

REVENUE DEPARTMENT[701]

Adopted and Filed

Rulemaking related to the reinvestment districts program

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

Legal Authority for Rulemaking

This rulemaking is adopted 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 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 revised 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 added 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.

Public Comment and Changes to Rulemaking

Notice of Intended Action for this rulemaking was published in the Iowa Administrative Bulletin on December 13, 2023, as **ARC 7185C**. A public hearing was held on the following date(s):

- January 3, 2024

Public comment was received. The Iowa Taxpayers’ Association President and CEO Thomas R. Sands provided written comments asking if deposits and distributions are made on a quarterly basis. Under the Iowa Code, distributions must be made on a quarterly basis and calculated from returns processed for that quarter. The Department did not make any changes based on this comment.

No changes from the Notice have been made.

Adoption of Rulemaking

This rulemaking was adopted by the Department on June 24, 2024.

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).

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).

Effective Date

This rulemaking will become effective on August 28, 2024.

The following rulemaking action is adopted:

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 in 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:

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

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

[Filed 7/2/24, effective 8/28/24]

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EDITOR’S NOTE: For replacement pages for IAC, see IAC Supplement 7/24/24.