraph c, subparagraph (2), subparagraph division (c), subparagraph subdivision (ii), Code 2020, is amended to read as follows:

(ii) For purposes of this subparagraph division (c), *"Internal Revenue Code"* means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended and in effect on January 1, ~~2018~~ 2020. This definition shall not be construed to include any amendment to the Internal Revenue Code enacted after the date specified in the preceding sentence, including any amendment with retroactive applicability or effectiveness.

Sec. 138. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 139. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2019, for tax years beginning on or after that date.

DIVISION XXIII
QUALIFYING PERSONAL PROTECTION EQUIPMENT — DONATION

Sec. 140. Section 423.6, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 18. Qualifying personal protective equipment and materials which are assembled to become qualifying personal protective equipment. For purposes of this subsection, *"qualifying personal protective equipment"* means personal protective equipment that is assembled and donated by a person during the period beginning with a state of disaster emergency proclamation by the governor under section 29C.6 and ending one hundred eighty days after the expiration of such proclamation.

Sec. 141. REFUNDS. Refunds of taxes, interest, or penalties that arise from claims resulting from the enactment of this division of this Act, for donations occurring prior to the effective date of this division of this Act, shall not be allowed unless claims are filed prior to October 1, 2020, notwithstanding any other provision of the law to the contrary.

Sec. 142. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 143. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2020, for qualifying personal protective equipment and materials assembled and donated on or after that date.

DIVISION XXIV
FOOD OPERATION TRESPASS

Sec. 144. Section 716.7A, subsection 1, paragraph d, as enacted by 2020 Iowa Acts, Senate File 2413,[3] section 17, is amended to read as follows:

d. (1) *"Food operation"* means any of the following:

~~(1)~~ (a) A location where a food animal is produced, maintained, or otherwise housed or kept, or processed in any manner.

~~(2)~~ (b) A location other than as described in subparagraph ~~(1)~~ division (a) where a food animal is kept, including an apiary, livestock market, vehicle or trailer attached to a vehicle, fair, exhibition, or a business operated by a person licensed to practice veterinary medicine pursuant to chapter 169.

~~(3)~~ (c) A location where a meat food product, poultry product, milk or milk product, eggs or an egg product, aquatic product, or honey is prepared for human consumption, including a food processing plant, a slaughtering establishment operating under the provisions of 21 U.S.C. §451 et seq. or 21 U.S.C. §601 et seq.; or a slaughtering establishment subject to state inspection as provided in chapter 189A.

~~(4)~~ (2) ~~A~~ *"Food operation"* does not include a food establishment or farmers market ~~that sells or offers for sale a meat food product, poultry product, milk or milk product, eggs or an egg product, aquatic product, or honey~~.

Sec. 145. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 146. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to June 10, 2020.

[3] Chapter 1036 herein

DIVISION XXV
SHORT-TERM RENTAL PROPERTIES

Sec. 147. Section 331.301, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 18. *a.* For purposes of this subsection, *"short-term rental property"* means any individually or collectively owned single-family house or dwelling unit; any unit or group of units in a condominium, cooperative, or timeshare; or an owner-occupied residential home that is offered for a fee for thirty days or less. *"Short-term rental property"* does not include a unit that is used for any retail, restaurant, banquet space, event center, or other similar use.

b. A county shall not adopt or enforce any regulation, restriction, or other ordinance, including a conditional use permit requirement, relating to short-term rental properties within the county. A short-term rental property shall be classified as a residential land use for zoning purposes.

c. Notwithstanding paragraph *"b"*, a county may enact or enforce an ordinance that regulates, prohibits, or otherwise limits short-term rental properties for the following primary purposes if enforcement is performed in the same manner as enforcement applicable to similar properties that are not short-term rental properties:

(1) Protection of public health and safety related to fire and building safety, sanitation, or traffic control.

(2) Residential use and zoning purposes related to noise, property maintenance, or nuisance issues.

(3) Limitation or prohibition of use of property to house sex offenders; to manufacture, exhibit, distribute, or sell illegal drugs, liquor, pornography, or obscenity; or to operate an adult-oriented entertainment establishment as described in section 239B.5, subsection 4, paragraph *"a"*.

(4) To provide the county with an emergency contact for a short-term rental property.

d. A county shall not require a license or permit fee for a short-term rental property in the county.

Sec. 148. Section 414.1, subsection 1, Code 2020, is amended by adding the following new paragraph:

NEW PARAGRAPH. *e.* (1) For purposes of this paragraph, *"short-term rental property"* means any individually or collectively owned single-family house or dwelling unit; any unit or group of units in a condominium, cooperative, or timeshare; or an owner-occupied residential home that is offered for a fee for thirty days or less. *"Short-term rental property"* does not include a unit that is used for any retail, restaurant, banquet space, event center, or other similar use.

(2) A city shall not adopt or enforce any regulation, restriction, or other ordinance, including a conditional use permit requirement, relating to short-term rental properties within the city. A short-term rental property shall be classified as a residential land use for zoning purposes.

(3) Notwithstanding subparagraph (2), a city may enact or enforce an ordinance that regulates, prohibits, or otherwise limits short-term rental properties for the following primary purposes if enforcement is performed in the same manner as enforcement applicable to similar properties that are not short-term rental properties:

(a) Protection of public health and safety related to fire and building safety, sanitation, or traffic control.

(b) Residential use and zoning purposes related to noise, property maintenance, or nuisance issues.

(c) Limitation or prohibition of use of property to house sex offenders; to manufacture, exhibit, distribute, or sell illegal drugs, liquor, pornography, or obscenity; or to operate an adult-oriented entertainment establishment as described in section 239B.5, subsection 4, paragraph *"a"*.

(d) To provide the city with an emergency contact for a short-term rental property.

(4) A city shall not require a license or permit fee for a short-term rental property in the city.

DIVISION XXVI
RURAL IMPROVEMENT ZONES

Sec. 149. Section 357H.1, subsection 1, Code 2020, is amended to read as follows:

1. The board of supervisors of a county with less than twenty thousand residents, not counting persons admitted or committed to an institution enumerated in section 218.1 or 904.102, based upon the most recent certified federal census, and with a private ~~lake~~ real estate development adjacent to or abutting in part a lake may designate an area surrounding the lake, if it is an unincorporated area of the county, a rural improvement zone upon receipt of a petition pursuant to section 357H.2, and upon the board's determination that the area is in need of improvements.

Sec. 150. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 151. APPLICABILITY. This division of this Act applies to rural improvement zones in existence on or established on or after the effective date of this division of this Act.

DIVISION XXVII
ENTERPRISE ZONE PROGRAM

Sec. 152. 2014 Iowa Acts, chapter 1130, section 27, is amended to read as follows:

SEC. 27. INVESTMENT TAX CREDITS ISSUED TO ELIGIBLE HOUSING BUSINESSES UNDER THE ENTERPRISE ZONE PROGRAM — TRANSFERABILITY. Notwithstanding the requirement in section 15E.193B, subsection 8, Code 2014, that not more than three million dollars worth of tax credits for housing developments located in a brownfield site or a blighted area shall be eligible for transfer in a calendar year unless the eligible housing business is also eligible for low-income housing tax credits authorized under section 42 of the Internal Revenue Code, and notwithstanding the requirement in section 15E.193B, subsection 8, Code 2014, that the economic development authority shall not approve more than one million five hundred thousand dollars in tax credit certificates for transfer to any one eligible housing business located on a brownfield site or in a blighted area in a calendar year, all investment tax credits determined under section 15E.193B, subsection 6, paragraph "a", Code 2014, for housing developments located on a brownfield site or in a blighted area may be approved by the economic development authority for transfer in calendar year 2014, or any subsequent calendar year, provided the eligible housing business was awarded the investment tax credit before the effective date of this section of this division of this Act and notifies the economic development authority, in writing, before July 1, 2014, of its intent to transfer such tax credits, or provided the eligible housing business was awarded the investment tax credit before July 1, 2015, for a housing development located in a blighted area and in a county with a total population of less than one hundred five thousand as determined by the most recent federal decennial census, and submits a written request to the economic development authority before September 1, 2020, for approval to transfer such tax credits and provided the eligible housing business and the related housing development meet all other applicable requirements under section 15E.193B, Code 2014. Notwithstanding any other provision of law to the contrary, a tax credit transferred pursuant to this section shall not be claimed by a transferee prior to January 1, 2016.

Sec. 153. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 154. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to May 30, 2014.

DIVISION XXVIII
FLYING OUR COLORS SPECIAL REGISTRATION PLATES

Sec. 155. Section 321.34, Code 2020, is amended by adding the following new subsection:
NEW SUBSECTION. 11D. *Flying our colors plates.*

a. Upon application and payment of the proper fees, the director may issue flying our colors plates to the owner of a motor vehicle subject to registration under section 321.109, subsection 1, autocycle, motor truck, motor home, multipurpose vehicle, motorcycle, trailer, or travel trailer.

b. Flying our colors plates shall be designed by the department. Flying our colors plates shall be navy along the top and red along the bottom, and contain a white space in the middle of the plate which shall include the plate's letters and numbers in black and a gray image of a bald eagle behind the plate's letters and numbers.

c. (1) The special flying our colors fee for letter-number designated flying our colors plates is thirty-five dollars. An applicant may obtain personalized flying our colors plates upon payment of the fee for personalized plates as provided in subsection 5, which is in addition to the special fee. The fees collected by the director under this subsection shall be paid monthly to the treasurer of state and deposited in the road use tax fund.

(2) The treasurer of state shall credit monthly from the statutory allocations fund created under section 321.145, subsection 2, to the flood mitigation fund created under section 418.10, the amount of the special fees collected in the previous month for flying our colors plates. This subparagraph is repealed July 1, 2023.

d. Upon receipt of the special registration plates, the applicant shall surrender the current registration plates to the county treasurer. The county treasurer shall validate the special registration plates in the same manner as regular registration plates are validated under this section. The annual special flying our colors fee for letter-number designated flying our colors plates is ten dollars which shall be paid in addition to the regular annual registration fee. The annual fee for personalized flying our colors plates is five dollars which shall be paid in addition to the annual special flying our colors fee and the regular annual registration fee. The annual special flying our colors fee shall be credited as provided under paragraph "*c*".

Sec. 156. Section 321.166, subsection 9, Code 2020, is amended to read as follows:

9. Special registration plates issued pursuant to section 321.34, other than gold star, medal of honor, collegiate, fire fighter, natural resources, ~~and~~ blackout, and flying our colors registration plates, shall be consistent with the design and color of regular registration plates but shall provide a space on a portion of the plate for the purpose of allowing the placement of a distinguishing processed emblem or an organization decal. Special registration plates shall also comply with the requirements for regular registration plates as provided in this section to the extent the requirements are consistent with the section authorizing a particular special vehicle registration plate.

Approved June 29, 2020