

**REVENUE DEPARTMENT[701]**

**Notice of Intended Action**

**Proposing rule making related to corporate income tax rate adjustments  
and providing an opportunity for public comment**

The Revenue Department hereby proposes to amend Chapter 51, “Administration,” Iowa Administrative Code.

*Legal Authority for Rule Making*

This rule making is proposed under the authority provided in Iowa Code section 421.14.

*State or Federal Law Implemented*

This rule making implements, in whole or in part, Iowa Code section 422.33 as amended by 2022 Iowa Acts, House File 2317, section 56.

*Purpose and Summary*

This proposed rule making is intended to implement the statutory changes to the corporate income tax rates contained in 2022 Iowa Acts, House File 2317. In the event that net corporate income tax receipts for the preceding fiscal year exceed \$700 million, the statute requires the Department to calculate the corporate tax rates that would have generated \$700 million in net corporate income tax receipts in the preceding fiscal year. This proposed rule making describes the method the Department will use to determine the rates.

*Fiscal Impact*

This rule making has no fiscal impact to the State of Iowa beyond that of the legislation it is intended to implement. The fiscal note for 2022 Iowa Acts, House File 2317, section 56, projected that State General Fund revenue will decrease by \$19.6 million in fiscal year 2023, \$79.6 million in fiscal year 2024, \$109.8 million in fiscal year 2025, \$135.3 million in fiscal year 2026, \$182.1 million in fiscal year 2027, and \$229.4 million in fiscal year 2028.

*Jobs Impact*

After analysis and review of this rule making, no impact on jobs has been found.

*Waivers*

Any person who believes that the application of the discretionary provisions of this rule making 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).

*Public Comment*

Any interested person may submit written or oral comments concerning this proposed rule making. Written or oral comments in response to this rule making must be received by the Department no later than 4:30 p.m. on August 30, 2022. Comments should be directed to:

Benjamin Clough  
Department of Revenue  
Hoover State Office Building  
P.O. Box 10457  
Des Moines, Iowa 50306  
Phone: 515.587.0662  
Email: [ben.clough@iowa.gov](mailto:ben.clough@iowa.gov)

*Public Hearing*

If requested, a public hearing at which persons may present their views orally or in writing will be held as follows:

August 31, 2022  
9 to 10 a.m.

Via video/conference call

Persons who wish to participate in the video/conference call should contact Benjamin Clough before 4:30 p.m. on August 30, 2022, to facilitate an orderly hearing. A video link or conference call number will be provided to participants prior to the hearing.

Persons who wish to make oral comments at the public hearing may be asked to state their names for the record and to confine their remarks to the subject of this proposed rule making.

Any persons who intend to attend the public hearing and have special requirements, such as those related to hearing or mobility impairments, should contact the Department and advise of specific needs.

*Review by Administrative Rules Review Committee*

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rule making by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rule making at its [regular monthly meeting](#) or at a special meeting. The Committee's meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

The following rule-making action is proposed:

Adopt the following **new** rule 701—51.10(422):

**701—51.10(422) Corporate income tax rate adjustments.** By November 1, 2022, and by November 1 of each subsequent year, the department of management shall determine the net corporate income tax receipts for the preceding fiscal year and provide the amount determined to the department of revenue. If the net corporate income tax receipts for the preceding fiscal year exceed \$700 million, the department of revenue will adjust the corporate income tax rates to the rates that would have generated \$700 million in net corporate income tax receipts in the preceding fiscal year.

**51.10(1) Method for determination of the tax rates.** The department of revenue will adjust the corporate income tax rates according to the following method and using data from corporate tax returns for the most recent tax year for which the department has sufficient data available.

*a.* The department will first estimate what the corporate tax revenue would be for the current tax year and the two preceding tax years corresponding to the fiscal year in question using the applicable corporate income tax rates.

*b.* The department will then apply lower marginal tax rates for those tax years to determine what marginal tax rates would have generated \$700 million in net corporate income tax receipts in the preceding fiscal year.

*c.* In reducing the marginal tax rates, the department will first reduce the highest marginal rate until it is equal to the next highest rate, then reduce the two highest rates by equal amounts, until there is a single rate of 5.5 percent.

- d.* The department's calculation may be within a 3 percent margin above or below \$700 million.
- e.* The tax rates will be rounded down to the nearest one-tenth of 1 percent.

**51.10(2)** *Effective date of tax rates.* The tax rates determined by the calculation in subrule 51.10(1) will apply for tax years beginning on or after the next January 1 following the determination date. The department will publish the new corporate income tax rates in the Iowa Administrative Bulletin and on the department's website by the first December 31 following the determination date.

**51.10(3)** *Automatic repeal.* This rule is repealed effective January 1 of the first year in which the corporate income tax rate is reduced to a single rate of 5.5 percent.

This rule is intended to implement Iowa Code section 422.33.