

**REVENUE DEPARTMENT[701]**

**Notice of Intended Action**

**Proposing rulemaking related to reinvestment districts program  
and providing an opportunity for public comment**

The Revenue Department hereby proposes to rescind Chapter 273, “Reinvestment Districts Program,” Iowa Administrative Code, and to adopt a new chapter with the same title.

*Legal Authority for Rulemaking*

This rulemaking is proposed under the authority provided in Iowa Code sections 15J.6 and 421.14.

*State or Federal Law Implemented*

This rulemaking implements, in whole or in part, Iowa Code chapter 15J and sections 423.2A(2) and 423.2A(3).

*Purpose and Summary*

The purpose of this proposed rulemaking is to rescind Chapter 273 and adopt a new Chapter 273, which consists of rules relating to the Department’s role in the administration of the Reinvestment Districts Program. These rules are required under Iowa Code chapter 15J. These rules interpret the underlying statutes about the calculation and remittance of the sales tax revenues to reinvestment district and reinvestment project funds pursuant to Iowa Code chapter 15J. The Department proposes revisions to the rules to provide clarification and to remove portions of the rules that the Department has determined are unnecessary, obsolete, and duplicative of statutory language. The Department also renumbered some rules due to other edits and for organizational reasons. The Department further proposes to add a rule to provide clarification about the administrative fee authorized under Iowa Code section 423.2A(3) that the Department retains from the amount it would otherwise distribute to the Reinvestment Districts Program.

A Regulatory Analysis, including the proposed rule text, was published on October 18, 2023. A public hearing was held on November 8, 2023. No public comments on the Regulatory Analysis were received at the hearing or in writing. The Administrative Rules Coordinator provided preclearance for publication of this Notice of Intended Action on November 21, 2023.

*Fiscal Impact*

This rulemaking has no fiscal impact to the State of Iowa.

*Jobs Impact*

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

*Waivers*

Any person who believes that the application of the discretionary provisions of this rulemaking 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 rulemaking. Written or oral comments in response to this rulemaking must be received by the Department no later than 4:30 p.m. on January 2, 2024. Comments should be directed to:

Nick Behlke  
Department of Revenue  
Hoover State Office Building  
P.O. Box 10457  
Des Moines, Iowa 50306-3457  
Phone: 515.336.9025  
Email: [nick.behlke@iowa.gov](mailto:nick.behlke@iowa.gov)

### *Public Hearing*

Public hearings at which persons may present their views orally or in writing will be held as follows:

January 3, 2024 9 to 11 a.m.	Via video/conference call
January 3, 2024 1 to 3 p.m.	Via video/conference call

Persons who wish to participate in a video/conference call should contact Nick Behlke before 4:30 p.m. on January 2, 2024, to facilitate an orderly hearing. A video link will be provided to participants prior to the hearing.

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

Any persons who intend to attend a 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 rulemaking by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rulemaking 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 rulemaking action is proposed:

ITEM 1. Rescind 701—Chapter 273 and adopt the following **new** chapter in lieu thereof:

#### CHAPTER 273 REINVESTMENT DISTRICTS PROGRAM

**701—273.1(15J) Purpose and definitions.** The Iowa reinvestment Act provides for the reinvestment of as much as \$100 million in state hotel and motel and state sales tax revenues from revenue-generating projects within certain districts. The economic development authority board is authorized to oversee the implementation and administration of certain provisions of this program, including evaluating projects and making funding decisions. This chapter sets forth rules for the department of revenue's administration of the calculation, collection, and remittance of funds for this program. The economic development authority board's administrative rules about this program are found at 261—Chapter 200. Terms mean the same as defined in Iowa Code chapter 15J.

This rule is intended to implement Iowa Code chapter 15J.

#### **701—273.2(15J) New state tax revenue calculations.**

**273.2(1) State sales tax.** For districts established before July 1, 2020, the department will calculate the state sales tax revenues as described in Iowa Code section 15J.5(1) "b"(1). For those established on or after July 1, 2020, the calculations are as described in Iowa Code section 15J.5(1) "b"(2).

**273.2(2) State hotel and motel tax.** For districts established before July 1, 2020, the department will calculate the state hotel and motel tax revenues as described in Iowa Code section 15J.5(2)“b”(1). For those established on or after July 1, 2020, the calculations are as described in Iowa Code section 15J.5(2)“b”(2).

**273.2(3) Identification of new retail establishments and lessors.** Each municipality that has established a district under Iowa Code chapter 15J must notify the department of new retail establishments and lessors in the district that are created as soon as possible. This process shall be ongoing until the municipality ceases to utilize state sales tax revenue or state hotel and motel tax revenue under this chapter or the district is dissolved.

This rule is intended to implement Iowa Code sections 15J.5, 423.2(11) and 423A.6.

**701—273.3(15J) State reinvestment district fund.**

**273.3(1) Deposits.** The department shall deposit moneys into the appropriate district fund as described in Iowa Code section 15J.6; however, moneys shall not be deposited in the fund before the period for processing returns is complete.

**273.3(2) Late-filed returns.** Moneys described in Iowa Code section 15J.6 that are collected from late-filed returns shall be deposited in the fund. Such moneys shall be deposited following the period for processing returns for the quarter in which the late return is received, subject to the limitations of Iowa Code chapter 15J.

**273.3(3) Refund claims.** If the moneys described in Iowa Code section 15J.6 are the subject of a refund claim and that claim is granted by the department, the department may offset any refund at a later date against funds remitted to the district in which the new retail establishment or new lessor that had remitted the refunded tax amount is located.

This rule is intended to implement Iowa Code section 15J.6.

**701—273.4(15J) Reinvestment project fund.** State sales tax revenue and state hotel and motel tax revenue will be remitted by the department and deposited into reinvestment project funds as described in Iowa Code section 15J.7. Moneys deposited in the fund shall only be used to fund projects as described in Iowa Code section 15J.7(1) and not those projects described in Iowa Code section 15J.7(4).

This rule is intended to implement Iowa Code section 15J.7.

**701—273.5(15J) End of deposits—district dissolution.**

**273.5(1) Cessation of deposits.**

*a.* The department shall cease to deposit state sales tax revenues and state hotel and motel revenues once the limitations described in either Iowa Code section 15J.8(1) or 15J.8(2) are met.

*b.* The department shall cease to deposit new tax revenues into a district’s account within the fund once the maximum benefit amount approved by the board for the district has been reached. If a district reaches the maximum benefit amount, the department shall notify the municipality and the board within a reasonable amount of time.

**273.5(2) District dissolution.**

*a.* If a municipality dissolves a district pursuant to Iowa Code section 15J.8(2), the municipality must notify the department as required by Iowa Code section 15J.8(2).

*b.* When a municipality is notified that its maximum benefit amount has been reached, the municipality shall dissolve the district by ordinance as soon as practicable after notification.

This rule is intended to implement Iowa Code section 15J.8.

**701—273.6(15J) Administrative fee.**

**273.6(1) Administrative fee.** Pursuant to Iowa Code section 423.2A(3), the department will retain an administrative fee from the amount it would otherwise distribute to the reinvestment district program.

**273.6(2) Amount retained.** The amount retained each quarter will be the total of the prorated shares amongst all projects in both the reinvestment districts programs and the flood mitigation program authorized under Iowa Code chapter 418.

**273.6(3) Prorated share.** Each entity's prorated share of the administrative fee for each quarter will be calculated as follows:

$$\frac{\text{Reinvestment district entity's distribution for the quarter}}{\text{Total distributions of both the flood mitigation and reinvestment districts for the quarter}} \times \text{Either \$25,000 or the department's actual expenses, whichever is less}$$

This rule is intended to implement Iowa Code section 423.2A(3).