

REVENUE DEPARTMENT[701]

Adopted and Filed

Rule making related to electronic filing of tax returns

The Revenue Department hereby amends Chapter 8, “Forms and Communications,” Iowa Administrative Code.

Legal Authority for Rule Making

This rule making is adopted under the authority provided in Iowa Code sections 422.14, 422.15, 422.16B, 422.36, 422.37, and 422.62 as amended by 2022 Iowa Acts, House File 2552, and Iowa Code section 422.68.

State or Federal Law Implemented

This rule making implements, in whole or in part, Iowa Code sections 422.14, 422.15, 422.16B, 422.36, 422.37 and 422.62 as amended by 2022 Iowa Acts, House File 2552.

Purpose and Summary

This rule making implements the requirement imposed by 2022 Iowa Acts, House File 2552, division II, to electronically file certain business income, fiduciary, and franchise tax returns. This rule describes the proper method for filing electronic returns, provides definitions that are useful for determining whether a taxpayer has met the criteria for being subject to the mandate, and provides for exceptions to the electronic filing requirement.

Public Comment and Changes to Rule Making

Notice of Intended Action for this rule making was published in the Iowa Administrative Bulletin on September 21, 2022, as **ARC 6539C**. No public comments were received. No changes from the Notice have been made.

Adoption of Rule Making

This rule making was adopted by the Department on October 26, 2022.

Fiscal Impact

This rule making has no fiscal impact to the State of Iowa.

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).

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).

Effective Date

This rule making will become effective on December 21, 2022.

The following rule-making action is adopted:

Adopt the following **new** rule 701—8.7(422,533):

701—8.7(422,533) Mandatory electronic filing for certain taxpayers. Iowa corporate and fiduciary income and franchise taxpayers, and pass-through entities subject to Iowa income reporting requirements, are required to file their annual returns in an electronic format approved by the department for any tax year in which certain criteria are met. This rule provides information needed to determine whether any entity is subject to this electronic filing requirement for a given tax year.

8.7(1) Definitions.

“Business entity,” when used in this rule, means entities taxed as corporations, partnerships, S corporations, and financial institutions as defined in Iowa Code section 422.61(1).

“Fiduciary taxpayer” means the same as “fiduciary” as defined in Iowa Code section 422.4(4).

“Iowa tax credits” means refundable and nonrefundable tax credits authorized under the Iowa Code for the tax year in which they are claimed or applied, but does not include credits for prior payments or composite credits.

“Return,” when used in this rule, means Form IA 1120, IA 1120S, IA 1120F, IA 1065, IA PTE-C, or IA 1041, as context requires, and includes amended returns, supporting schedules, attachments, or lists which are supplemental to or part of the filed return.

“Taxpayer,” unless the context otherwise requires, means any business entity, financial institution, or fiduciary taxpayer as defined in this rule.

“Tax year” means any period of up to 12 months, including periods of less than 12 months, for which a taxpayer subject to this rule is required to file an Iowa income tax, franchise tax, or information return.

“Total gross receipts” means gross receipts or sales from all business operations conducted within and without Iowa without any adjustment for returns and allowances, and also includes receipts from all interest, dividends, rents, and royalties; income from ordinary and capital gains; and the distributive share of income received by the taxpayer from a partnership, S corporation, estate, or trust.

8.7(2) Electronic format for filing. A taxpayer that meets any of the criteria for mandatory electronic filing in subrule 8.7(3) shall file a paperless Iowa income or franchise tax return by way of the Internal Revenue Service (IRS) Modernized e-File (MeF) program, also known as federal/state electronic filing, in a manner consistent with the requirements of rule 701—8.5(422).

8.7(3) Criteria for mandatory electronic filing. This subrule applies to business entities for tax years ending on or after December 31, 2022, and to fiduciary taxpayers for tax years ending on or after December 31, 2023. Every taxpayer required to file an Iowa income or franchise tax return for an applicable year must file using the electronic format specified in subrule 8.7(2) if the taxpayer meets any of the following criteria for the tax year:

- a. *Gross receipts.* The taxpayer has \$250,000 or more in total gross receipts for the tax year.
- b. *Iowa tax credits.* The taxpayer claims or applies \$25,000 or more of Iowa tax credits on the return for the tax year.
- c. *Iowa Schedules K-1.* The taxpayer is required to issue ten or more Iowa Schedules K-1 to its partners, members, shareholders, or beneficiaries for the tax year.
- d. *Consolidated corporate return.* The taxpayer elects or is required to file or be included on an Iowa consolidated corporate income tax return under Iowa Code section 422.37 for the tax year.

8.7(4) Returns not in compliance with this rule. Any return filed in any manner other than the manner specified in subrule 8.7(2) by a taxpayer that meets any of the criteria for mandatory electronic filing as described in subrule 8.7(3) is not a valid return. The taxpayer is a nonfiler for the tax year for which the return was required, and may be subject to the failure to file penalties as provided for in

rules 701—10.6(421) and 701—10.9(421), until such time as the taxpayer files the return in the proper electronic format. This subrule shall not apply if an exception has been granted under subrule 8.7(5).

8.7(5) Exceptions. At the department’s discretion, exceptions to the electronic filing requirement under this rule may be granted for good cause. The taxpayer bears the burden to prove that good cause exists for the failure to file electronically. A claim that the return preparation software purchased or licensed by a taxpayer or taxpayer’s return preparer does not include all of the features necessary to comply with the taxpayer’s Iowa filing obligations shall not be considered good cause for purposes of granting an exception to the electronic filing requirement.

a. Requests for exceptions to the electronic filing requirement.

(1) Form of request. Requests for exceptions to the electronic filing requirement must be submitted by mail or online through GovConnectIowa on forms provided by the department.

(2) Timing of request. Requests for exceptions to the electronic filing requirement must be submitted before the return is filed.

(3) Department determination. The department will notify the taxpayer in writing whether a request for an exception to the electronic filing requirement has been approved or denied. If the department does not respond to a taxpayer’s valid request for an exception to the electronic filing requirement within 90 days of the date the request is received, the request shall be deemed accepted.

(4) Applicability of exception. An exception to the electronic filing requirement, if granted, shall only be valid for the tax year for which it was approved.

b. Temporary one-time relief. For tax years ending on or before December 31, 2023, if the department determines a taxpayer that filed a paper return was required to file in an electronic manner as provided in this rule, the department will notify the taxpayer in writing of the requirements of this rule. If the taxpayer properly files in an electronic manner within 30 days of the date of the notification under this paragraph, the department shall grant an exception to the requirements of this rule and deem the originally filed paper return a valid return. A taxpayer shall only be granted the benefit of this paragraph for one eligible return.

This rule is intended to implement 2022 Iowa Acts, House File 2552, division II.

[Filed 10/26/22, effective 12/21/22]

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EDITOR’S NOTE: For replacement pages for IAC, see IAC Supplement 11/16/22.