

REVENUE DEPARTMENT[701]

Notice of Intended Action

Twenty-five interested persons, a governmental subdivision, an agency or association of 25 or more persons may demand an oral presentation hereon as provided in Iowa Code section 17A.4(1)“b.”

Notice is also given to the public that the Administrative Rules Review Committee may, on its own motion or on written request by any individual or group, review this proposed action under section 17A.8(6) at a regular or special meeting where the public or interested persons may be heard.

Pursuant to the authority of Iowa Code sections 17A.3, 421.14 and 421.17, the Department of Revenue hereby gives Notice of Intended Action to amend Chapter 8, “Forms and Communications,” Iowa Administrative Code.

The rules in Chapter 8 relate to forms for persons to report tax information to the Department of Revenue. This proposed amendment updates Chapter 8 to conform to modern practices and technology.

This amendment will not necessitate additional expenditures by political subdivisions or agencies and entities which contract with political subdivisions.

Any interested person may make written suggestions or comments on this proposed amendment on or before December 13, 2016. Such written comments should be directed to the Policy Section, Policy and Communications Division, Department of Revenue, Hoover State Office Building, P.O. Box 10457, Des Moines, Iowa 50306-0457; or by e-mail to theresa.dvorak@iowa.gov. Persons who want to convey their views orally should contact the Policy Section, Policy and Communications Division, Department of Revenue, at (515)281-3194 or at the Department of Revenue offices on the fourth floor of the Hoover State Office Building.

Requests for a public hearing must be received by December 13, 2016.

After analysis and review of this rule making, the Department finds that there is no fiscal impact.

Any person who believes that the application of the discretionary provisions of these rules would result in hardship or injustice to that person may petition the Department for a waiver of the discretionary provisions, if any, pursuant to rule 701—7.28(17A).

After analysis and review of this rule making, the Department finds that the amendments to these rules are not likely to have a significant impact on jobs.

These amendments are intended to implement Iowa Code sections 17A.3(1)“b” and 421.17(15).

The following amendments are proposed.

Amend **701—Chapter 8** as follows:

CHAPTER 8
FORMS AND COMMUNICATIONS
[Prior to 12/17/86, Revenue Department[730]]

701—8.1(17A,421) Definitions. For the purposes of ~~these rules~~ this chapter, the following definitions apply, unless the context otherwise requires:

“*Communication*” means any method of transfer of data, information, or money by any conduit or mechanism.

“*Department*” means the Iowa department of revenue.

“*Department form*” means a form that is distributed by the department.

“*Director*” means the director of the department of revenue.

“*Form*” means any overall physical arrangement and general layout of communications, using any method of communication, related to tax or other administration and prescribed by the director or otherwise required by law.

“*IRS*” means the federal Internal Revenue Service.

“Person” means any individual, corporation, limited liability company, government or governmental subdivision or agency, business trust, estate, trust, partnership or association, or any other legal entity.

“Return” means any form required for tax administration from any person to the department.

“Substitute form” means a form that is intended to replace a department form.

This rule is intended to implement Iowa Code ~~paragraph 17A.3(1)“b.”~~ sections 17A.3(1)“b” and 421.14.

701—8.2(17A,421) Official Department forms.

8.2(1) Generally. The department and the director have developed and provide or prescribe many official department forms designed to help persons exercise their rights and discharge their duties under the tax laws and rules, to explain tax laws and rules, to assist in the administration of tax laws and rules, and to assist in general financial administration. Department forms may be available in electronic format, on paper, or in other formats as prescribed by the director. Communications with the department, for which official department forms have been created, shall be carried out using those forms or approved substitutes substitute forms. Each direction of every instruction contained within or accompanying official department forms shall be followed, and each question within or accompanying every form shall be answered as if the instructions and forms were contained in these rules.

8.2(2) Obtaining department forms. ~~Copies of all official Department forms, and instructions and communication formats~~ may be obtained from the Iowa Department of Revenue, Policy and Communications Division, Hoover State Office Building, P.O. Box 10457, Des Moines, Iowa 50306; by telephoning (800)367-3388 or (515)281-3114; ~~(for large orders of forms: (800)532-1531); by faxing (515)242-6040~~ or on the department’s Web site at www.iowa.gov/tax <https://tax.iowa.gov/>.

8.2(1) Nature of official forms. Most, but not all, official forms are on paper. As prescribed by the director, communication means other than paper documents may be used for official forms.

8.2(2) Mailing addresses. ~~The following post office box numbers should be used when corresponding with the department. All addresses are completed: Des Moines, Iowa 50306.~~

<u>Box Number</u>	<u>Addressee</u>
1792	Motor Vehicle Fuel Tax Returns
9187	Individual Income Tax Returns
10330	Central Collections Unit
10411	Withholding Tax Payments Verified Summary of Payments
10412	Sales and Use Tax Returns and Payments
10413	Franchise Tax Returns and Estimated Payments
10455	Insurance Premiums Tax Household Hazardous Materials Environmental Protection Charge
10456	Tax Management Division, Compliance Services Income Tax
10457	Policy and Communications Division
10459	Property Tax Rent Reimbursement Claims

<u>Box Number</u>	<u>Addressee</u>
10460	Internal Services Division Process Improvement and Innovation Division
10465	Tax Management Division, Business and Excise Tax
10466	Individual and Corporation Income Tax Estimated Payments
10467	Fiduciary and Inheritance Tax
10468	Corporation Income Tax Returns
10469	Property Tax
10470	Registration Services
10471	Accounts Receivable
10472	Cigarette and Tobacco Tax
10486	Property Assessment Appeal Board
14454	Tax Management Division, Field Audit
14457	Audit Services Section Hearings Section
14461	Research and Analysis Division

8.2(3) *Filing department forms.* A department form may be filed with the department as directed on the department form or in the corresponding instructions. Filing a department form using any other method requires prior approval from the department. Attempting to file a department form using an unapproved method may, at the discretion of the director, result in the rejection of the form and all information contained therein.

8.2(4) *Removable media and electronic reporting.* Submitting a department form on removable media, such as compact disc, requires prior approval from the department. No prior approval is necessary for electronic reporting when the reporting is in accordance with department policy. Any electronic reporting of a department form requires department approval, unless otherwise authorized. Additional information regarding electronic reporting is available at Processing Services, P.O. Box 10413, Des Moines, Iowa 50306; or by e-mail at IDRSubForms@iowa.gov.

This rule is intended to implement Iowa Code ~~paragraph 17A.3(1) "b."~~ sections 17A.3(1) "b" and 421.14.

701—8.3(17A,421) ~~Substitution of official Substitute forms.~~

8.3(1) *Generally.* This rule is to provide guidance for the use of other than official forms, whether they are on paper, are computer-generated, or are ~~A substitute form may be in electronic format, on paper, or created using other media for communication. Approval shall be obtained prior to the use of computer forms, replacement forms, reproduced forms, facsimile forms, or any other forms not provided by the department substitute form, unless otherwise noted in this rule. The director reserves the right to make changes to forms when needed may change any department form without prior notification providing notice to users of forms any substitute form. The director also reserves the right to may require use of~~

official department forms in communications with the department concerning tax administration or other matters.

~~8.3(1)~~ **8.3(2)** *Types of substitute forms.* Many types of forms may, upon approval when necessary, be substituted for official department forms. Descriptions of a partial list follow.

a. Reproduced forms. Reproduction (photocopy reprinting) of Iowa tax forms A reproduced form is a legible photocopy or an exact copy of a department form. A reproduced form may be accomplished used without prior approval of the department provided if the reproduced form meets the following conditions are met:

(1) ~~There is no variation from the official copy or format provided by the department, including reduction and enlargement or~~ The reproduced form does not vary from the department form in size or any other format specification.

(2) ~~Reprinting, copying, or~~ No rule prohibits the reproduction of the department form is not prohibited by another rule within this chapter.

(3) ~~Reprinting or reproduction of the~~ The reproduced form does not vary from criteria stated elsewhere in this chapter.

b. Replacement forms. ~~Replacement forms are forms which are~~ A replacement form is produced by imagery or otherwise replicated using the department official form as a model, but it is not an exact copy of a department form. A form that is created in its entirety, including layout, by computer is a replacement form. These forms A replacement form may include facsimiles of department forms that have been modified by the addition of modifications, such as line enlargements, enlargement or copy deletion, or any other modifications. A replacement form must receive department approval prior to use.

c. Computer generated forms. ~~Computer-generated forms are forms that are created in their entirety, including layout, by the computer. These forms must be a facsimile of the official form that it is meant to replace.~~

d. c. Federal forms. ~~Federal forms~~ A federal form is a form that is distributed by the IRS. A federal form, or their alternates, do not require prior its alternate, may be used without department approval for use provided if the form is approved for federal use and Iowa tax instructions or other administrative instructions authorize or require the use of the federal forms form in lieu of official Iowa forms a department form.

e. Removable media and electronic reporting. ~~Any removable media, such as compact discs, or any electronic transmission in other than official form requires prior approval of the department. No prior approval is necessary for submission of compact discs for certain information reporting when they are submitted in accordance with the department policy. To obtain additional information regarding the submitting of magnetic tapes, diskettes or other electronic reporting, please contact the Technology and Information Management Division, P.O. Box 10460, Des Moines, Iowa 50306.~~

8.3(2) 8.3(3) *Approval Registration and approval of substitute forms.*

a. Registration. A developer of a substitute form must register with the department by submitting the Registration for Substitute Forms and Barcode Approval. Each registration is valid for one tax year only. Failure to register with the department may, at the discretion of the director, result in the rejection of the developer's forms and all information contained therein.

b. Approval. Prior approval of substitute forms may be obtained by writing Iowa Department of Revenue, Substitute Forms, 1305 East Walnut Street, Des Moines, Iowa 50319, or Once registered, the developer of a substitute form must request department approval of the form, unless approval is not necessary. The developer may request department approval by submitting a PDF submission via e-mail of the form to IDRSubForms@iowa.gov. PDF submissions via e-mail to the department of approval requests are acceptable in limited circumstances. Normally, approval will be granted for use of substitute forms for one year only. Those forms listed on the substitute forms checklist Iowa Substitute Forms Checklist, which is provided with the Registration for Substitute Forms and Barcode Approval, should be submitted for approval. If doubt exists about the need for approval of a particular substitute form, the form should be submitted for consideration. Attempting to file an unapproved substitute form with the department may, at the discretion of the director, result in the rejection of the form and all information contained therein.

~~8.3(3) Failure to obtain required approval.~~ Forms filed with the department that are not official or approved may be returned at the discretion of the director.

~~8.3(4) Forms that may not be reproduced.~~ Certain forms supplied by the department shall not be duplicated or reproduced because of special processing requirements for the forms. These forms will normally have an optical scan line with special characters or print to ensure that automated processing equipment accurately credits the proper accounts. Exceptions to allow reproduction may occur on a limited basis with the consent of the department. The requestor must demonstrate compatibility with and meet all requirements and standards of the department to ensure proper and accurate processing of the form by the department. The department, at its option, may provide an explanation as to why a form is not acceptable, but is not required to do so. Forms that may not be reproduced, except as provided for above, include department-generated accounts receivable notices.

~~8.3(5) General information Quality of substitute forms.~~ The following general information is applicable to all reproduced, replacement, or computer-generated forms:

~~a. Paper General information.~~ Paper must be of at least equal quality to stock used by the department for official forms. Carbon-bonded paper is prohibited for all forms. Colored paper should be used for all forms substituting for official paper forms unless paper used is of the identical color of an official paper form. All substitute forms must, to the extent practicable, reflect the same size, color, content, design, and legibility as department forms posted on the department's Web site at <https://tax.iowa.gov/>.

~~b. Ink and imaging material Printed substitute forms.~~ Black ink or black imaging material should be used in the printing or duplication of all substitute forms on paper. When printed on paper, a substitute form must use only black ink or black imaging material, unless the corresponding department form indicates otherwise. A printed substitute form generally must be printed on 20-pound white paper stock with a brightness rating of at least 92 on the TAPPI scale.

~~c. Size.~~ Paper forms must be the same size as the official form.

~~d. Legibility.~~ All forms must have a high standard of legibility.

~~e. c. Distinctive markings and symbols.~~ Some official forms A department form may contain distinctive symbols. These symbols must be reproduced on ~~other than official~~ any substitute forms.

~~f. Labels.~~ Preprinted labels furnished by the department should be affixed to returns submitted to the department.

~~g. Accuracy of reproduction.~~ Forms submitted for approval should be a facsimile of the official form. No variation from the official form will be allowed for forms which are identified as returns.

8.3(6) Filing substitute forms. A substitute form may be filed with the department as directed on the corresponding department form or instructions or by any other method approved by the department. Attempting to file a substitute form with the department using an unapproved method may, at the discretion of the director, result in the rejection of the form and all information contained therein.

8.3(7) Removable media and electronic reporting. Submitting a substitute form on removable media, such as compact disc, requires prior approval from the department. No prior approval is necessary for electronic reporting when the reporting is in accordance with department policy. Any electronic reporting of a substitute form requires department approval, unless otherwise authorized. Additional information regarding electronic reporting is available at Processing Services, P.O. Box 10413, Des Moines, Iowa 50306; or by e-mail at IDRSubForms@iowa.gov.

This rule is intended to implement Iowa Code ~~paragraph 17A.3(1)"b."~~ sections 17A.3(1)"b" and 421.14.

701—8.4(17A) Description of forms. Forms prescribed by the director can be divided into those required for the administration of various taxes and those required for administrative systems other than tax-related.

8.4(1) Tax forms. Taxes administered by the department that require forms are listed in the following lettered paragraphs as follows:

a. Corporate income return systems ~~include use~~ forms designed by the department as well as forms used in federal tax administration. Approved substitute forms may be used for returns.

- b.* Corporate income tax field and office audit systems, related field collections systems, and the corporate tax error resolution system ~~have~~ use forms designed by the department. Approved substitute forms may be used.
- c.* Franchise tax returns ~~include~~ use forms designed by the department as well as forms used in federal tax administration. Approved substitute forms may be used for returns.
- d.* Franchise audit and collection systems ~~have~~ use forms designed by the department. Approved substitute forms may be used.
- e.* Corporate and franchise estimated tax systems ~~have~~ use forms designed by the department. Approved substitute forms may be used.
- f.* Individual and fiduciary income returns ~~include~~ use forms designed by the department as well as forms used in federal tax administration. Approved substitute forms may be used for returns.
- g.* Individual and fiduciary income tax field and office audit systems and related field collections systems ~~have~~ use forms designed by the department. Approved substitutes may be used.
- h.* New jobs tax credit ~~system~~ system use forms designed by the department. Approved substitute forms may be used.
- i.* Individual income tax withholding payment voucher systems ~~have~~ use forms designed by the department. Approved substitute forms may be used.
- j.* IA-W4 ~~system~~, declaration of estimated tax, and withholding penalty waiver systems ~~have~~ use forms designed by the department. Approved substitutes may be used.
- k.* Sales and use tax ~~returns and payment voucher systems~~ have vouchers and annual returns use forms designed by the department. Approved substitute forms may be used in limited situations.
- l.* Local option sales and services tax and hotel/motel tax systems ~~have~~ use forms designed by the department. Approved substitute forms may be used in limited situations.
- m.* Field and office audit and collections systems for sales and use tax_; sales tax refund examination ~~system~~, systems; industrial machinery, equipment, and computer refund systems_; and sales and use tax penalty waiver systems ~~have~~ use forms designed by the department. Approved substitute forms may be used.
- n.* Motor fuel tax ~~returns~~ systems ~~have~~ use forms designed by the department. Approved substitute forms may be used.
- o.* Special fuel tax ~~returns~~ systems ~~have~~ use forms designed by the department. Approved substitute forms may be used.
- p.* Motor fuel tax and special fuel tax error resolution systems and related field and office audit and collection systems ~~have~~ use forms designed by the department. Approved substitute forms may be used.
- q.* Inheritance and qualified use inheritance tax ~~returns~~ systems ~~have~~ use forms designed by the department. Approved substitute forms may be used.
- r.* Inheritance and qualified use inheritance tax field and office audit systems and related field collections systems ~~have~~ use forms designed by the department. Approved substitute forms may be used.
- s.* Cigarette and tobacco tax systems with related office and field audit and field collection systems ~~have~~ use forms designed by the department. Approved substitute forms may be used.
- t.* Property assessor and deputy assessor examination records systems ~~have~~ use forms designed by the department. Approved substitute forms may be used.
- u.* ~~Central~~ Centrally assessed property tax assessments ~~system~~ has systems use forms designed by the department. Approved substitute forms may be used.
- v.* ~~Elderly credit mobile home~~, Mobile, manufactured, and modular home reduced tax rate systems; Iowa elderly and disabled and senior citizen property tax; credit and rent reimbursement systems; and special assessment credit systems ~~have~~ use forms designed by the department. Approved substitute forms may be used.
- w.* Environmental protection charge systems ~~have~~ use forms designed by the department. Approved substitute forms may be used.

x. Excise tax on unlawful dealing in certain substances ~~system has~~ systems use forms designed by the department. Approved substitute forms may be used.

y. Taxpayer contact systems ~~have~~ use forms designed by the department. Approved substitute forms may be used.

z. Federal and state exchange of information systems ~~have~~ use forms designed by the department as well as others. Approved substitute forms may be used.

aa. Accounts receivable notices ~~system has~~ systems use forms designed by the department. ~~No substitute forms may be used~~ Developers may not provide a substitute accounts receivable notice.

bb. The department ~~shall provide the taxpayer a statement of~~ provides a taxpayer bill of rights, which sets forth the rights of a taxpayer and obligations of the department during an audit, procedures by which a taxpayer may appeal an adverse decision of the department, and procedures which the department uses to enforce the tax laws. ~~No substitute form may be used~~ Developers may not provide a substitute taxpayer bill of rights.

8.4(2) Other forms. ~~Rescinded IAB 4/14/04, effective 5/19/04. Reserved.~~

This rule is intended to implement Iowa Code ~~paragraph~~ sections 17A.3(1) “b,” and ~~sections~~ 421.7 and 422.21.

701—8.5(422) Electronic filing of Iowa income tax returns. ~~Electronic~~ There is no statutory requirement that taxpayers file their Iowa income tax returns electronically. Taxpayers also have the option to file by paper. However, electronic filing allows individuals and businesses that meet department criteria to file their Iowa income tax returns electronically. All When a taxpayer files an electronic return, all information is related to the return should be electronically transmitted. Nothing is No information is to be submitted on paper unless specifically requested by the department. A taxpayer’s electronic Iowa return will shall include the same information as if the taxpayer had filed a paper return.

~~There is no statutory requirement that taxpayers file their Iowa income tax returns electronically. Taxpayers also have the option to file by paper.~~

8.5(1) Definitions. For the purpose of this rule, the following definitions apply, unless the context otherwise requires:

“*Acknowledgment*” means a report generated by the department and sent electronically to a transmitter via the IRS indicating the department’s acceptance or rejection of an electronic submission.

“*Declaration for e-File Return form*” means a taxpayer declaration form that authenticates the electronic tax return, authorizes its transmission, and consents to the financial transaction order as designated using the financial institution information provided.

“*Department*” means the Iowa department of revenue.

“*Direct debit*” means an order for electronic withdrawal of funds from a taxpayer’s financial institution account for payment to the Iowa department of revenue.

“*Direct deposit*” means an order for electronic transfer of a refund into a taxpayer’s financial institution account.

“*E-file provider*” means a firm that is assigned an Electronic Filing Identification Number (EFIN) by the IRS to assume any one or more of the following IRS e-file provider roles: electronic return originator, intermediate service provider, transmitter, software developer, or reporting agent.

“*Electronic filing*” means a paperless filing of the Iowa income tax return, order for financial transaction, or both by way of the IRS e-file program, also known as federal/state electronic filing (~~ELF/MeF~~).

“*Electronic return originator (ERO)*” means an authorized IRS e-file provider that originates the electronic submission by any one of the following methods: electronically sending an electronic tax return to a Transmitter that will transmit the electronic tax return to the IRS, directly transmitting the electronic tax return to the IRS, or providing the electronic tax return to an Intermediate Service Provider for processing prior to transmission to the IRS.

“*Electronic signature*” includes data in electronic form, which is logically associated with other data in electronic form and executed or adopted by a person with the intent to sign a document. This type of

signature has the same legal standing as a handwritten signature if the requirements in either paragraph 8.5(2) “b” or “c” are met. Electronic signatures appear in many forms and may be created by many different technologies. No specific technology is required.

“Intermediate service provider” means the firm that assists with processing submission information between the ERO (or the taxpayer in the case of online filing) and a Transmitter.

“Online filing” means the process for taxpayers to self-prepare returns by entering return data directly into commercially available software, software downloaded from an Internet site and prepared off-line, or through an online Internet site.

“Origination of an electronic return” means the action by an ERO of electronically sending the return directly to an Intermediate Service Provider, a Transmitter, or the IRS.

“Reporting agent” means a firm that originates the electronic submission of certain returns for its clients or transmits the returns to the IRS in accordance with the IRS electronic filing procedures, or both.

~~*“Self-select PIN signature alternative”* means the taxpayer electronically signs the return with a personal identification number (PIN). The PIN is any five numbers (except all zeros) that taxpayers choose to enter as their electronic signature.~~

“Software developer” means an approved IRS e-file provider that develops software according to IRS and Iowa specifications for the purposes of formatting electronic returns, transmitting electronic returns directly to the IRS, or both. A software developer may sell its software.

“Stockpiling” means collecting returns from taxpayers or from other e-file providers and waiting more than three calendar days after receiving the information necessary for transmission to transmit the returns to the department.

“Transmitter” means a firm that transmits electronic tax return information directly to the IRS and routes electronic acknowledgments from the IRS (and the states) to the firm originating the electronic return.

8.5(2) *Completion and documentation of the electronic return.*

a. All monetary amounts on the prepared return must be in whole dollars. The electronic submission must match the prepared return. The taxpayer(s) must declare the authenticity of the electronic return before it is transmitted. ~~The department has adopted the self-select PIN signature alternative as implemented by the IRS. If the ERO elects not to use the taxpayer self-select PIN signature alternative, the Declaration for e-File Return form must be completed and signed by the preparer, ERO, and taxpayer(s). If the ERO makes changes to the electronic return after the Declaration for e-File Return form has been signed by the taxpayer(s), a new Declaration for e-File Return form must be completed and signed by the taxpayer(s) before the return is transmitted.~~

b. Electronic signature via remote transaction. Before a taxpayer electronically signs a Declaration for e-File Return form in which the ERO is not physically present with the taxpayer, the ERO must record the name, social security number, address and date of birth of the taxpayer. The ERO must verify that the name, social security number, address, date of birth and other personal information of the taxpayer on record are consistent with the information provided through record checks with the applicable agency or institution or through credit bureaus or similar databases. This process is not necessary for handwritten signatures on a Declaration for e-File Return form sent to the ERO by hand delivery, U.S. mail, private delivery service, fax, e-mail or an Internet site.

c. Electronic signature via in-person transaction. Before a taxpayer electronically signs a Declaration for e-File Return form in which the ERO is physically present with the taxpayer, the ERO must validate the taxpayer’s identity unless there is a multiyear business relationship. A multiyear business relationship is one in which the ERO has originated returns for the taxpayer for a prior tax year and has identified the taxpayer using a valid government picture identification and the method in paragraph 8.5(2) “b.” For in-person transactions, identity verification through a record check is optional.

b. d. The ERO must provide the taxpayer with a copy of all information to be filed. The taxpayer and ERO must retain all tax documentation for three years. The Declaration for e-File Return form and accompanying schedules are to be furnished to the department only when specifically requested.

8.5(3) *Direct deposit and direct debit.*

a. Taxpayers designating direct deposit of the Iowa refund or direct debit of payment remitted to the department on electronically filed returns must provide proof of account ownership to the ERO. The department is not responsible for the misapplication of a direct deposit refund or direct debit payment caused by error, negligence, or wrongdoing on the part of the taxpayer, e-file provider, financial institution, or any agent of the above.

b. Once the return has been transmitted, the financial order may not be altered. The department may, when processing procedures allow, grant a taxpayer's timely request to revoke the financial order. The taxpayer is responsible for revoking the financial order if the specified payment is not exactly as intended. A direct deposit or direct debit order will be disregarded by the department if the electronic submission is rejected for any reason as indicated in the acknowledgment.

c. The department may, when processing procedures require, convert a direct deposit order to a paper ~~check~~ warrant. If a refund is deposited into an incorrect bank account, the department will issue a paper refund ~~check~~ warrant once the funds are returned by the financial institution.

d. Payment withdrawal date.

(1) Funds will be withdrawn from the account specified in the direct debit order no sooner than the date specified by the taxpayer. This date must occur no later than the due date when the due date has not yet elapsed. This date must specify immediate payment when the due date has already elapsed. This date will be superseded by the electronic postmark date when the date occurs prior to the electronic postmark date. The direct debit payment within the electronic submission accepted by the department that is postmarked on or before the payment due date is considered timely, provided that the direct debit payment is honored by the financial institution.

(2) Payment must be timely made to prevent the assessment of all applicable penalty and interest. A direct debit payment within an electronic submission is considered timely made when:

1. The department accepts the electronic submission;
2. The electronic postmark date is prior to the tax due date;
3. The payment withdrawal date is prior to the tax due date; and
4. The direct debit payment is honored by the specified financial institution.

(3) When the tax due date has not yet elapsed, the withdrawal date should occur on or before the tax due date. Scheduling a withdrawal date after the tax due date will result in the assessment of all applicable penalty and interest unless the taxpayer otherwise makes payment before the tax due date.

(4) When the tax due date has already elapsed, the withdrawal date should specify immediate payment to prevent the accrual of additional interest.

(5) Withdrawal cannot occur prior to the electronic postmark date. When the taxpayer attempts to schedule a withdrawal date that is prior to the electronic postmark date, the electronic postmark date is the withdrawal date.

(6) If a taxpayer wants to change the withdrawal date specified in a financial order, the taxpayer must revoke the financial order and submit a new financial order. If the department determines that the taxpayer may have erroneously scheduled a withdrawal date, the department may notify the taxpayer of the possible error, but the department is not required to do so.

8.5(4) to 8.5(7) No change.

This rule is intended to implement Iowa Code sections 422.21 and 422.68.