

Regulatory Analysis

Notice of Intended Action to be published: rules 701—2.5(17A), 701—3.7(99G,123,421,17A), 701—4.7(99G,123,421,17A), 701—7.2(421,17A), 701—7.3(17A,99G,123,421-454), 701—7.8(17A) through 701—7.10(17A), 701—11.7(422,453B), and 701—19.3(421) through 701—19.6(421)
“Renaming of the Legal Services Division”

Iowa Code section(s) or chapter(s) authorizing rulemaking: 99G.9, 123.10, and 421.17

State or federal law(s) implemented by the rulemaking: Iowa Code chapter 17A and sections 99G.5, 99G.7, 99G.21, 123.9, 123.10, 421.2, 421.5, 412.9, 421.14, 421.17, 422.30, and 453B.9

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

March 10, 2026
1 to 1:30 p.m.

Via videoconference:
meet.google.com/quq-shzi-vra

Public Comment

Any interested person may submit written or oral comments concerning this Regulatory Analysis, which must be received by the Department of Revenue no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

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Department of Revenue
Hoover State Office Building
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Phone: 515.724.2924
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Purpose and Summary

This proposed rulemaking amends several rules to align with the Department’s renaming of the Legal Services and Appeals Division to the Legal Services Division. Under this new name, the Legal Services Division will be organized into two branches: the Legal Services Section and the Enforcement Actions and Appeals Bureau, which will better reflect the core functions of each branch. By updating these rules, the Department will provide clarity and consistency for taxpayers and other members of the public that interact with services provided by the Legal Services Division. This proposed rulemaking also amends rules 701—7.8(17A) and 701—7.10(17A), which contain outdated references to expedited hearings.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**

• **Classes of persons that will bear the costs of the proposed rulemaking:**

No classes of persons have been identified to bear the costs of the proposed rules.

• **Classes of persons that will benefit from the proposed rulemaking:**

Taxpayers and other members of the public will benefit from the proposed rulemaking by having rules with updated references to the Legal Services Division.

2. Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:

- **Quantitative description of impact:**

No economic impact as a result of the proposed rulemaking has been identified.

- **Qualitative description of impact:**

The proposed rulemaking will increase efficiency and consistency in interacting with the Department through updated rules regarding services provided by the Legal Services Division.

3. Costs to the State:

- **Implementation and enforcement costs borne by the agency or any other agency:**

There are no costs to the Department related to implementing the proposed rulemaking beyond those that would otherwise be required to administer the statute.

- **Anticipated effect on State revenues:**

There is no anticipated effect on State revenues.

4. Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:

There are no costs associated with the proposed rulemaking. The benefits of the rulemaking are reducing confusion and providing clarity and consistency for taxpayers and other members of the public who interact with services provided by the Legal Services Division.

5. Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:

The proposed rulemaking is not costly or intrusive.

6. Alternative methods considered by the agency:

- **Description of any alternative methods that were seriously considered by the agency:**

The Department considered the possibility of not providing this rulemaking but determined that it was beneficial for taxpayers and other members of the public who interact with services provided by the Legal Services Division.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

The absence of this rulemaking would lead to confusion for taxpayers and other members of the public who interact with services provided by the Legal Services Division.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.

- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.

- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.

- Establish performance standards to replace design or operational standards in the rulemaking for small business.

- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

This rulemaking does not have a substantial impact on small business since it does not make any special distinctions for small businesses.

Text of Proposed Rulemaking

ITEM 1. Amend subrule 2.5(2) as follows:

2.5(2) Divisions. For ease of administration, the director has organized the department into divisions and, in some instances, has organized those divisions into bureaus, sections, subsections, and units. Except for the lottery division, the director may from time to time establish, abolish, or consolidate the department's administrative divisions as the director deems necessary in order to more efficiently and effectively carry out the department's responsibilities. Such divisions may include but are not limited to:

- a. Alcohol and tax compliance.
- b. Alcohol and tax operations.
- c. Financial services.
- d. Internal services.
- e. Legal services and appeals.
- f. Local government services.
- g. Lottery.
- h. Research and policy.

ITEM 2. Amend subrule 3.7(11) as follows:

3.7(11) Notice of petition for waiver. If notice to others is required by law, the petitioner shall provide, within 30 days of filing the petition for waiver, a notice consisting of a concise summary of the contents of the petition for waiver and stating that the petition is pending. Such notice shall be mailed by the petitioner to all persons entitled to such notice. Such persons to whom notice must be mailed include, but are not limited to, the director and all parties to the petition for waiver, or the parties' representatives. The petitioner must then file written notice to the department's legal services ~~section~~ division by mail to the address listed in paragraph 7.3(1)"c" or by email to the address provided in paragraph 7.3(1)"b," attesting that the notice has been mailed. The names, addresses and telephone numbers of the persons to whom the notices were mailed shall be included in the filed written notice. The department has the discretion to give such notice to persons other than those persons notified by the petitioner.

ITEM 3. Amend subrule 4.7(5) as follows:

4.7(5) Inquiries. Inquiries concerning the status of a declaratory order proceeding may be made to the Legal Services and Appeals Division, Iowa Department of Revenue, P.O. Box 14457, Des Moines, Iowa 50306-3457; or by email to the address provided in 701—paragraph 7.3(1)"b."

ITEM 4. Amend rule 701—7.2(421,17A) as follows:

701—7.2(421,17A) Definitions. Terms not defined below have the same meaning as defined in Iowa Code chapter 17A. Unless otherwise specifically stated, the terms used in these rules promulgated by the department have the meanings defined by the Act. These definitions apply to this chapter unless the text states otherwise:

"Act" means the Iowa administrative procedure Act.

"Appeal" means a dispute of a notice of assessment, refund denial, or other department action that may culminate in a contested case proceeding. "Protest" has the same meaning as appeal.

~~"Appeals section" means the section of the department designated by the director to administer the informal stage of the tax appeals process and participate in contested case proceedings for appeals before the department.~~

"Clerk" means the clerk of the legal services and appeals division or the clerk's designee.

"Department" or "IDR" means the Iowa department of revenue.

"Director" means the director of the department or the director's designee.

“*Division of administrative hearings*” means the division of the department of inspections, appeals, and licensing responsible for holding contested case proceedings pursuant to Iowa Code chapter 10A.

“*Enforcement actions and appeals bureau*” means the section of the legal services division of the department designated by the director to administer the informal stage of the appeals process and participate in contested case proceedings for appeals before the department.

“*Entity*” means any taxpayer other than an individual or sole proprietorship.

“*GovConnectIowa*” means the e-services portal of the department.

“*Informal stage*” means the procedures of the appeals process described in rule 701—7.10(17A).

“*Issuance*” means the date specified in the decision or order, the date of mailing of a decision, or order or date of delivery of the decision or order if service is by other means.

“*Last-known address*” means the last address associated with a taxpayer by tax type, as determined pursuant to rule 701—7.23(421).

“*Motion*” means the same as defined in Iowa Rule of Civil Procedure 1.431.

“*Party*” means the same as defined in Iowa Code section 17A.2(8) and includes intervenors.

“*Person*” means the same as defined in Iowa Code section 17A.2. “Public or private organization of any character or any other person covered by the Act other than an agency” as used in that definition includes estates, trusts, or fiduciary.

“*Petition*” means application for declaratory order; request to intervene in a declaratory order under consideration; or application for initiation of proceedings to adopt, amend or rescind a rule or document filed in licensing.

“*Pleadings*” means appeal, answer, reply or other similar document filed in a contested case proceeding, including contested cases involving no factual dispute.

“*Presiding officer*” means the person designated to preside over a proceeding involving the department. A presiding officer of a contested case involving the department will be either the director or a qualified administrative law judge appointed, pursuant to Iowa Code chapter 17A, by the division of administrative hearings established pursuant to Iowa Code section 10A.801. In cases in which the department is not a party, at the director’s discretion, the presiding officer may be the director or the director’s designee. The presiding officer of an administrative appeal is the director of the department.

“*Proceeding*” means informal, formal, and contested case proceedings.

“*Proposed decision*” means the presiding officer’s recommended findings of fact, conclusions of law, decision, and order in a contested case in which the director did not preside, as described in Iowa Code section 17A.15.

“*Review unit*” means the unit composed of the ~~appeals section~~ enforcement actions and appeals bureau of the legal services division of the department and any of the attorney general’s staff who have been assigned to review appeals filed by taxpayers.

“*Taxpayer interview*” means any in-person contact between an employee of the department and a taxpayer or a taxpayer’s representative that has been initiated by a department employee.

“*Taxpayer’s representative*” or “*taxpayer’s authorized representative*” means an individual authorized to practice before the department on behalf of a taxpayer under Iowa Code section 421.59; an individual who has been named as an authorized representative on a fiduciary return of income form filed under Iowa Code section 422.14 or a tax return filed under Iowa Code chapter 450 or 450B; or for proceedings before the department, any other individual the taxpayer designates who is named on a valid power of attorney if appearing on behalf of another.

This rule is intended to implement Iowa Code chapter 17A.

ITEM 5. Amend subrule 7.3(1) as follows:

7.3(1) *Ways to submit an appeal, petition, or related document.* Unless otherwise specified in another rule in this chapter, a person may submit an appeal, petition, related document, or document filed during an appeal or pending petition:

a. and b. No change.

c. By mail to Legal Services and Appeals Division, Iowa Department of Revenue, P.O. Box 14457, Des Moines, Iowa 50306-3457.

d. No change.

ITEM 6. Amend subparagraph 7.8(5)“b”(2) as follows:

(2) The appeal shall substantially state in separate numbered paragraphs the following:

1. Proper allegations showing:

- Date of department action, such as the notice of assessment or refund denial;
- Whether the taxpayer failed to timely appeal the assessment and, if so, the date of payment and the date of filing of the refund claim;
- Whether the appeal involves the appeal of a refund claim after six months from the date of filing the refund claim because the department failed to deny the claim;
- Copies of the documented department action, such as the notice of assessment, refund claim, and refund denial letter;
- Other items that the taxpayer wishes to bring to the attention of the department; and
- A request for attorney fees, if applicable.

2. The type of tax, the taxable period or periods involved, and the amount in controversy.

3. Each error alleged to have been committed, listed in a separate paragraph. For each error listed, an explanation of the error and all relevant facts related to the error shall be provided.

4. Reference to any particular statute or statutes and any rule or rules involved, if known.

5. Description of records or documents that were not available or were not presented to department personnel prior to the filing of the appeal, if any. Copies of any records or documents that were not previously presented to the department shall be provided.

6. Any other matters deemed relevant and not covered in the above paragraphs.

~~7. The desire of the taxpayer to expedite proceedings. Rule 701—7.12(17A,421) contains more details on expedited proceedings.~~

8. 7. A statement setting forth the relief sought by the taxpayer.

9. 8. The signature of the taxpayer or the authorized representative. If the appeal is signed by the taxpayer, the address and telephone number of the taxpayer is to be included in the signature block. If the appeal is signed by an authorized representative, the address and telephone number of the authorized representative is to be included in the signature block. Appeals submitted by an authorized representative must have a valid IDR power of attorney form or representative certification form, as applicable in accordance with rule 701—8.8(17A,22,421,422), on file with the department, or one should be included with the appeal.

ITEM 7. Amend rule 701—7.9(17A) as follows:

701—7.9(17A) Resolution of tax liability. In the event that a proper appeal has been filed, other department personnel, when authorized by the ~~appeals section~~ enforcement actions and appeals bureau, have the authority to discuss the resolution of any matter in the appeal either with the taxpayer or the taxpayer’s representative. The personnel shall report their activities in this regard to the ~~appeals section~~ enforcement actions and appeals bureau, and the ~~section bureau~~ shall be authorized to approve or reject any recommendations made by the appropriate personnel to resolve an appeal.

This rule is intended to implement Iowa Code chapter 17A.

ITEM 8. Amend rule 701—7.10(17A) as follows:

701—7.10(17A) Informal stage of the tax appeals process. When an appeal is filed, the parties are encouraged to utilize the informal procedures described in this rule to reach a resolution between the parties without the necessity of initiating contested case proceedings. That resolution may be the granting of the appeal in full or in part, the denial of the appeal in full or in part, or an agreement to settle the matter. Unless, in accordance with rule 701—7.12(17A,421), the taxpayer demands a contested case proceeding ~~or an expedited hearing is agreed to~~ or the department waives informal

procedures upon notification to the taxpayer, such informal procedures will be initiated as herein provided upon the filing of a proper appeal.

7.10(1) ~~Appeals section~~ *Enforcement actions and appeals bureau review.* After an appeal is filed, the review unit, subject to the control of the director or the division administrator of the legal services and appeals division, will:

a. to e. No change.

7.10(2) to 7.10(4) No change.

7.10(5) *Settlements.* Only the director, a deputy director, the division administrator of the legal services and appeals division, or another person designated in writing by the director may approve and sign settlements of appeals. If a settlement is reached during informal procedures, a closing order stating that a settlement was reached by the parties and that the case is terminated shall be issued by the director and provided to all parties.

This rule is intended to implement Iowa Code section 17A.10.

ITEM 9. Amend rule 701—11.7(422,453B) as follows:

701—11.7(422,453B) Jeopardy assessments.

11.7(1) No change.

11.7(2) *Request for bond.*

a. In the event a taxpayer seeks to post a bond in lieu of summary collection of a jeopardy assessment, pending final determination of the amount of tax legally due, the taxpayer must file a Jeopardy Assessment Bond Request Form, available on the department's website, with the clerk of the ~~appeals section~~ legal services division for the department. The department will accept or reject the bond request, in writing, within ten days. If the department does not respond within ten days, the bond request is deemed rejected. The department is not required to accept bond requests. If the department accepts the bond request, the clerk of the ~~appeals section~~ legal services division for the department shall be notified. The approval is conditioned upon the taxpayer's posting the bond in accordance with this rule.

b. Bond requests may be made any time after a timely appeal of the jeopardy assessment has been filed with the department in accordance with 701—Chapter 7, except that any bond request whereby the taxpayer seeks to postpone a scheduled sale of assets seized by or on behalf of the department must be filed with the clerk of the ~~appeals section~~ legal services division for the department no later than ten days from the date on which notice of the sale was mailed to, or otherwise served upon, the taxpayer. Portions of an assessment that are undisputed must be paid in full at the time a bond request is filed.

11.7(3) No change.

11.7(4) *Type of bond.*

a. The bond shall be payable to the department for the use of the state of Iowa and shall be conditioned upon the full payment of the tax, penalty, interest, or fees that are found to be due which remain unpaid upon the resolution of the contested case proceedings up to the amount of the bond.

b. A personal bond, without a surety, is only permitted if the taxpayer posts with the clerk of the ~~appeals section~~ legal services division for the department, cash, a cashier's check, a certificate of deposit, or other marketable securities which are approved by the department with a readily ascertainable value which is equal in value to the total amount of the bond required. If a surety bond is posted, the surety on the bond may be either personal or corporate. The provisions of Iowa Code chapter 636 relating to personal and corporate sureties shall govern to the extent not inconsistent with the provisions of this subrule.

11.7(5) to 11.7(7) No change.

This rule is intended to implement Iowa Code sections 422.30 and 453B.9.

ITEM 10. Amend rule 701—19.3(421) as follows:

701—19.3(421) Settlement procedures and limitations, generally.

19.3(1) No change.

19.3(2) *Which type of settlement to seek.* Different types of settlements require different forms and procedures. Procedures for abatement, offer in compromise, and voluntary disclosure agreements are described in specific rules below. For matters currently under appeal pursuant to 701—Chapter 7, settlement requests must be submitted to the ~~appeals section~~ enforcement actions and appeals bureau of the legal services ~~and appeals~~ division in accordance with ~~701—subrule 7.11(5)~~ 701—subrule 7.10(5). For matters currently under audit, settlement requests must be submitted to the department employee assigned to the audit.

19.3(3) *Who may authorize a department settlement.* Only the director, the deputy director, or the division administrator of the legal services ~~and appeals~~ division may approve and sign settlements under this chapter unless otherwise specified in rule or designated by the director.

19.3(4) No change.

ITEM 11. Amend subrule 19.4(4) as follows:

19.4(4) *Review of requests.*

- a. After the application has been submitted, it will be reviewed by department staff.
- b. Additional information may be requested to assist the department in its review.
- c. A letter will be issued to the applicant notifying the applicant of the decision to grant, deny or partially grant the abatement request. The department's decision on an abatement application will only be contained in a formal determination letter.
- d. Applicants whose applications are granted in part will receive an agreement describing the terms of the partially granted abatement request and must sign and return that agreement to the department in order to receive the partially granted abatement.
- e. Decisions to accept an abatement request in full or in part for doubt as to liability may be approved by the bureau chief of the compliance ~~section of the tax management~~ division or another staff member designated by the director.
- f. Decisions to accept an abatement request to promote effective tax administration may only be approved by the director, the deputy director, or the division administrator of the legal services ~~and appeals~~ division.

ITEM 12. Amend rule 701—19.5(421) as follows:

701—19.5(421) Offers in compromise.

19.5(1) to 19.5(3) No change.

19.5(4) *Review of requests.*

- a. to d. No change.
- e. Decisions to enter into an offer in compromise must be approved by the bureau chief of the central collections unit, the director, the deputy director, the division administrator of the legal services ~~and appeals~~ division, or another staff member designated by the director.

19.5(5) No change.

ITEM 13. Amend subrule 19.6(8) as follows:

19.6(8) *Commencement of the voluntary disclosure agreement.* The voluntary agreement commences on the date the voluntary disclosure agreement is fully executed by all parties or another date specified by the agreement. Execution of the agreement is complete when the agreement is executed by the taxpayer or taxpayers and the division administrator of or a bureau chief of ~~within the compliance section of the tax management~~ division or another staff member designated by the director. Prior to the execution of the voluntary disclosure agreement by the taxpayer and the department, the taxpayer is not protected from the department's regular audit process if the identity of the taxpayer, as an applicant, is unknown to the department. However, if the department has knowledge of the taxpayer's identity, as an applicant, the department will not take audit action against the taxpayer during the voluntary disclosure process. If a voluntary disclosure agreement is

not reached, the department may assess tax, penalty, and interest as provided by law at the time the identity of the applicant becomes known to the department.