

701—602.32(422) COVID-19 grant exclusion.

602.32(1) Definitions. For purposes of this rule:

“*Administering agency*” means the economic development authority, the Iowa finance authority, or the department of agriculture and land stewardship.

“*Grant recipient*” means a person who applies for and is issued a qualifying COVID-19 grant by an administering agency.

“*Issued*” means the approval of the grant recipient’s application and amount for a qualifying COVID-19 grant by an administering agency, regardless of when the grant funds were paid by the administering agency.

602.32(2) Qualifying COVID-19 grant programs.

a. The department is responsible for determining whether a grant program provides “qualifying COVID-19 grants” as defined in Iowa Code section 422.7(62) as amended by 2021 Iowa Acts, Senate File 619, section 5. In making this determination, and for purposes of the definition of “qualifying COVID-19 grant,” a grant program is “created to primarily provide COVID-19 related financial assistance to economically impacted individuals and businesses located in this state” if that grant program, at the time of its inception, was intended by the administering agency to provide a majority (more than 50 percent) of its financial assistance to or for the benefit of businesses that are doing business in Iowa or are deriving income from sources within Iowa, and that are economically affected by the COVID-19 pandemic.

b. The administering agency shall notify the director of the existence of any grant program it believes may be a qualifying COVID-19 grant program. Upon such notification, the department will request from the administering agency the information necessary to determine whether that program is a qualifying COVID-19 grant as defined in Iowa Code section 422.7(62) as amended by 2021 Iowa Acts, Senate File 619, section 5, and this rule. The administering agency shall provide the department with the requested information within the time frame prescribed by the department in its request. Failure to provide the requested information to the department shall prevent the department from determining that the grant program is a qualifying COVID-19 grant. Grant programs not specifically listed below in paragraph 602.32(2) “c” are not qualifying COVID-19 grants and are not eligible for the exclusion provided in this rule, even if that program may otherwise meet the definition of “qualifying COVID-19 grant” in Iowa Code section 422.7(62) as amended by 2021 Iowa Acts, Senate File 619, section 5.

c. For an exhaustive list of programs that have been identified by the department as qualifying COVID-19 grants, including a general description of each program’s grant recipients, that may qualify for the exclusion from Iowa net income under subrule 602.32(3), see 701—paragraph 502.30(2) “c.”

602.32(3) Excluding qualifying COVID-19 grants from Iowa net income.

a. *Generally.* A grant recipient may subtract a qualifying COVID-19 grant when calculating Iowa net income if all of the following apply:

(1) The grant was issued as part of a qualifying COVID-19 grant program identified in 701—paragraph 502.30(2) “c.”

(2) The grant was issued on or after March 17, 2020, and on or before December 31, 2021.

(3) The grant funds were included in the grant recipient’s net income for a tax year ending on or after March 17, 2020, but beginning before January 1, 2024. The grant may only be subtracted to the extent it is included in the grant recipient’s net income for that qualifying tax year. A qualifying COVID-19 grant that is exempt from federal income tax, and thus not included in the grant recipient’s Iowa net income, does not qualify for an additional subtraction on the grant recipient’s Iowa return.

b. *Third-party payee of grant funds.* A third-party payee of qualifying COVID-19 grant funds is not eligible for this exemption from Iowa income. If the proceeds of a qualifying COVID-19 grant are paid to someone other than the grant recipient, only the grant recipient on whose behalf the grant proceeds were paid may qualify for this exemption from Iowa income.

c. *Repayment.* Grant funds that were repaid to the administering agency for any reason are not eligible for this exemption from Iowa income.

d. *Reporting requirements.* A grant recipient who received qualifying COVID-19 grant funds and who excludes those funds when calculating Iowa net income should retain documentation to support the

claimed exclusion. A grant recipient must provide such documentation to the department if requested. The required documentation may include, but is not limited to, documentation to support that the grant recipient was issued and received the grant within the qualifying periods.

This rule is intended to implement Iowa Code section 422.7(62) as amended by 2021 Iowa Acts, Senate File 619, section 5.

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