

REVENUE DEPARTMENT[701]

Regulatory Analysis

Notice of Intended Action to be published: 701—Chapter 301
“Filing Return and Payment of Tax”

Iowa Code section(s) or chapter(s) authorizing rulemaking: 422.13, 422.16, 422.17, 422.21, 422.24, and 422.25

State or federal law(s) implemented by the rulemaking: 422.3, 422.5, 422.12, 422.13, 422.16, 422.17, 422.21, 422.24, 422.25, and 422.73

Public Hearing

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

November 18, 2026
9 to 10 a.m.

Via videoconference call:
meet.google.com/sbm-ihix-ere

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:

Kurt J. Konek
Department of Revenue
Hoover State Office Building
P.O. Box 10457
Des Moines, Iowa 50306-3457
Phone: 515.587.0440
Email: kurt.konek@iowa.gov

Purpose and Summary

The purpose of this proposed rulemaking is to rescind and readopt Chapter 301. Chapter 301 provides the rules pertaining to the filing of returns and payment of income tax. After review, the Department determined the rules aid the public’s understanding of this topic and provide guidance on how to comply with all types of income tax obligations. The Department proposes a revised chapter with more concise language in order to provide better organization and clarification and to remove portions of the rules that the Department determined unnecessary, obsolete, and duplicative of statutory language.

Analysis of Impact

1. Persons affected by the proposed rulemaking:

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

There are no costs to the proposed rulemaking beyond those that are imposed by the underlying statutes.

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

The public will benefit from the proposed rulemaking because revising or rescinding rules on the administration of income tax under Chapter 301 will provide enhanced accessibility to those rules and reduce confusion related to income tax.

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:**

There are no significant quantitative impacts known to be associated with these rules.

- **Qualitative description of impact:**

The proposed rulemaking will reduce uncertainty about administrative rules and provide clarity by ensuring the language is concise, is necessary, and avoids restrictive language or language duplicative of statute.

3. Costs to the State:

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

There are no costs to the Department to implement the proposed rulemaking beyond what would otherwise be required to administer the underlying statutes.

- **Anticipated effect on State revenues:**

There is no anticipated effect on State revenues, although the revision of repromulgated rules and the elimination of other rules that are no longer necessary or are obsolete will provide clarity to the public.

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

There is no benefit to retaining the rules that the Department has determined to rescind. The cost of inaction of updating the remaining rules would lead to confusion and frustration. The benefits of this proposed rulemaking are to eliminate unnecessary and obsolete language and rules and to make it easier for the public and tax preparers to find guidance from the Department's rules.

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

No less costly or less intrusive methods have been identified.

6. Alternative methods considered by the agency:

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

The Department considered rescinding any and all of the rules under this chapter but determined that the proposed rulemaking was necessary to retain and revise some rules to provide guidance and clarification to the public beyond what is provided in the underlying statutes.

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

The Department determined that retention of some of the rules will reduce confusion about those rules. Proceeding without these rules could negatively impact the public by complicating good-faith taxpayers' ability to comply with Iowa tax law in a proper and timely manner.

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 proposed rulemaking does not have a substantial impact on small business and does not impose any additional requirements on business, other than what is imposed by the underlying statutes.

Text of Proposed Rulemaking

ITEM 1. Rescind 701—Chapter 301 and adopt the following new chapter in lieu thereof:

CHAPTER 301
FILING RETURN AND PAYMENT OF TAX

701—301.1(422) Who must file.

301.1(1) *Residents of Iowa.* Except as provided in Iowa Code sections 422.5 and 422.13, every resident of Iowa with taxable income is required to file an Iowa return.

301.1(2) *Nonresidents and part year residents of Iowa.* Except as provided in Iowa Code sections 422.5 and 422.13, every nonresident or part year resident of Iowa with taxable income of \$1,000 or more from Iowa sources is required to file an Iowa return.

301.1(3) *Net income calculation.* The portion of a lump sum distribution subject to separate federal tax, the federal standard deduction, or itemized deductions to the extent it does not exceed federal adjusted gross income, the personal exemption allowed for federal purposes, the qualified business income deduction allowed for federal purposes, and any net operating loss carryover taken for federal purposes is included in net income to determine if a person must file a return.

301.1(4) *Incapacity to file a return.* If a taxpayer is physically or mentally unable to make a return, the return shall be made by a duly authorized agent, guardian or other person charged with the care of the person or property of such taxpayer. A power of attorney must accompany a return made by an agent or guardian.

301.1(5) *Minimum income requirement.* Iowa Code section 422.7 provides the computation of net income to determine whether a taxpayer meets the minimum filing requirements described in subrules 301.1(1) and 301.1(2). 701—Chapter 302 contains more information.

301.1(6) *Returns filed for refund.* A taxpayer whose Iowa source net income or all source net income is less than the amount for which the filing of an Iowa individual income tax return is required must file a return to receive a refund of Iowa income tax withheld or Iowa estimated tax paid in the tax year or to receive a refund from an Iowa refundable tax credit.

This rule is intended to implement Iowa Code sections 422.5 and 422.13.

701—301.2(422) Time and place for filing.

301.2(1) *Returns of individuals.* A return of income must be filed on or before the due date. The due date is the last day of the fourth month following the close of the taxpayer's taxable year, whether the return be made on the basis of the calendar year or fiscal year, or the last day of the period covered by an extension of time granted by the department. Iowa Code section 421.9A contains information on due dates that fall on a Saturday, Sunday, or holiday. If a return is placed in the mail, properly addressed and postage paid on or before the due date for filing, no penalty will attach should the return not be received until after that date. Mailed returns should be addressed as provided in the form instructions.

301.2(2) *Extension of time for returns.*

a. Good cause extension. Taxpayers required to file individual income returns on or before the due date of the return with payment in full. However, in any instance where the taxpayer is unable

to file the return by the due date because of illness or death in the taxpayer's immediate family, unavoidable absence of the taxpayer, or other legitimate reason, the director may grant an extension of time to file the return.

b. Ninety percent paid extension. If the taxpayer has paid at least 90 percent of the tax due by the due date and has not filed a return by the due date, the director will consider that the taxpayer has requested an extension of time to file the return and will automatically grant an extension of up to six months. If the taxpayer wants to make a tax payment to ensure that at least 90 percent of the tax has been paid on or before the due date, the payment should be made via GovConnectIowa or mailed as provided in the instructions.

(1) To determine whether or not at least 90 percent of the tax was paid on or before the due date, the aggregate amount of tax credits applicable on the return plus the tax payments made on or before the due date are divided by the tax due on the return. The tax due on the return is the sum of the income tax, lump-sum tax, minimum tax, school district income surtax, and emergency medical services income surtax. The tax credits applicable are the credits set out in Iowa Code chapter 422, subchapter II, and section 422.111. The tax payments to be considered for purposes of determining whether 90 percent of the tax was paid are the withholding tax payments, estimated payments, and any other payments made by the taxpayer for Iowa individual income tax for the applicable tax year.

(2) If the aggregate of the tax credits and the tax payments are equal to or greater than 90 percent of the tax shown due, the taxpayer will have met the "90 percent" test and no penalty will be assessed. However, the taxpayer will still be subject to statutory interest on any tax due when the return is filed.

(3) Any tax elections will be considered to be valid in instances when the return is filed within the six-month extended period after the due date.

c. Extensions for taxpayers with tax homes outside the United States and Puerto Rico. Taxpayers with tax homes outside the United States and Puerto Rico may, in some situations, be granted additional time to file their federal income tax returns beyond the six-month period after the federal due date. In some cases, this additional time is needed to meet residency time minimums in a foreign country so the taxpayer will be eligible for the foreign income exclusion that is also applicable to filing Iowa income tax returns. In cases where the taxpayer's tax home is outside the United States and the taxpayer has been granted additional time to file the federal income tax return which is greater than six months from the due date, the taxpayer will be deemed to have the same additional time to file the Iowa return and not be subject to penalty for late filing if 90 percent of the tax shown due on the return was paid by the original due date. Taxpayers with tax elections filing returns under these circumstances will be considered to have made these elections timely. However, the taxpayers should attach to their Iowa return documentation showing they were granted additional time after the six-month period from the due date to file their federal returns.

This rule is intended to implement Iowa Code sections 422.21 and 422.25.

701—301.3(422) Form for filing.

301.3(1) *Use of and completeness of prescribed forms.* Returns shall be made by residents and nonresidents on forms supplied by the department. Each question shall be answered and each direction complied with in the same manner as if the forms and instructions were embodied in these regulations. A return not signed by the taxpayer or the taxpayer's agent or guardian is not valid. Failure to receive the proper form does not relieve the taxpayer from the obligation of making any return pursuant to statute.

301.3(2) *Copy of federal income tax return to be filed by nonresident.* Nonresident taxpayers must file a copy of their federal income tax return for the current tax year with their Iowa income tax return. The copy shall include full and complete copies of all schedules that were filed with the federal return.

301.3(3) *Amended returns.* If it becomes known to a taxpayer that the amount of income reported to be federal net income or Iowa taxable income was erroneously stated on the Iowa return,

or changed by an Internal Revenue Service audit, or otherwise, the taxpayer shall file an amended Iowa return along with supporting schedules, to include the amended federal return if applicable.

This rule is intended to implement Iowa Code sections 421.17, 422.13 and 422.21.

701—301.4(422) Filing status. Taxpayers must use the same filing status for Iowa income tax purposes as the taxpayer used for federal income tax purposes for the same tax period.

This rule is intended to implement Iowa Code section 422.12.

701—301.5(422) Payment of tax.

301.5(1) *Balance of tax due.* If the computation on the tax return shows tax due, it shall be paid in full by the due date of the return, not including extensions.

301.5(2) *Payment of tax by uncertified checks.* The department will accept uncertified checks in payment of income taxes, provided the checks are collectible for their full amount without any deduction for exchange or other charges. The date on which the department receives the check will be considered the date of payment unless the check is returned dishonored. If one check is remitted to cover two or more individuals' taxes, the remittance must be accompanied by a letter of transmittal stating:

- a.* The name of the drawer of the check;
- b.* The amount of the check;
- c.* The amount of any cash, money order or other instrument included in the same remittance;
- d.* The name of each individual whose tax is to be paid by the remittance; and
- e.* The amount of payment on account of each individual.

301.5(3) *Procedure with respect to dishonored checks.* If any check is returned unpaid, all expenses incidental to the collection thereof will be charged to the taxpayer. If any taxpayer whose check has been returned by the depository bank uncollected should fail at once to make that check good, the director will proceed to collect the tax as though no check has been given. A taxpayer who tenders a certified check in payment for taxes is not relieved from obligation until the check has been paid.

This rule is intended to implement Iowa Code sections 422.5, 422.16, 422.17, 422.21, 422.24, and 422.25.

701—301.6(422) Tax on lump sum distributions. Iowa Code section 422.5 provides that in addition to the tax computed on the taxable income, a tax is imposed on the amount of a lump sum distribution for which the taxpayer has elected under Section 402(e) of the Internal Revenue Code (IRC) to be separately taxed for federal income tax purposes for the tax year. The rate of this tax is 25 percent of the separate federal tax imposed on the amount of the lump sum distribution. The tax on lump sum distributions does not apply if the distribution is received by a person who qualifies under Iowa Code section 422.5(7) "b."

This rule is intended to implement Iowa Code section 422.5.

701—301.7(422) State income tax limited to taxpayer's net worth immediately before a distressed sale.

301.7(1) Taxpayers whose net incomes include gains or losses from distressed sales may limit their state income tax liabilities for the tax years in which the distressed sales occurred to their net worths immediately before the distressed sales. The state income tax liability of a taxpayer is the aggregate of the taxpayer's income tax plus the taxpayer's lump sum tax. For purposes of this provision, a distressed sale is the forfeiture of an installment real estate contract, the transfer of real or personal property securing a debt to a creditor in cancellation of that debt, or the sale or exchange of property as a result of actual notice of foreclosure. Proof of forfeiture of the installment real estate contract, proof of transfer of property to a creditor in cancellation of a debt, or a copy of the notice of foreclosure will constitute documentation of the distressed sale and must be made a part of the return.

A copy of the balance sheet showing the taxpayer's net worth immediately before the distressed sale must also be provided with the return.

301.7(2) The balance sheet supporting the taxpayer's net worth must include the taxpayer's personal assets and liabilities as well as the assets of the taxpayer's farm or other business. In the case of married taxpayers, except in the case of spouses who lived apart at all times during the tax year, the assets and liabilities of both spouses must be considered in determining the taxpayers' net worth immediately before a distressed sale.

This rule is intended to implement Iowa Code section 422.5.

701—301.8(422) Special tax computation for all low-income taxpayers except single taxpayers.

301.8(1) *General.* A special tax computation is available for determining the state income tax liability for all low-income taxpayers, except single taxpayers. Under this provision, the taxpayer multiplies the net income for the tax year in excess of \$13,500 by 4.3 percent. The tax amount computed by this procedure is then compared to the tax amount on the individual's taxable income. The taxpayer is subject to the lesser of the two tax amounts.

a. In the case of married taxpayers electing to file separate returns, the incomes of both spouses must be considered for purposes of determining the tax liability from the special tax computation. The tax liability calculated from the special tax computation is allocated between the spouses in the ratio of each spouse's net income to the combined net income of both spouses.

b. The special tax computation for low-income taxpayers is not available if the taxpayer is required to annualize the taxpayer's income.

301.8(2) *Special tax computation for taxpayers who are age 65 or older.* A special tax computation is available for determining the state income tax liability for certain taxpayers, except single taxpayers described in rule 701—301.4(422), who are 65 years of age or older. For married persons filing jointly, filing separately on a combined return or filing separate returns, only one spouse is required to be 65 years of age or older on December 31 of the tax year. Under this provision, the taxpayer multiplies the net income for the tax year in excess of \$32,000 by 3.8 percent the maximum individual income tax rate. The tax amount computed by this procedure is then compared to the tax amount on the individual's taxable income from the tax tables or the tax-rate schedule. The taxpayer is subject to the lesser of the two tax amounts. In the case of married taxpayers electing to file separate returns or separately on the combined return, the incomes of both spouses must be considered for purposes of determining the tax liability from the special tax computation. The tax liability calculated from the special tax computation is allocated between the spouses in the ratio of each spouse's net income to the combined net income of both spouses.

The special tax computation for low-income taxpayers is not available to married taxpayers filing separate state returns or to married taxpayers filing separately on the combined return form in instances when one of the spouses has a net operating loss described in Iowa Code section 422.9(3), and the spouse elects to carry back or carry forward the net operating loss. Also, the special tax computation for low-income taxpayers is not available if the taxpayer is required to annualize the taxpayer's income.

This rule is intended to implement Iowa Code section 422.5.

701—301.9(422) Election to report excess income from sale or exchange of livestock due to drought in the next tax year. This election is available only to a taxpayer on the cash receipts and disbursements method of accounting whose principal trade or business is farming as described in IRC Section 6420(c)(3). For purposes of this rule, the election applies to all livestock held for sale or exchange, whether raised or purchased for resale. This election also applies to livestock used for draft, breeding, dairy, or sporting purposes that were held less than two years in the case of cattle and horses and less than one year in the case of other livestock. For purposes of this election, livestock does not include poultry.

The area in which the livestock was sold or exchanged must have been declared a disaster area due to drought. However, the sale or exchange can take place before or after the area is declared a disaster

area as long as the same disaster (the drought) caused the livestock sale. In order for the election to report excess income in the following tax year to be valid, the election must be made by the due date of the return, including extensions. Additional information about computing the excess income as well as information needed on the statement for making the election is described in Treas. Reg. Section 1.451-7.

This rule is intended to implement Iowa Code section 422.5.

701—301.10(422) Forgiveness of tax for an individual whose federal income tax was forgiven because the individual was killed outside the United States due to military or terroristic action.

An individual's Iowa income tax is forgiven if the person's federal income tax was forgiven because the individual was killed in a combat zone, was missing in action and presumed dead, or was killed outside the United States due to terrorist or military action while the person was a military or civilian employee of the United States.

301.10(1) The Iowa income tax is forgiven on the return for the tax year in which the individual was killed or was missing and was presumed dead and is forgiven on the return for the tax year prior to the year of death. In a situation where the person that was killed was married at the time of death, no tax will be due on the return filed for the year of death if a joint state return is filed for that tax year. In the case of the return for the tax year prior to the year of death for the person killed in military or terrorist action, all the tax will be forgiven on the return if the person was married at the time of death and a joint state return or a married filing separate state return was filed for this prior year.

301.10(2) When a state income tax return or claim for refund is filed for forgiveness of tax for an individual who was killed in military or terrorist action, a statement should be included with the return "Forgiveness of Tax—Killed in Military Action" or "Forgiveness of Tax—Killed in Terrorist Action" depending on how the individual was killed. In addition, a copy of the death certificate, or other evidence of the person's death or evidence establishing that the individual is missing in action and presumed dead, should be attached to the claim for refund or the tax return. A refund claim for forgiveness of tax will be honored only if the claim is made within the statute of limitations for refund provided in Iowa Code section 422.73(2).

This rule is intended to implement Iowa Code sections 422.5 and 422.73.

701—301.11(422) Tax benefits for persons in the armed forces deployed outside the United States and for certain other persons serving in support of those forces.

301.11(1) Extension of deadlines.

a. Extension of certain deadlines for certain military personnel.

(1) The time period to file state income tax returns and to perform certain other acts related to the department, as defined in paragraph 301.11(1) "e," is extended for persons in the armed forces who:

1. Serve in an area designated by the President or the Congress as a combat zone.
2. Serve in an area designated by the President or the Congress as a qualified hazardous duty area.
3. Were deployed outside the United States in an operation designated by the Secretary of Defense as a contingency operation as defined in 10 U.S.C. §101(a)(13) or that became a contingency operation by the operation of law.

(2) The additional time to file returns and perform other acts related to the department described in this subrule is available to all active duty military service members in the armed forces, all armed forces military reservists, and all national guard personnel who are deployed outside the United States. These armed forces, armed forces reserve and national guard personnel do not need to be deployed outside the United States in a combat zone, qualified hazardous duty area, or contingency operation to be allowed the additional time to file Iowa returns and perform other acts related to the department.

b. Extension applicable to certain civilians. Those persons who were serving in support of armed forces personnel in a combat zone or those persons who were serving in support of armed forces personnel in a qualified hazardous duty area are also eligible for the extension of the time period to file state income tax returns and to perform certain other acts related to the department.

Persons eligible under this provision include certain civilians who were working in a combat zone and directly supporting military operations. Iowa allows this extension for those civilians who qualify for a federal extension under IRC Section 7508(a). Examples of civilians who may be eligible are members of the Red Cross and contractors or civilian employees who worked in a combat zone.

c. Extension applicable to spouses of eligible individuals. The additional time period for filing returns and performing other acts applies to the spouse of a person who was in the combat zone, was in the qualified hazardous duty area, or was serving in support of persons in the combat zone or the hazardous duty area to the extent the spouse files jointly or separately on the combined return with the person who was in the combat zone or the hazardous duty area, or when the spouse is a party with the person who was serving in support of persons in the combat zone or hazardous duty area to any tax matter with the department for which the additional time period is allowed.

d. Length of the extension period. Eligible individuals are given the same additional time period to file state income tax returns and perform other acts related to the department as would constitute timely filing of returns or timely performance of other acts as described in IRC Section 7508(a). The additional time period for filing state returns and performing other acts is 180 days after the person leaves the combat zone or hazardous duty area or ceases to participate in the contingency operation. However, a person who was hospitalized because of illness or injury in the combat zone or hazardous duty area has up to five years to file returns or perform certain acts with this department after leaving the combat zone or hazardous duty area.

e. Other acts related to the department defined. “Other acts related to the department” includes filing claims for refund for any type of tax administered by the department, making tax payments other than withholding payments, filing appeals on tax matters, filing returns for taxes other than income tax, and performing other acts such as making timely contributions to individual retirement accounts.

301.11(2) Application for the extension. In order to claim the extension described in subrule 301.11(1), eligible taxpayers should notify the department of their eligibility by sending the information listed below in writing.

a. Contents of the notification. The notification sent to the department should include:

- (1) The taxpayer’s name and spouse’s name, if applicable.
- (2) The taxpayer’s stateside address and spouse’s address, if applicable.
- (3) The taxpayer’s date of birth and spouse’s date of birth, if applicable.
- (4) The date the taxpayer was deployed to the combat zone or other qualifying area.
- (5) For military personnel, an official document that indicates the taxpayer’s area of operation.
- (6) For qualifying civilians, a letter of authorization or similar letter from the taxpayer’s employer or a letter from the military stating that the taxpayer served in a “tax-free zone” or “Combat Zone Tax Exclusion Area (CZTE).”

b. Who may submit the notification of eligibility for the extension. The notification of eligibility to the department may be submitted by the taxpayer, the taxpayer’s spouse, or an authorized agent or representative of the taxpayer.

This rule is intended to implement Iowa Code sections 422.3 and 422.21.

701—301.12(257,422) School district surtax. Iowa law provides for the implementation of an income surtax for increasing local school district budgets. The surtax must be approved by the voters of a school district in a special election or by a resolution of the board of directors of a school district. The surtax rate is determined by the department of management on the basis of the revenue to be raised by the surtax for the particular school district with the surtax.

301.12(1) Imposing the school district surtax. The school district surtax is imposed on the income tax liabilities of all taxpayers residing in the school district on the last day of the taxpayers’ tax years. For purposes of the school district surtax, income tax liability is the tax computed under Iowa Code section 422.5, less the nonrefundable credits against computed tax that are authorized in Iowa Code chapter 422, subchapter II.

301.12(2) *Residing in a school district.*

a. Death of a taxpayer. In a situation where an individual is residing in a school district with a surtax and the individual dies during the tax year, the individual will be considered to be subject to the surtax since the individual was residing in the school district on the last day of the individual's tax year.

b. Taxpayer serving in the armed forces. An individual serving in the armed forces of the United States who maintains permanent residence in an Iowa school district with a surtax is subject to the surtax regardless of whether the individual is physically residing in the school district on the last day of the tax year. A person who is present in the school district on the last day of the tax year on a temporary basis due to annual leave or in transit between duty stations is not subject to the surtax.

This rule is intended to implement Iowa Code sections 257.21, 257.29, and 422.15.

701—301.13(422D) Emergency medical services income surtax. A county board of supervisors may offer for voter approval a local option income surtax, an ad valorem property tax, or a combination of the two taxes to generate revenues for emergency medical services.

301.13(1) *Tax years applicable.* If a majority of those voting in the election approve the emergency medical services income surtax, the income surtax will be imposed for tax years beginning on or after January 1 following the date the ordinance is filed with the director. When the emergency medical income surtax is repealed pursuant to Iowa Code section 422D.1(5), the income surtax is repealed as of December 31 for tax years beginning on or after that date. If the emergency medical income surtax is repealed by election, it is repealed for tax years beginning on or after the date of the election.

301.13(2) *The rate of the income surtax imposed for emergency medical services.* The board of supervisors will set the rate of tax to be imposed, which can be expressed in tenths of 1 percent or hundredths of 1 percent but cannot exceed 1 percent. The cumulative total of the percents of income surtax imposed on any taxpayer in the county cannot exceed 20 percent. If a school district income surtax and emergency medical income surtax are approved on or about the same date and the cumulative total of the income surtaxes is greater than 20 percent, the income surtax approved on the earlier of the two dates will be allowed at the rate approved and the second income surtax approved will be limited accordingly so that the cumulative rate will not exceed 20 percent. If a school district income surtax and an emergency medical income surtax are approved on the same date with a proposed cumulative rate that exceeds 20 percent, each of the surtaxes will be reduced equally so that the cumulative surtax rate will not exceed 20 percent.

301.13(3) *Imposing the emergency medical income surtax.* The emergency medical income surtax will be imposed on the state income tax liability on each individual residing in the county at the end of the individual's tax year. For purposes of the emergency medical income surtax, an individual's income tax liability is the aggregate of the state income taxes determined in Iowa Code section 422.5 less the nonrefundable credits against computed income tax that are authorized in Iowa Code chapter 422, subchapter II.

This rule is intended to implement Iowa Code chapter 422D.