

REVENUE DEPARTMENT[701]

Regulatory Analysis

Notice of Intended Action to be published: 701—Chapter 601
“Filing Returns”

Iowa Code section(s) or chapter(s) authorizing rulemaking: 422.62, 422.63, and 422.66

State or federal law(s) implemented by the rulemaking: Iowa Code sections 422.24, 422.60, 422.61, 422.62, 422.66, 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:

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Purpose and Summary

The purpose of this proposed rulemaking is to rescind and readopt Chapter 601. Chapter 601 provides the rules pertaining to the filing requirements of franchise tax. These rules are intended to help taxpayers comply and members of the public understand who must file franchise tax returns. Chapter 601 contains rules the Department has determined are either unnecessary, obsolete, or duplicative of statutory language and could be rescinded. The Department determined that some rules were duplicative of existing statutory language, and that some of the chapters governing separate areas of income tax were duplicative of each other, and could be combined into one uniform chapter for the administration of all income tax types under 701—Chapter 300.

The Department proposes updates to these rules in order to provide better organization and clarification and to remove unnecessary, obsolete, and duplicative statutory language. The Department has also determined the rules in this chapter that aid the public in understanding the qualifications and process in order to claim tax credits against franchise tax to be useful and will be proposed under 701—Chapter 800.

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 updating the rules on the administration of franchise tax provides easier accessibility to those rules and reduces confusion related to franchise 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 this rulemaking.

- **Qualitative description of impact:**

The proposed rulemaking will reduce uncertainty about which administrative rules apply to franchise tax because the rules will all be amended to include only those rules necessary for such administration not found in the Iowa Code.

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 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, subrules, and other language changed or rescinded under this chapter. Not updating the rules in the proposed rulemaking would lead to confusion and frustration. The benefits to the proposed rulemaking are to eliminate unnecessary and obsolete language and rules and to make it easier for taxpayers to navigate administrative rules generally.

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 all of the rules in this chapter but determined that the proposed rulemaking was necessary 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 rules in the proposed rulemaking with the proposed updates will reduce confusion about the subjects of 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 businesses other than what is imposed by the underlying statutes.

Text of Proposed Rulemaking

ITEM 1. Rescind 701—Chapter 601 and adopt the following new chapter in lieu thereof:

CHAPTER 601
FILING RETURNS

701—601.1(422) Who must file. Every financial institution as defined in Iowa Code section 422.61, regardless of net income, shall file a complete return of its income or loss for the taxable period. The return shall be signed by the president or other duly authorized officer.

601.1(1) *Income tax of financial institutions in liquidation.* When a financial institution is in the process of liquidation, or in the hands of a receiver, the franchise tax returns must be made under oath or affirmation of the persons responsible for the conduct of the affairs of such financial institutions and must be filed at the same time and in the same manner as required of other financial institutions.

601.1(2) *Franchise tax returns for financial institutions dissolved.*

a. Financial institutions that have been dissolved during the tax year must file franchise tax returns for the period prior to dissolution that has not already been covered by previous returns. Officers and directors are responsible for the filing of the returns and for the payment of taxes, if any, for the audit period provided by law.

b. Where a financial institution dissolves and disposes of its assets without making provision for the payment of its accrued Iowa franchise tax, liability for the tax follows the assets so distributed and upon failure to secure the unpaid amount, suit to collect the tax may be instituted against the stockholders and other persons receiving the property, to the extent of the property received, except bona fide purchasers or others as provided by law.

This rule is intended to implement Iowa Code sections 422.60 and 422.61.

701—601.2(422) Time and place for filing return.

601.2(1) *Returns of financial institutions.* A return of income for all financial institutions must be filed on or before the delinquency date. Iowa Code section 421.9A contains additional 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 in ample time to reach the department on or before the delinquency date for filing, no penalty will attach should the return not be received until after that date.

601.2(2) *Short period returns.* Where under a provision of the Internal Revenue Code, a financial institution is required to file a tax return for a period of less than 12 months, a short period Iowa franchise tax return must be filed for the same period. The delinquency date for the short period return is 45 days after the federal due date, not considering any federal extension of time to file.

This rule is intended to implement Iowa Code sections 422.24, 422.62, and 422.66.

701—601.3(422) Form for filing.

601.3(1) *Use and completeness of prescribed forms.*

a. Returns shall be made by financial institutions 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 rules.

b. Returns received that are not completed but merely state “see schedule attached” are not valid. This may result in the imposition of penalties and interest due to the return being filed after the due date.

601.3(2) *Form for filing—financial institutions.*

a. Financial institutions as defined by Iowa Code section 422.61(1) shall include a complete copy of their federal income tax return, including all applicable schedules as filed with the Internal Revenue Service, with the filing of their Iowa return.

b. When a financial institution whose income is included in a consolidated federal income tax return files an Iowa return, federal consolidating income statements as properly computed for federal income tax purposes showing the income and expenses of each member of the consolidated group are required together with any additional schedules required by the return instructions.

601.3(3) *Amended returns.* If the amount of income reported to be federal net income or Iowa taxable income subject to franchise tax was erroneously stated on the Iowa return, or changed by Internal Revenue Service audit, or otherwise, the taxpayer shall file an amended Iowa return along with supporting schedules, to include the amended federal return and a copy of the federal revenue agent’s report, if applicable.

This rule is intended to implement Iowa Code sections 422.62, 422.66 and 422.73.