

Regulatory Analysis

Notice of Intended Action to be published: rule 701—800.56(422)
“Public Safety Officer Moving Expense Tax Credit”

Iowa Code section(s) or chapter(s) authorizing rulemaking: 422.12P
State or federal law(s) implemented by the rulemaking: Iowa Code section 422.12P

Public Hearing

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

July 15, 2025
2:30 to 3 p.m.

Via videoconference call:
meet.google.com/ucv-djpu-ovb

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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Purpose and Summary

The purpose of this proposed rulemaking is to implement the Public Safety Officer Moving Expense Tax Credit provided in Iowa Code section 422.12P. The tax credit is available for certain unreimbursed moving expenses incurred by individuals who establish residency in Iowa upon taking full-time employment as a public safety officer in Iowa. The Department is directed under Iowa Code section 422.12P to adopt rules to administer the tax credit. The proposed rule describes how to claim and calculate the tax credit and other restrictions and requirements.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**
 - **Classes of persons that will bear the costs of the proposed rulemaking:**
Individuals who claim the tax credit will bear the costs of the proposed rule.
 - **Classes of persons that will benefit from the proposed rulemaking:**
Individuals who claim the tax credit will benefit from the proposed rule.
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:**
Individuals who claim the tax credit will incur tax preparation costs to accurately compute the tax credit in accordance with the proposed rule. These costs will be offset by the monetary value of the tax credit to the individual. Individuals who accurately compute the tax credit will also receive a benefit in

the form of fewer information requests and audits from the Department related to the administration of the tax credit.

- **Qualitative description of impact:**

Beyond the direct benefit of the tax credit to an individual, an individual's employer is likely to indirectly benefit from the tax credit. Nonresidents may be more likely to accept positions in Iowa because this tax credit defrays some moving expenses.

3. **Costs to the State:**

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

The Department will utilize existing staff to review tax credit claims.

- **Anticipated effect on State revenues:**

The proposed rule has no fiscal impact beyond that of the legislation it implements.

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

The proposed rule instructs individuals how to properly calculate and claim the tax credit. The Department will be unable to properly administer the tax credit without the proposed rule. The only individuals that bear the costs of the proposed rule are those that will potentially benefit from the tax credit. The Department is required by Iowa Code section 422.12P to adopt rules to administer this tax credit.

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

None were identified.

6. **Alternative methods considered by the agency:**

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

None were identified.

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

Not applicable.

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?

The 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. Reserve rules **701—800.1** through **701—800.55**.

ITEM 2. Adopt the following **new** rule 701—800.56(422):

701—800.56(422) Public safety officer moving expense tax credit.

800.56(1) *In general—eligibility.* For tax years beginning on or after January 1, 2024, a public safety officer moving expense tax credit is available for certain unreimbursed moving expenses incurred by individuals who establish residency in Iowa upon taking full-time employment as a public safety officer in Iowa as provided in Iowa Code section 422.12P and this rule. The tax credit may be claimed by individuals against the individual income tax.

800.56(2) *Qualifying public safety officer.* The following meet the definition of a public safety officer:

- a. Peace officers as described in Iowa Code section 801.4, including:
 - (1) Sheriff or sheriff's deputy.
 - (2) City police officer.
 - (3) Peace officer member of the department of public safety.
 - (4) Parole officer.
 - (5) Probation officer.
 - (6) Sworn special security officer employed by an institution of the board of regents.
 - (7) Conservation officer.
 - (8) Employee of the department of transportation who is designated as a peace officer.
 - (9) Employee of an aviation authority who is designated as a peace officer.
- b. Corrections officers as described in Iowa Code section 97B.49B(1) "e"(3).

800.56(3) *Tax credit calculation.*

a. *Eligible expenses.* An expense will qualify as a moving expense if it meets all of the following requirements:

(1) The expense meets the definition of a moving expense under Section 217(b) of the Internal Revenue Code and Treasury Regulation 1.217-2(b)(2) through (4) as amended and in effect on July 1, 2024, or is a reasonable expense for meals incurred during travel from the taxpayer's old home to the taxpayer's new home.

(2) The expense is paid or incurred by the taxpayer, and the expense is attributable to the taxpayer or a member of the taxpayer's household.

(3) The expense is unreimbursed. An expense will be considered reimbursed to the extent of any amount the taxpayer is eligible to receive, directly or indirectly, from the taxpayer's employer or another person as payment for the expense of moving.

(4) The expense is not deducted on the taxpayer's federal income tax return.

b. *Taxpayer eligibility.* Taxpayers must meet all of the following requirements to be considered a new resident and eligible for the tax credit:

(1) The taxpayer establishes residency in Iowa after July 1, 2024, and has not been a resident of Iowa in the 12-month period prior to establishing residency in Iowa.

(2) The taxpayer becomes employed full-time in a qualifying public safety officer position in Iowa.

(3) The taxpayer becomes a resident of Iowa as a direct result of accepting employment in Iowa as a qualifying public safety officer.

(4) The taxpayer remains employed full-time in a qualifying public safety officer position when claiming the tax credit.

(5) The taxpayer remains a resident of Iowa when claiming the tax credit.

c. *Maximum tax credit.* The maximum allowable tax credit shall not exceed \$2,000 per move.

800.56(4) *Claiming the tax credit.*

a. *Filing a claim with the department.* The tax credit will be calculated and claimed on Form IA 176. The taxpayer shall submit the form with the taxpayer's Iowa tax return for the tax year in which the tax credit is claimed.

b. *When to claim the credit.*

(1) For eligible expenses paid or incurred by the taxpayer before beginning full-time qualifying employment or in the same year such employment begins, the credit shall be claimed in the tax year the full-time qualifying employment begins.

EXAMPLE: X, a resident of Illinois, accepts a position as a parole officer in Iowa. X moves to Iowa, establishes Iowa residency, and incurs moving expenses late in tax year 2025 but does not begin X's job as a parole officer until tax year 2026. Because X incurred the costs of X's move in the year before X began full-time employment as a public safety officer, X will claim the tax credit in tax year 2026, the year X began full-time employment.

(2) For eligible expenses paid or incurred by the taxpayer after the tax year full-time qualifying employment begins, the credit shall be claimed in the tax year such expenses are incurred.

EXAMPLE: Y, a resident of Nebraska, accepts a position as a sheriff's deputy in Iowa. Y begins working full-time as a sheriff's deputy in November of tax year 2025, but due to Y's proximity to Y's new employment, Y does not move to Iowa, establish Iowa residency, and incur moving expenses until early the next tax year, in February of tax year 2026. Because Y did not incur moving expenses until the tax year after Y began full-time employment as a public safety officer, Y may claim the tax credit in tax year 2026.

c. Tax credit in excess of tax liability. Any credit in excess of the taxpayer's tax liability is refundable. In lieu of claiming the refund, the taxpayer may elect to have the excess credited to the taxpayer's estimated tax for the following year in the same manner and under the same conditions as an overpayment of tax.

d. Transferability. The credit shall not be transferred to any other person.

This rule is intended to implement Iowa Code section 422.12P.