

Senate Amendment to
House File 2641

H-8319

1 Amend House File 2641, as amended, passed, and reprinted by
2 the House, as follows:

3 1. By striking everything after the enacting clause and
4 inserting:

5 <DIVISION I

6 DEPARTMENT OF REVENUE ADMINISTRATION AND PENALTY PROVISIONS

7 Section 1. Section 421.6, Code 2020, is amended to read as
8 follows:

9 **421.6 Definition of return.**

10 For purposes of **this title**, unless the context otherwise
11 requires, "return" means any tax or information return, amended
12 return, declaration of estimated tax, or claim for refund
13 that is required by, provided for, or permitted under, the
14 provisions of **this title** or section 533.329, and which is filed
15 with the department by, on behalf of, or with respect to any
16 person. "Return" includes any amendment or supplement to these
17 items, including supporting schedules, attachments, or lists
18 which are supplemental to or part of the filed return.

19 Sec. 2. Section 421.17, Code 2020, is amended by adding the
20 following new subsection:

21 NEW SUBSECTION. 36. To enter into an agreement pursuant
22 to chapter 28E with the state fair organized under chapter 173
23 or with a fair defined in section 174.1, to collect and remit
24 taxes and fees from sellers making sales at retail on property
25 owned, controlled, or operated by a fair or through events
26 conducted by a fair.

27 Sec. 3. Section 421.27, subsection 1, Code 2020, is amended
28 to read as follows:

29 1. *Failure to timely file a return or deposit form.*

30 a. If a person fails to file with the department on or
31 before the due date a return or deposit form there shall be
32 added to the tax shown due or required to be shown due a penalty
33 of ten percent of the tax shown due or required to be shown due.

34 b. In the case of a specified business with no tax shown
35 due or required to be shown due that fails to timely file an

1 income return, the specified business shall pay the greater of
2 the following penalty amounts:

3 (1) Two hundred dollars.

4 (2) An amount equal to ten percent of the imputed Iowa
5 liability of the specified business, not to exceed twenty-five
6 thousand dollars.

7 c. The penalty, if assessed pursuant to paragraph "a" or
8 "b", shall be waived by the department upon a showing of any of
9 the following conditions:

10 ~~a.~~ (1) At An amount of tax greater than zero is required to
11 be shown due and at least ninety percent of the tax required to
12 be shown due has been paid by the due date of the tax.

13 ~~b.~~ (2) Those taxpayers who are required to file quarterly
14 returns, or monthly or semimonthly deposit forms may have one
15 late return or deposit form within a three-year period. The
16 use of any other penalty exception will not count as a late
17 return or deposit form for purposes of this exception.

18 ~~c.~~ (3) The death of a taxpayer, death of a member of
19 the immediate family of the taxpayer, or death of the person
20 directly responsible for filing the return and paying the tax,
21 when the death interferes with timely filing.

22 ~~d.~~ (4) The onset of serious, long-term illness or
23 hospitalization of the taxpayer, of a member of the immediate
24 family of the taxpayer, or of the person directly responsible
25 for filing the return and paying the tax.

26 ~~e.~~ (5) Destruction of records by fire, flood, or other act
27 of God.

28 ~~f.~~ (6) The taxpayer presents proof that the taxpayer
29 relied upon applicable, documented, written advice specifically
30 made to the taxpayer, to the taxpayer's preparer, or to an
31 association representative of the taxpayer from the department,
32 state department of transportation, county treasurer, or
33 federal internal revenue service, whichever is appropriate,
34 that has not been superseded by a court decision, ruling by a
35 quasi-judicial body, or the adoption, amendment, or repeal of

1 a rule or law.

2 ~~g.~~ (7) Reliance upon results in a previous audit was a
3 direct cause for the failure to file where the previous audit
4 expressly and clearly addressed the issue and the previous
5 audit results have not been superseded by a court decision, or
6 the adoption, amendment, or repeal of a rule or law.

7 ~~h.~~ (8) Under rules prescribed by the director, the taxpayer
8 presents documented proof of substantial authority to rely
9 upon a particular position or upon proof that all facts and
10 circumstances are disclosed on a return or deposit form.

11 ~~i.~~ (9) The return, deposit form, or payment is timely,
12 but erroneously, mailed with adequate postage to the internal
13 revenue service, another state agency, or a local government
14 agency and the taxpayer provides proof of timely mailing with
15 adequate postage.

16 ~~j.~~ (10) The tax has been paid by the wrong licensee and the
17 payments were timely remitted to the department for one or more
18 tax periods prior to notification by the department.

19 ~~k.~~ (11) The failure to file was discovered through a
20 sanctioned self-audit program conducted by the department.

21 ~~l.~~ (12) If the availability of funds in payment of tax
22 required to be made through electronic funds transfer is
23 delayed and the delay of availability is due to reasons beyond
24 the control of the taxpayer. "*Electronic funds transfer*" means
25 any transfer of funds, other than a transaction originated
26 by check, draft, or similar paper instrument, that is
27 initiated through an electronic terminal telephone, computer,
28 magnetic tape, or similar device for the purpose of ordering,
29 instructing, or authorizing a financial institution to debit or
30 credit an account.

31 ~~m.~~ (13) The failure to file a timely inheritance tax return
32 resulting solely from a disclaimer that required the personal
33 representative to file an inheritance tax return. The penalty
34 shall be waived if such return is filed and any tax due is paid
35 within the later of nine months from the date of death or sixty

1 days from the delivery or filing of the disclaimer pursuant to
2 section 633E.12.

3 ~~#~~ (14) That an Iowa inheritance tax return is filed for
4 an estate within the later of nine months from the date of
5 death or sixty days from the filing of a disclaimer by the
6 beneficiary of the estate refusing to take the property or
7 right or interest in the property.

8 Sec. 4. Section 421.27, subsections 4 and 6, Code 2020, are
9 amended to read as follows:

10 4. *Willful failure to file or deposit.*

11 a. (1) In case of willful failure to file a return
12 or deposit form with the intent to evade tax or a filing
13 requirement, or in case of willfully filing a false return
14 or deposit form with the intent to evade tax, in lieu of the
15 penalties otherwise provided in this section, a penalty of
16 seventy-five percent shall be added to the amount shown due or
17 required to be shown as tax on the return or deposit form.

18 (2) In case of a willful failure by a specified business to
19 file an income return with no tax shown due or required to be
20 shown due with intent to evade a filing requirement, or in case
21 of willfully filing a false income return with no tax shown due
22 or required to be shown due with the intent to evade reporting
23 of Iowa-source income, the penalty imposed shall be the greater
24 of the following amounts:

25 (a) One thousand five hundred dollars.

26 (b) An amount equal to seventy-five percent of the imputed
27 Iowa liability of the specified business.

28 (3) If penalties are applicable for failure to file a
29 return or deposit form and failure to pay the tax shown due or
30 required to be shown due on the return or deposit form, the
31 penalty provision for failure to file shall be in lieu of the
32 penalty provisions for failure to pay the tax shown due or
33 required to be shown due on the return or deposit form, except
34 in the case of willful failure to file a return or deposit form
35 or willfully filing a false return or deposit form with intent

1 to evade tax.

2 *b.* The penalties imposed under [this subsection](#) are not
3 subject to waiver.

4 6. ~~*Improper receipt of payments*~~ *Liability — fraudulent*
5 *practice.* A person who makes an erroneous application for
6 refund, credit, reimbursement, rebate, or other payment shall
7 be liable for any overpayment received or tax liability reduced
8 plus interest at the rate in effect under [section 421.7](#).

9 *a.* In addition, a person ~~who willfully~~ commits a fraudulent
10 practice and is liable for a penalty equal to seventy-five
11 percent of the refund, credit, exemption, reimbursement,
12 rebate, or other payment or benefit being claimed if the person
13 does any of the following:

14 (1) Willfully makes a false or frivolous application for
15 refund, credit, exemption, reimbursement, rebate, or other
16 payment or benefit with intent to evade tax or with intent to
17 receive a refund, credit, exemption, reimbursement, rebate,
18 or other payment or benefit, to which the person is not
19 entitled ~~is guilty of a fraudulent practice and is liable for a~~
20 ~~penalty equal to seventy-five percent of the refund, credit,~~
21 ~~reimbursement, rebate, or other payment being claimed.~~

22 (2) Willfully submits any false information, document,
23 or document containing false information in support of an
24 application for refund, credit, exemption, reimbursement,
25 rebate, or other payment or benefit with the intent to evade
26 tax.

27 (3) Willfully submits with any false information, document,
28 or document containing false information in support of an
29 application for refund with the intent to receive a refund,
30 credit, exemption, reimbursement, rebate, or other payment
31 benefit, to which the person is not entitled.

32 *b.* Payments, penalties, and interest due under this
33 subsection may be collected and enforced in the same manner as
34 the tax imposed.

35 Sec. 5. Section 421.27, Code 2020, is amended by adding the

1 following new subsections:

2 NEW SUBSECTION. 8. *Definitions.* As used in this section:

3 a. "*Imputed Iowa liability*" means any of the following:

4 (1) In the case of corporations other than corporations
5 described in section 422.34 or section 422.36, subsection 5,
6 the corporation's Iowa net income after the application of the
7 Iowa business activity ratio, if applicable, multiplied by the
8 top income tax rate imposed under section 422.33 for the tax
9 year.

10 (2) In the case of financial institutions as defined in
11 section 422.61, the financial institution's Iowa net income
12 after the application of the Iowa business activity ratio, if
13 applicable, multiplied by the franchise tax rate imposed under
14 section 422.63 for the tax year.

15 (3) In this case of all other entities, including
16 corporations described in section 422.36, subsection 5, and all
17 other entities required to file an information return under
18 section 422.15, subsection 2, the entity's Iowa net income
19 after the application of the Iowa business activity ratio, if
20 applicable, multiplied by the top income tax rate imposed under
21 section 422.5A for the tax year.

22 b. "*Income return*" means an income tax return or information
23 return required under section 422.15, subsection 2, or section
24 422.36, 422.37, or 422.62.

25 c. "*Specified business*" means a partnership or other entity
26 required to file an information return under section 422.15,
27 subsection 2, a corporation required to file a return under
28 section 422.36 or 422.37, or a financial institution required
29 to file a return under section 422.62.

30 NEW SUBSECTION. 9. *Additional penalty.* In addition to the
31 penalties imposed by this section, if a taxpayer fails to file
32 a return within ninety days of written notice by the department
33 that the taxpayer is required to do so, there shall be added to
34 the amount shown due or required to be shown due a penalty in
35 the amount of one thousand dollars.

1 Sec. 6. NEW SECTION. **421.27A Perjury.**

2 1. For purposes of this title, a form, application, or any
3 other documentation required or requested by the department
4 shall be required to be certified under penalty of perjury that
5 the information contained in the form, application, or other
6 documentation is true and correct.

7 2. A person commits a class "D" felony under any of the
8 following circumstances:

9 *a.* The person makes a form, application, or other document
10 containing false information in support of an application for
11 refund, credit, exemption, reimbursement, rebate, or other
12 payment or benefit with intent to evade tax.

13 *b.* The person makes a form, application, or other document
14 containing false information with intent to unlawfully receive
15 a refund, credit, exemption, reimbursement, rebate, or other
16 payment or benefit, to which the person is not entitled.

17 *c.* The person knowingly makes any false affidavit.

18 *d.* The person knowingly swears or affirms falsely to any
19 matter or thing required by the terms of this title to be sworn
20 to or affirmed.

21 Sec. 7. NEW SECTION. **421.59 Power of attorney — authority**
22 **to act on behalf of taxpayer.**

23 1. *a.* A taxpayer may authorize an individual to act on
24 behalf of the taxpayer by filing a power of attorney with the
25 department, on a form prescribed by the department.

26 *b.* A taxpayer may at any time revoke a power of attorney
27 filed with the department pursuant to subsection 1. Upon
28 processing of the taxpayer's revocation of a power of attorney,
29 the department shall cease honoring the power of attorney.

30 2. The department may authorize the following persons to act
31 and receive information on behalf of and exercise all of the
32 rights of a taxpayer, regardless of whether a power of attorney
33 has been filed pursuant to subsection 1:

34 *a.* A guardian, conservator, or custodian appointed by a
35 court, if a taxpayer has been deemed legally incompetent by a

1 court. The authority of the appointee to act on behalf of the
2 taxpayer shall be limited to the extent specifically stated in
3 the order of appointment.

4 (1) Upon request, a guardian, conservator, or custodian of
5 a taxpayer shall submit to the department a copy of the court
6 order appointing the guardian, conservator, or custodian.

7 (2) The department may petition the court that appointed the
8 guardian, conservator, or custodian to verify the appointment
9 or to determine the scope of the appointment.

10 *b.* A receiver appointed pursuant to chapter 680. An
11 appointed receiver shall be limited to act on behalf of the
12 taxpayer by the authority stated in the order of appointment.

13 (1) Upon the request of the department, a receiver shall
14 submit to the department a copy of the court order appointing
15 the receiver.

16 (2) The department may petition the court that appointed the
17 receiver to verify the appointment or to determine the scope
18 of the appointment.

19 *c.* An individual who has been named as an authorized
20 representative on a fiduciary return of income filed under
21 section 422.14 or a tax return filed under chapter 450.

22 *d.* (1) An individual holding the following title or
23 position within a corporation, association, partnership, or
24 other business entity:

25 (a) A president or chief executive officer, or any other
26 officer of the corporation or association if the president or
27 chief executive officer certifies that the officer has the
28 authority to legally bind the corporation or association.

29 (b) A designated partner duly authorized to act on behalf
30 of the partnership.

31 (c) A person authorized to act on behalf of a limited
32 liability company in tax matters pursuant to a valid statement
33 of authority.

34 (2) An individual seeking to act on behalf of a taxpayer
35 pursuant to this paragraph shall file an affidavit with the

1 department attesting to the identity and qualifications of the
2 individual and any necessary certifications required under this
3 paragraph. The department may require any documents or other
4 evidence to demonstrate the individual has authority to act on
5 behalf of the taxpayer before the department.

6 *e.* A licensed attorney who has appeared on behalf of the
7 taxpayer or the taxpayer's estate in a court proceeding.
8 Authorization under this paragraph is limited to those matters
9 within the scope of the representation.

10 *f.* A parent or guardian of a taxpayer who has not reached
11 the age of majority where the parent or guardian has signed the
12 taxpayer's return on behalf of the taxpayer. Authorization
13 under this paragraph is limited to those matters relating to
14 the return signed by the parent or guardian. Authorization
15 under this paragraph automatically terminates when the taxpayer
16 reaches the age of majority pursuant to section 599.1.

17 3. *a.* In lieu of executing a power of attorney pursuant
18 to subsection 1, the department may enter into a memorandum of
19 understanding with the taxpayer for each employee, officer,
20 or member of a third-party entity engaged with or otherwise
21 hired by a taxpayer to manage the tax matters of the taxpayer,
22 to permit the disclosure of confidential tax information to
23 the third-party entity and the authority to act on behalf of
24 the taxpayer. The memorandum of understanding shall adhere to
25 requirements as established by the director.

26 *b.* The memorandum of understanding shall be signed by
27 the director, the taxpayer, and the third-party entity or an
28 authorized representative of the third-party entity.

29 *c.* At any time, a taxpayer may unilaterally revoke
30 a memorandum of understanding entered into pursuant to
31 this subsection by filing a notice of revocation with the
32 department. Upon the filing of such a revocation by the
33 taxpayer, the department shall cease honoring the memorandum
34 of understanding.

35 4. The department shall adopt rules pursuant to chapter 17A

1 to administer this section.

2 Sec. 8. Section 421.60, subsection 2, paragraph a,
3 subparagraph (2), Code 2020, is amended to read as follows:

4 (2) The statement prepared in accordance with this
5 paragraph shall be available on the department's internet site.
6 The internet site for this information shall be distributed by
7 the department to all taxpayers at the first contact by the
8 department with respect to the determination or collection of
9 any tax, except in the case of simply providing tax forms.

10 Sec. 9. Section 421.60, Code 2020, is amended by adding the
11 following new subsection:

12 NEW SUBSECTION. 11. *Electronic communication.*

13 Notwithstanding any provision of the law to the contrary, for
14 purposes of this title and sections 321.105A and 533.329, a
15 taxpayer may elect to receive any notices, correspondence,
16 or other communication electronically that the department is
17 required to send by regular mail. The director may establish
18 procedures and limitations for obtaining this election from the
19 taxpayer.

20 Sec. 10. Section 421.62, subsection 1, Code 2020, is amended
21 by adding the following new paragraph:

22 NEW PARAGRAPH. *Ob.* "Income tax return or claim for refund"
23 means any tax return or claim for refund under chapter 422,
24 excluding withholding returns under section 422.16.

25 Sec. 11. Section 421.62, subsection 1, paragraph c,
26 subparagraph (1), Code 2020, is amended to read as follows:

27 (1) "Tax return preparer" means any individual who, for
28 a fee or other consideration, prepares ten or more income
29 tax returns or claims for refund under ~~chapter 422~~ during
30 a calendar year, or who assumes final responsibility for
31 completed work on such income tax returns or claims for refund
32 under ~~chapter 422~~ on which preliminary work has been done by
33 another individual.

34 Sec. 12. Section 421.62, subsection 2, paragraph a, Code
35 2020, is amended to read as follows:

1 a. On or after January 1, 2020, a tax return preparer
2 is required to include the tax return preparer's PTIN on
3 any income tax return or claim for refund prepared by the
4 tax return preparer and filed ~~under chapter 422~~ with the
5 department.

6 Sec. 13. Section 421.64, subsection 1, Code 2020, is amended
7 to read as follows:

8 1. For purposes of this section, "*tax return preparer*" means
9 the same as defined in section 421.61 421.62.

10 Sec. 14. Section 422.20, subsections 1 and 2, Code 2020, are
11 amended to read as follows:

12 1. It shall be unlawful for any present or former officer
13 or employee of the state to willfully or recklessly divulge or
14 to make known in any manner whatever not provided by law to
15 any person the amount or source of income, profits, losses,
16 expenditures, or any particular thereof, set forth or disclosed
17 in any income return, or to permit any income return or copy
18 thereof or any book containing any abstract or particulars
19 thereof to be seen or examined by any person except as provided
20 by law; and it shall be unlawful for any person to willfully or
21 recklessly print or publish in any manner whatever not provided
22 by law any income return, or any part thereof or source of
23 income, profits, losses, or expenditures appearing in any
24 income return; and any person committing an offense against the
25 foregoing provision shall be guilty of a serious misdemeanor.
26 If the offender is an officer or employee of the state, such
27 person shall also be dismissed from office or discharged from
28 employment. Nothing herein shall prohibit turning over to duly
29 authorized officers of the United States or tax officials of
30 other states state information and income returns pursuant
31 to agreement between the director and the secretary of the
32 treasury of the United States or the secretary's delegate or
33 pursuant to a reciprocal agreement with another state.

34 2. It is unlawful for an officer, employee, or agent, or
35 former officer, employee, or agent of the state to willfully

1 or recklessly disclose to any person, except as authorized
2 in [subsection 1 of this section](#), any federal tax return
3 or return information as defined in section 6103(b) of the
4 Internal Revenue Code. It is unlawful for a person to whom
5 any federal tax return or return information, as defined in
6 section 6103(b) of the Internal Revenue Code, is disclosed
7 in a manner unauthorized by [subsection 1 of this section](#)
8 to thereafter willfully or recklessly print or publish in
9 any manner not provided by law any such return or return
10 information. A person violating this provision is guilty of
11 a serious misdemeanor.

12 Sec. 15. Section 422.20, subsection 3, paragraph a, Code
13 2020, is amended to read as follows:

14 a. Unless otherwise expressly permitted by [section 8A.504](#),
15 [section 8G.4](#), [section 11.41](#), [section 96.11](#), [subsection 6](#),
16 [section 421.17](#), subsections 22, 23, and 26, [section 421.17](#),
17 [subsection 27](#), paragraph "k", [section 421.17](#), [subsection 31](#),
18 [section 252B.9](#), [section 321.40](#), [subsection 6](#), [sections 321.120](#),
19 [421.19](#), [421.28](#), [421.59](#), [422.72](#), and [452A.63](#), [this section](#), or
20 another provision of law, a tax return, return information, or
21 investigative or audit information shall not be divulged to any
22 person or entity, other than the taxpayer, the department, or
23 internal revenue service for use in a matter unrelated to tax
24 administration.

25 Sec. 16. Section 422.20, Code 2020, is amended by adding the
26 following new subsections:

27 NEW SUBSECTION. 3A. The director may disclose the tax
28 return of a partnership, limited liability company, or S
29 corporation, any such return information, or any investigative
30 information related to the return, to any person who was a
31 partner, shareholder, or member of such an entity during any
32 part of the period covered by the return.

33 NEW SUBSECTION. 3B. a. Prior to being made available for
34 public inspection, the department shall redact from the record
35 in an appeal or contested case the following information from

1 any pleading, exhibit, attachment, motion, written evidence,
2 final order, decision, or opinion:

3 (1) A financial account number.

4 (2) An account number generated by the department to
5 identify an audit or examination.

6 (3) A social security number.

7 (4) A federal employer identification number.

8 (5) The name of a minor.

9 (6) A medical record or other medical information.

10 *b.* Upon a motion filed by the taxpayer, the department
11 may redact from the record in an appeal or contested case any
12 other information from a pleading, exhibit, attachment, motion,
13 or written evidence, if the taxpayer proves by clear and
14 convincing evidence that the release of such information would
15 disclose a trade secret or be a clear, unwarranted invasion of
16 personal privacy.

17 *c.* Notwithstanding paragraph "a", when making final orders,
18 decisions, or opinions available for public inspection, the
19 department may disclose the items in paragraph "a" if the
20 department determines such information is necessary to the
21 resolution or decision of the appeal or case.

22 *d.* Except as described in paragraphs "a" and "b", all
23 information contained in a pleading, exhibit, attachment,
24 motion, written evidence, final order, decision, opinion,
25 and the record in an appeal or contested case is subject to
26 examination to the extent provided by chapter 22.

27 Sec. 17. Section 422.25, subsection 1, Code 2020, is amended
28 by adding the following new paragraph:

29 NEW PARAGRAPH. *c.* The period of examination and
30 determination is unlimited under this title in the case of
31 any action by the department to recover or rescind any tax
32 expenditure as defined by section 2.48, subsection 1, or any
33 other incentive or assistance, due to a failure to meet or
34 maintain the requirements of a program administered by the
35 economic development authority.

1 (6) A medical record or other medical information.

2 *b.* Upon a motion filed by the taxpayer, the department
3 may redact from the record in an appeal or contested case any
4 other information from a pleading, exhibit, attachment, motion,
5 or written evidence, if the taxpayer proves by clear and
6 convincing evidence that the release of such information would
7 disclose a trade secret or be a clear, unwarranted invasion of
8 personal privacy.

9 *c.* Notwithstanding paragraph "a", when making final orders,
10 decisions, or opinions available for public inspection, the
11 department may disclose the items in paragraph "a" if the
12 department determines such information is necessary to the
13 resolution or decision of the appeal or case.

14 *d.* Except as described in paragraphs "a" and "b", all
15 information contained in a pleading, exhibit, attachment,
16 motion, written evidence, final order, decision, opinion,
17 and the record in an appeal or contested case is subject to
18 examination to the extent provided by chapter 22.

19 Sec. 21. Section 423.37, Code 2020, is amended by adding the
20 following new subsection:

21 NEW SUBSECTION. 4. The period of limitation on examination
22 and determination is unlimited under this title in the case
23 of any action by the department to recover or rescind any tax
24 expenditure as defined by section 2.48, subsection 1, or any
25 other incentive or assistance, due to a failure to meet or
26 maintain the requirements of a program administered by the
27 economic development authority.

28 Sec. 22. Section 428A.1, subsection 3, Code 2020, is amended
29 to read as follows:

30 3. The declaration of value shall state the full
31 consideration paid for the real property transferred. If
32 agricultural land, as defined in [section 9H.1](#), is purchased by
33 a corporation, limited partnership, trust, alien or nonresident
34 alien, the declaration of value shall include the name and
35 address of the buyer, the name and address of the seller, a

1 legal description of the agricultural land, and identify the
2 buyer as a corporation, limited partnership, trust, alien, or
3 nonresident alien. The county recorder shall not record the
4 declaration of value, but shall enter on the declaration of
5 value information the director of revenue requires for the
6 production of the sales/assessment ratio study and transmit
7 all declarations of value to the city or county assessor in
8 whose jurisdiction the property is located. The city or county
9 assessor shall ~~enter on the declaration of value~~ provide the
10 information the director of revenue requires for the production
11 of the sales/assessment ratio study ~~and transmit one copy of~~
12 ~~each declaration of value to the director of revenue,~~ at times
13 as directed by the director of revenue. The assessor shall
14 ~~retain one copy of each declaration of value~~ for three years
15 from December 31 of the year in which the transfer of realty
16 for which the declaration was filed took place. The director
17 of revenue shall, upon receipt of the information required to
18 be filed under [this chapter](#) by the city or county assessor,
19 send to the office of the secretary of state that part of the
20 declaration of value which identifies a corporation, limited
21 partnership, trust, alien, or nonresident alien as a purchaser
22 of agricultural land as defined in [section 9H.1](#).

23 Sec. 23. Section 441.48, Code 2020, is amended to read as
24 follows:

25 **441.48 Notice of adjustment.**

26 1. Before the department of revenue shall adjust the
27 valuation of any class of property any such percentage, the
28 department shall first serve ten days' notice by mail, on the
29 county auditor of the county whose valuation is proposed to be
30 adjusted. ~~The department shall hold an adjourned meeting after~~
31 ~~such~~

32 2. If the county or assessing jurisdiction intends to
33 protest the proposed adjustment, the board of supervisors or
34 city council, as applicable, shall provide the department with
35 notice of intent to protest prior to expiration of the ten

1 days' notice.

2 3. After expiration of the ten days' notice, at which time
3 the county or assessing jurisdiction may appear by its city
4 council or board of supervisors, city or county attorney, and
5 ~~other assessing jurisdiction, or~~ city or county officials, and
6 make written or oral protest against such proposed adjustment.

7 4. The protest shall consist simply of a statement of the
8 error, or errors, complained of with such facts as may lead to
9 their correction. ~~At the adjourned meeting~~

10 5. After written protest is received, or an oral protest
11 is heard, the final action may be taken in reference to the
12 proposed adjustment.

13 Sec. 24. Section 489.706, subsection 2, Code 2020, is
14 amended to read as follows:

15 2. The secretary of state shall refer the federal tax
16 identification number contained in the application for
17 reinstatement to the ~~departments~~ department of revenue and
18 workforce development. The ~~departments~~ department of revenue
19 and workforce development shall report to the secretary of
20 state the tax status of the limited liability company. If
21 ~~either~~ the department reports to the secretary of state that
22 a filing delinquency or liability exists against the limited
23 liability company, the secretary of state shall not cancel the
24 declaration of dissolution until the filing delinquency or
25 liability is satisfied.

26 Sec. 25. Section 490.1422, subsection 2, paragraph a, Code
27 2020, is amended to read as follows:

28 a. The secretary of state shall refer the federal tax
29 identification number contained in the application for
30 reinstatement to the ~~departments~~ department of revenue and
31 workforce development. The ~~departments~~ department of revenue
32 and workforce development shall report to the secretary
33 of state the tax status of the corporation. If ~~either~~ the
34 department reports to the secretary of state that a filing
35 delinquency or liability exists against the corporation,

1 the secretary of state shall not cancel the certificate of
2 dissolution until the filing delinquency or liability is
3 satisfied.

4 Sec. 26. Section 501.813, subsection 2, paragraph a, Code
5 2020, is amended to read as follows:

6 a. The secretary of state shall refer the federal tax
7 identification number contained in the application for
8 reinstatement to the ~~departments~~ department of revenue and
9 workforce development. The ~~departments~~ department of revenue
10 and workforce development shall report to the secretary
11 of state the tax status of the cooperative. If either the
12 department reports to the secretary of state that a filing
13 delinquency or liability exists against the cooperative,
14 the secretary of state shall not cancel the certificate of
15 dissolution until the filing delinquency or liability is
16 satisfied.

17 Sec. 27. Section 504.1423, subsection 2, paragraph a, Code
18 2020, is amended to read as follows:

19 a. The secretary of state shall refer the federal tax
20 identification number contained in the application for
21 reinstatement to the ~~departments~~ department of revenue and
22 workforce development. The ~~departments~~ department of revenue
23 and workforce development shall report to the secretary
24 of state the tax status of the corporation. If either the
25 department reports to the secretary of state that a filing
26 delinquency or liability exists against the corporation,
27 the secretary of state shall not cancel the certificate of
28 dissolution until the filing delinquency or liability is
29 satisfied.

30 Sec. 28. Section 533.329, Code 2020, is amended by adding
31 the following new subsection:

32 NEW SUBSECTION. 03. Returns shall be in the form the
33 director of revenue prescribes, and shall be filed with the
34 department of revenue on or before the last day of the fourth
35 month after the expiration of the tax year. The moneys and

1 credits tax is due and payable on the last day of the fourth
2 month after the expiration of the tax year.

3 Sec. 29. Section 533.329, subsection 3, Code 2020, is
4 amended to read as follows:

5 3. The department of revenue shall administer and enforce
6 the provisions of this section, and except as explicitly
7 provided in this section or another provision of law, shall
8 apply all applicable penalty, interest, and administrative
9 provisions of chapters 421 and 422 as nearly as possible in
10 administering and enforcing the moneys and credits tax imposed
11 by this section.

12 Sec. 30. LEGISLATIVE INTENT. It is the intent of the
13 general assembly that the sections of this division amending
14 Code sections 422.25 and 423.37 are conforming amendments
15 consistent with current state law, and that the amendments
16 do not change the application of current law but instead
17 reflect current law both before and after the enactment of this
18 division of this Act.

19 Sec. 31. EFFECTIVE DATE. The following, being deemed of
20 immediate importance, take effect upon enactment:

21 1. The section of this division of this Act amending section
22 422.25.

23 2. The section of this division of this Act amending section
24 423.37.

25 Sec. 32. APPLICABILITY. The following applies to any
26 return for which a written notice that the taxpayer is required
27 to file such return is issued by the department on or after
28 January 1, 2022:

29 The portion of the section of this division of this Act
30 enacting section 421.27, subsection 9.

31 Sec. 33. APPLICABILITY. The following apply to tax years
32 beginning on or after January 1, 2022:

33 1. The section of this division of this Act amending section
34 421.27, subsection 1.

35 2. The portion of the section of this division of this Act

1 amending section 421.27, subsection 4.

2 3. The portion of the section of this division of this Act
3 enacting section 421.27, subsection 8.

4 DIVISION II

5 SALES AND USE TAX

6 Sec. 34. Section 321G.4, subsection 2, Code 2020, is amended
7 to read as follows:

8 2. a. The owner of the snowmobile shall file an application
9 for registration with the department through the county
10 recorder of the county of residence in the manner established
11 by the commission. The application shall be completed by the
12 owner and shall be accompanied by a fee of fifteen dollars and
13 a writing fee as provided in [section 321G.27](#). A snowmobile
14 shall not be registered by the county recorder until the
15 county recorder is presented with receipts, bills of sale,
16 or other satisfactory evidence that the sales or use tax has
17 been paid for the purchase of the snowmobile or that the
18 owner is exempt from paying the tax. A snowmobile that has
19 an expired registration certificate from another state may be
20 registered in this state upon proper application, payment of
21 all applicable registration and writing fees, and payment of a
22 penalty of five dollars.

23 b. If the owner of the snowmobile is unable to present
24 satisfactory evidence that the sales or use tax has been paid,
25 the county recorder shall collect the tax. On or before the
26 tenth day of each month, the county recorder shall remit to
27 the department of revenue the amount of the taxes collected
28 during the preceding month, together with an itemized statement
29 on forms furnished by the department of revenue showing the
30 name of each taxpayer, the make and purchase price of each
31 snowmobile, the amount of tax paid, and such other information
32 as the department of revenue requires.

33 Sec. 35. Section 321I.4, subsection 2, Code 2020, is amended
34 to read as follows:

35 2. a. The owner of the all-terrain vehicle shall file an

1 application for registration with the department through the
2 county recorder of the county of residence, or in the case
3 of a nonresident owner, in the county of primary use, in the
4 manner established by the commission. The application shall
5 be completed by the owner and shall be accompanied by a fee
6 of fifteen dollars and a writing fee as provided in section
7 321I.29. An all-terrain vehicle shall not be registered by the
8 county recorder until the county recorder is presented with
9 receipts, bills of sale, or other satisfactory evidence that
10 the sales or use tax has been paid for the purchase of the
11 all-terrain vehicle or that the owner is exempt from paying the
12 tax. An all-terrain vehicle that has an expired registration
13 certificate from another state may be registered in this state
14 upon proper application, payment of all applicable registration
15 and writing fees, and payment of a penalty of five dollars.

16 b. If the owner of the all-terrain vehicle is unable to
17 present satisfactory evidence that the sales or use tax has
18 been paid, the county recorder shall collect the tax. On or
19 before the tenth day of each month, the county recorder shall
20 remit to the department of revenue the amount of the taxes
21 collected during the preceding month, together with an itemized
22 statement on forms furnished by the department of revenue
23 showing the name of each taxpayer, the make and purchase price
24 of each all-terrain vehicle, the amount of tax paid, and such
25 other information as the department of revenue requires.

26 Sec. 36. Section 423.2, subsection 6, paragraph bs, Code
27 2020, is amended to read as follows:

28 bs. Services arising from or related to installing,
29 maintaining, servicing, repairing, operating, upgrading, or
30 enhancing either specified digital products or software sold
31 as tangible personal property.

32 Sec. 37. Section 423.2, subsection 8, paragraph d,
33 subparagraph (1), Code 2020, is amended to read as follows:

34 (1) The retail sale of tangible personal property or
35 specified digital product and a service, where the tangible

1 personal property or specified digital product is essential
2 to the use of the service, and is provided exclusively in
3 connection with the service, and the true object of the
4 transaction is the service.

5 Sec. 38. Section 423.3, subsection 3A, Code 2020, is amended
6 to read as follows:

7 3A. The sales price from the sale of a commercial recreation
8 service offering the opportunity to hunt a preserve whitetail
9 as defined in [section 484C.1](#) if the sale occurred between July
10 1, 2005, and December 31, 2015.

11 Sec. 39. Section 423.3, subsection 31, unnumbered paragraph
12 1, Code 2020, is amended to read as follows:

13 The sales price of tangible personal property or specified
14 digital products sold to and of services furnished to a tribal
15 government as defined in 216A.161, or the sales price of
16 tangible personal property or specified digital products sold
17 to and of services furnished, and used for public purposes
18 sold to a tax-certifying or tax-levying body of the state or a
19 governmental subdivision of the state, including the following:
20 regional transit systems, as defined in [section 324A.1](#); ;
21 the state board of regents; ; department of human services; ;
22 state department of transportation; ; any municipally owned
23 solid waste facility which sells all or part of its processed
24 waste as fuel to a municipally owned public utility; ; and all
25 divisions, boards, commissions, agencies, or instrumentalities
26 of state, federal, county, ~~or~~ municipal government, or tribal
27 government which have no earnings going to the benefit of an
28 equity investor or stockholder, except any of the following:

29 Sec. 40. Section 423.3, subsection 80, paragraphs b and c,
30 Code 2020, are amended to read as follows:

31 b. Subject to the limitations in paragraph "c", if a
32 contractor, subcontractor, or builder is to use building
33 materials, supplies, and equipment, or services in the
34 performance of a written construction contract with a
35 designated exempt entity, the person shall purchase such

1 items of tangible personal property or services without
2 liability for the tax if such property or services will be
3 used in the performance of the written construction contract
4 and a purchasing agent authorization letter and an exemption
5 certificate, issued by the designated exempt entity, are
6 presented to the retailer.

7 c. (1) With regard to a written construction contract
8 with a designated exempt entity described in paragraph "a",
9 subparagraph (1), the sales price of building materials,
10 supplies, ~~or~~ equipment, or services is exempt from tax by this
11 subsection only to the extent the building materials, supplies,
12 ~~or~~ equipment, or services are completely consumed in the
13 performance of the construction contract with the designated
14 exempt entity, and only if the property that is the subject
15 of the construction project becomes public property or the
16 property of the designated exempt entity.

17 (2) With regard to a written construction contract with
18 a designated exempt entity described in paragraph "a",
19 subparagraph (2), the sales price of building materials,
20 supplies, ~~or~~ equipment, or services is exempt from tax by this
21 subsection only to the extent the building materials, supplies,
22 ~~or~~ equipment, or services are completely consumed in the
23 performance of a construction contract to construct a project,
24 as defined in [section 15J.2, subsection 10](#), which project has
25 been approved by the economic development authority board in
26 accordance with [chapter 15J](#).

27 Sec. 41. Section 423.4, subsection 1, Code 2020, is amended
28 to read as follows:

29 1. a. For purposes of this subsection, a "designated exempt
30 entity" means any of the following:

31 (1) A private nonprofit educational institution in this
32 state.

33 (2) A nonprofit Iowa affiliate of a nonprofit international
34 organization whose primary activity is the promotion of the
35 construction, remodeling, or rehabilitation of one-family or

1 two-family dwellings for low-income families~~7.~~

2 (3) A nonprofit private museum in this state.

3 (4) A tax-certifying or tax-levying body or governmental
4 subdivision of the state, including the state board of regents,
5 state department of human services, state department of
6 transportation,~~a.~~

7 (5) A municipally owned solid waste facility which sells all
8 or part of its processed waste as fuel to a municipally owned
9 public utility,~~and all.~~

10 (6) The state of Iowa.

11 (7) Any political subdivision of the state.

12 (8) All divisions, boards, commissions, agencies, or
13 instrumentalities of state, federal, county, or municipal
14 government which do not have earnings going to the benefit of
15 an equity investor or stockholder.

16 (9) A tribal government as defined in section 216A.161,
17 and any instrumentalities of the tribal government which do
18 not have earnings going to the benefit of an equity investor
19 or stockholder.

20 b. A designated exempt entity may make application apply
21 to the department for the refund of the sales or use tax upon
22 the sales price of all sales of goods, wares, or merchandise
23 building materials, supplies, equipment, or from services
24 furnished to a contractor, used in the fulfillment performance
25 of a written contract with the state of Iowa, any political
26 subdivision of the state, or a division, board, commission,
27 agency, or instrumentality of the state or a political
28 subdivision, a private nonprofit educational institution in
29 this state, a nonprofit Iowa affiliate described in this
30 subsection, or a nonprofit private museum in this state if the
31 property becomes an integral part of the project under contract
32 and at the completion of the project becomes public property,
33 is devoted to educational uses, becomes part of a low-income
34 one-family or two-family dwelling in the state, or becomes a
35 nonprofit private museum; except goods, wares, or merchandise,

1 designated exempt entity if all of the following apply:

2 (1) The building materials, supplies, equipment, or
3 services are completely consumed in the performance of a
4 construction project with the designated entity.

5 (2) The property that is subject of the construction project
6 becomes public property or the property of an exempt entity.

7 (3) The building materials, supplies, equipment, or
8 services furnished ~~which~~ are not used in the performance of
9 any contract in connection with the operation of any municipal
10 utility engaged in selling gas, electricity, or heat to
11 the general public or in connection with the operation of a
12 municipal pay television system; and ~~except goods, wares, and~~
13 merchandise are not used in the performance of a contract for a
14 "project" under [chapter 419](#) as defined in that chapter other
15 than goods, wares, or merchandise used in the performance of
16 a contract for a "project" under [chapter 419](#) for which a bond
17 issue was approved by a municipality prior to July 1, 1968, or
18 for which the goods, wares, or merchandise becomes an integral
19 part of the project under contract and at the completion of the
20 project becomes public property or is devoted to educational
21 uses.

22 ~~a. c.~~ Such A contractor shall state under oath, on forms
23 provided by the department, the amount of such sales of goods,
24 wares, or merchandise, or services furnished and used in the
25 performance of such contract, and upon which sales or use tax
26 has been paid, and shall file such forms with the ~~governmental~~
27 ~~unit, private nonprofit educational institution, nonprofit Iowa~~
28 ~~affiliate, or nonprofit private museum~~ designated exempt entity
29 which has made any written contract for performance by the
30 contractor. The forms shall be filed by the contractor with
31 the ~~governmental unit, educational institution, nonprofit Iowa~~
32 ~~affiliate, or nonprofit private museum~~ designated exempt entity
33 before final settlement is made.

34 ~~b. d.~~ Such governmental unit, educational institution,
35 nonprofit Iowa affiliate, or nonprofit private museum A

1 designated exempt entity shall, not more than one year after
2 the final settlement has been made, ~~make application apply~~
3 to the department for any refund of the amount of the sales
4 or use tax which shall have been paid upon any ~~goods, wares,~~
5 ~~or merchandise~~ building materials, supplies, equipment,
6 or services furnished, the application to be made in the
7 manner and upon forms to be provided by the department,
8 and the department shall forthwith audit the claim and, if
9 approved, issue a warrant to the ~~governmental unit, educational~~
10 ~~institution, nonprofit Iowa affiliate, or nonprofit private~~
11 ~~museum~~ designated exempt entity in the amount of the sales or
12 use tax which has been paid to the state of Iowa under the
13 contract.

14 ~~e.~~ e. Refunds authorized under [this subsection](#) shall accrue
15 interest in accordance with [section 421.60, subsection 2,](#)
16 paragraph "e".

17 ~~d.~~ f. Any contractor who willfully makes a false report of
18 tax paid under the provisions of [this subsection](#) is guilty of
19 a simple misdemeanor and in addition shall be liable for the
20 payment of the tax and any applicable penalty and interest.

21 Sec. 42. Section 423.4, subsection 2, paragraphs a and b,
22 Code 2020, are amended to read as follows:

23 a. A contractor awarded a contract for a transportation
24 construction project is considered the consumer of all building
25 materials, building supplies, ~~and equipment,~~ and services and
26 shall pay sales tax to the supplier or remit consumer use tax
27 directly to the department.

28 b. The contractor is not required to file information with
29 the state department of transportation stating the amount of
30 ~~goods, wares, or merchandise, or services rendered, furnished,~~
31 ~~or performed~~ and building materials, supplies, equipment, or
32 services used in the performance of the contract or the amount
33 of sales or use tax paid.

34 Sec. 43. Section 423.4, subsection 6, paragraph a,
35 subparagraph (1), Code 2020, is amended to read as follows:

1 (1) The owner of a collaborative educational facility
2 in this state may make application to the department for the
3 refund of the sales or use tax upon the sales price of all sales
4 of ~~goods, wares, or merchandise~~ building materials, supplies,
5 equipment, or from services furnished to a contractor, used
6 in the fulfillment of a written construction contract with
7 the owner of the collaborative educational facility for the
8 original construction, or additions or modifications to, a
9 building or structure to be used as part of the collaborative
10 educational facility.

11 Sec. 44. Section 423.4, subsection 6, paragraphs b and c,
12 Code 2020, are amended to read as follows:

13 b. ~~Such~~ A contractor shall state under oath, on forms
14 provided by the department, the amount of such sales of ~~goods,~~
15 ~~wares, or merchandise~~ building materials, supplies, equipment,
16 or services furnished and used in the performance of such
17 contract, and upon which sales or use tax has been paid, and
18 shall file such forms with the owner of the collaborative
19 educational facility which has made any written contract for
20 performance by the contractor.

21 c. (1) The owner of the collaborative educational facility
22 shall, not more than one year after the final settlement has
23 been made, make application to the department for any refund
24 of the amount of the sales or use tax which shall have been
25 paid upon any ~~goods, wares, or merchandise~~ building materials,
26 supplies, equipment, or services furnished, the application
27 to be made in the manner and upon forms to be provided by
28 the department, and the department shall forthwith audit the
29 claim and, if approved, issue a warrant to the owner of the
30 collaborative educational facility in the amount of the sales
31 or use tax which has been paid to the state of Iowa under the
32 contract.

33 (2) Refunds authorized under [this subsection](#) shall accrue
34 interest in accordance with [section 421.60, subsection 2,](#)
35 paragraph "e".

1 Sec. 45. Section 423.5, subsection 1, paragraph b, Code
2 2020, is amended by striking the paragraph.

3 Sec. 46. Section 423.29, subsection 1, Code 2020, is amended
4 to read as follows:

5 1. Every seller who is a retailer and who is making taxable
6 sales of tangible personal property or specified digital
7 products in Iowa or who is a retailer maintaining a place
8 of business in this state making taxable sales of tangible
9 personal property or specified digital products shall, at
10 the time of making the sale, collect the sales tax. Every
11 ~~seller who is a retailer that is not otherwise required to~~
12 ~~collect sales tax under the provisions of this chapter and who~~
13 ~~is selling tangible personal property or specified digital~~
14 ~~products for use in Iowa shall, at the time of making the sale,~~
15 ~~whether within or without the state, collect the use tax.~~
16 Sellers required to collect sales or use tax shall give to any
17 purchaser a receipt for the tax collected in the manner and
18 form prescribed by the director.

19 Sec. 47. Section 423.33, subsection 1, Code 2020, is amended
20 to read as follows:

21 1. Liability of purchaser for sales tax and retailer.

22 a. If a purchaser fails to pay sales tax to the retailer
23 required to collect the tax, then in addition to all of the
24 rights, obligations, and remedies provided, ~~the~~ a use tax
25 is payable by the purchaser directly to the department, and
26 sections 423.31, 423.32, 423.37, 423.38, 423.39, 423.40,
27 423.41, and 423.42 apply to the purchaser.

28 b. For failure to pay the sales or use tax as described
29 in paragraph "a", the retailer and purchaser are jointly
30 liable, unless the circumstances described in section 29C.24,
31 subsection 3, paragraph "a", subparagraph (2), section 421.60,
32 subsection 2, paragraph "m", section 423.34A, or section
33 423.45, subsection 4, paragraph "b" or "e", or subsection 5,
34 paragraph "c" or "e", are applicable.

35 c. If the retailer fails to collect sales tax at the time

1 retroactively to July 1, 2005:

2 The section of this division of this Act amending section
3 423.3, subsection 3A.

4 DIVISION III

5 INCOME TAX

6 Sec. 52. Section 422.9, subsection 3, paragraph c, Code
7 2020, is amended by striking the paragraph and inserting in
8 lieu thereof the following:

9 c. A taxpayer may elect to waive the entire carryback period
10 with respect to an Iowa net operating loss for any taxable year
11 beginning on or after January 1, 2020. The election shall be
12 made in the manner and form prescribed by the department, and
13 shall be made by the due date for filing the taxpayer's Iowa
14 return, including extensions of time. After the election is
15 made for any taxable year, the election shall be irrevocable
16 for such taxable year. When an election has been properly
17 made, the Iowa net operating loss shall be carried forward
18 twenty taxable years.

19 Sec. 53. Section 422.9, subsection 3, paragraph d, Code
20 2020, is amended to read as follows:

21 d. Notwithstanding paragraph "a", for a taxpayer who is
22 engaged in the trade or business of farming, which means the
23 same as a "farming business" as defined in section 263A(e)(4) of
24 the Internal Revenue Code, and has a farming loss from farming
25 as defined in section 172(b)(1)(B) of the Internal Revenue Code
26 including modifications prescribed by rule by the director,
27 the Iowa farming loss from the trade or business of farming is
28 a net operating loss which may, at the time of the election of
29 the taxpayer, be carried back five taxable years prior to the
30 taxable year of the loss. The election shall be made in the
31 manner and form prescribed by the department, and shall be made
32 by the due date for filing the taxpayer's return, including
33 extensions of time. After the election is made for any taxable
34 year, the election shall be irrevocable for such taxable year.

35 Sec. 54. APPLICABILITY. This division of this Act applies

1 to tax years beginning on or after January 1, 2020.

2 DIVISION IV

3 RESEARCH ACTIVITIES CREDIT

4 Sec. 55. Section 15.335, subsection 4, paragraph a, Code
5 2020, is amended to read as follows:

6 a. In lieu of the credit amount computed in subsection 2, an
7 eligible business may elect to compute the credit amount for
8 qualified research expenses incurred in this state in a manner
9 consistent with the alternative simplified credit described in
10 section ~~41(e)(5)~~ 41(c)(4) of the Internal Revenue Code. The
11 taxpayer may make this election regardless of the method used
12 for the taxpayer's federal income tax. The election made under
13 this paragraph is for the tax year and the taxpayer may use
14 another or the same method for any subsequent year.

15 Sec. 56. Section 15.335, subsection 4, paragraph b,
16 unnumbered paragraph 1, Code 2020, is amended to read as
17 follows:

18 For purposes of the alternate credit computation method in
19 paragraph "a", the credit percentages applicable to qualified
20 research expenses described in section ~~41(e)(5)(A)~~ 41(c)(4)(A)
21 and clause (ii) of section ~~41(e)(5)(B)~~ 41(c)(4)(B) of the
22 Internal Revenue Code are as follows:

23 Sec. 57. Section 422.10, subsection 1, paragraphs c and d,
24 Code 2020, are amended to read as follows:

25 c. In lieu of the credit amount computed in paragraph "b",
26 subparagraph (1), subparagraph division (a), a taxpayer may
27 elect to compute the credit amount for qualified research
28 expenses incurred in this state in a manner consistent with the
29 alternative simplified credit described in section ~~41(e)(5)~~
30 41(c)(4) of the Internal Revenue Code. The taxpayer may make
31 this election regardless of the method used for the taxpayer's
32 federal income tax. The election made under this paragraph is
33 for the tax year and the taxpayer may use another or the same
34 method for any subsequent year.

35 d. For purposes of the alternate credit computation

1 method in paragraph "c", the credit percentages applicable to
2 qualified research expenses described in section ~~41(e)(5)(A)~~
3 41(c)(4)(A) and clause (ii) of section ~~41(e)(5)(B)~~ 41(c)(4)(B)
4 of the Internal Revenue Code are four and fifty-five
5 hundredths percent and one and ninety-five hundredths percent,
6 respectively.

7 Sec. 58. Section 422.33, subsection 5, paragraphs c and d,
8 Code 2020, are amended to read as follows:

9 c. In lieu of the credit amount computed in paragraph
10 "a", subparagraph (1), a corporation may elect to compute the
11 credit amount for qualified research expenses incurred in this
12 state in a manner consistent with the alternative simplified
13 credit described in section ~~41(e)(5)~~ 41(c)(4) of the Internal
14 Revenue Code. The taxpayer may make this election regardless
15 of the method used for the taxpayer's federal income tax. The
16 election made under this paragraph is for the tax year and the
17 taxpayer may use another or the same method for any subsequent
18 year.

19 d. For purposes of the alternate credit computation
20 method in paragraph "c", the credit percentages applicable to
21 qualified research expenses described in section ~~41(e)(5)(A)~~
22 41(c)(4)(A) and clause (ii) of section ~~41(e)(5)(B)~~ 41(c)(4)(B)
23 of the Internal Revenue Code are four and fifty-five
24 hundredths percent and one and ninety-five hundredths percent,
25 respectively.

26 Sec. 59. EFFECTIVE DATE. This division of this Act, being
27 deemed of immediate importance, takes effect upon enactment.

28 Sec. 60. RETROACTIVE APPLICABILITY. This division of this
29 Act applies retroactively to January 1, 2019, for tax years
30 beginning on or after that date.

31

DIVISION V

32 PARTNERSHIP AND PASS-THROUGH ENTITY AUDITS AND REPORTING OF
33 FEDERAL ADJUSTMENTS

34 Sec. 61. Section 421.27, subsection 2, paragraph c, Code
35 2020, is amended to read as follows:

1 c. (1) The Except in the case of a final federal
2 partnership adjustment governed by subparagraph (2), the
3 taxpayer provides written notification to the department of a
4 federal audit while it is in progress and voluntarily files an
5 amended return which includes a copy of the federal document
6 showing the final disposition or final federal adjustments
7 and pays any additional Iowa tax due within sixty one hundred
8 eighty days of the final disposition determination date of the
9 federal government's audit. For purposes of this subparagraph,
10 "final determination date" means the same as defined in section
11 422.25.

12 (2) (a) In the case of a final federal partnership
13 adjustment arising from a partnership level audit, with respect
14 to the audited partnership or a direct partner or indirect
15 partner of the audited partnership, the audited partnership,
16 direct partner, or indirect partner voluntarily and timely
17 complies with its reporting and payment requirements under
18 section 422.25A, subsection 4 or 5.

19 (b) As used in this subparagraph, all words and phrases
20 defined in section 422.25A shall have the same meaning given
21 them by that section.

22 Sec. 62. Section 422.7, Code 2020, is amended by adding the
23 following new subsection:

24 NEW SUBSECTION. 59. Any income subtracted from federal
25 taxable income for an adjustment year pursuant to section 6225
26 of the Internal Revenue Code and the regulations thereunder
27 shall be added back in computing net income for state tax
28 purposes for the adjustment year.

29 Sec. 63. Section 422.25, subsections 1 and 2, Code 2020,
30 are amended by striking the subsections and inserting in lieu
31 thereof the following:

32 1. *a.* For purposes of this subsection:

33 (1) "*Federal adjustment*" means a change to an item or amount
34 required to be determined under the Internal Revenue Code and
35 the regulations thereunder that is used by the taxpayer to

1 compute state tax owed whether such change results from action
2 by the internal revenue service, or the filing of a timely
3 amended federal return or timely federal refund claim. A
4 federal adjustment is positive to the extent that it increases
5 Iowa taxable income as determined under this title and is
6 negative to the extent that it decreases Iowa taxable income
7 as determined under this title.

8 (2) "*Federal adjustments report*" means the method or form
9 required by the department by rule to report final federal
10 adjustments or final federal partnership adjustments as defined
11 in section 422.25A, and in the case of any entity taxed as a
12 partnership or S corporation for federal income tax purposes,
13 identifies all owners that hold an interest directly in such
14 entity and provides the effect of the final federal adjustments
15 on such owner's Iowa income.

16 (3) "*Final determination date*" means the following:

17 (a) Except as provided in subparagraph divisions (b) and
18 (c), for federal adjustments arising from an internal revenue
19 service audit or other action by the internal revenue service,
20 the final determination date is the first day on which no
21 federal adjustments arising from that audit or other action
22 remain to be finally determined, whether by internal revenue
23 service decision with respect to which all rights of appeal
24 have been waived or exhausted, by agreement, or, if appealed
25 or contested, by a final decision with respect to which all
26 rights of appeal have been waived or exhausted. For agreements
27 required to be signed by the internal revenue service and the
28 taxpayer, the final determination date is the date on which the
29 last party signed the agreement.

30 (b) For federal adjustments arising from an internal
31 revenue service audit or other action by the internal revenue
32 service, if the taxpayer filed as a member of a consolidated
33 return under section 422.37, the final determination date
34 is the first day on which no related federal adjustments
35 arising from that audit or other action remain to be finally

1 determined, as described in subparagraph division (a), for the
2 entire group.

3 (c) For federal adjustments arising from a timely filed
4 amended federal return or a timely filed federal refund
5 claim, or if it is a federal adjustment reported on a timely
6 amended federal return or other similar report filed pursuant
7 to section 6225(c) of the Internal Revenue Code, the final
8 determination date is the day on which the amended return,
9 refund claim, or other similar report was filed.

10 (4) "*Final federal adjustment*" means a federal adjustment
11 after the final determination date for that federal adjustment
12 has passed.

13 b. Within three years after the return is filed or within
14 three years after the return became due, including any
15 extensions of time for filing, whichever time is the later,
16 the department shall examine the return and determine the tax.
17 However, if the taxpayer omits from income an amount which
18 will, under the Internal Revenue Code, extend the statute of
19 limitations for assessment of federal tax to six years under
20 the federal law, the period for examination and determination
21 is six years.

22 c. The period for examination and determination of the
23 correct amount of tax is unlimited in the case of a false or
24 fraudulent return made with the intent to evade tax or in the
25 case of a failure to file a return.

26 d. In lieu of the period of limitation for any prior year
27 for which an overpayment of tax or an elimination or reduction
28 of an underpayment of tax due for that prior year results from
29 the carryback to that prior year of a net operating loss or
30 net capital loss, the period is the period of limitation for
31 the taxable year of the net operating loss or net capital loss
32 which results in the carryback.

33 e. (1) In addition to the applicable period of limitation
34 for examination and determination in paragraph "b", "c", or "d",
35 the department may make an examination and determination at any

1 time within one year from the date of receipt by the department
2 of a federal adjustments report with respect to a final
3 federal adjustment or final federal partnership adjustment
4 as defined in section 422.25A for a particular tax year. In
5 order to begin the running of the one-year period, the federal
6 adjustments report related to the final federal adjustment or
7 final federal partnership adjustment shall be transmitted to
8 the department by the taxpayer in the form and manner specified
9 by the department by rule.

10 (2) The department in its discretion may adopt rules to
11 establish a de minimis amount for which subparagraph (1) shall
12 not apply and the taxpayer shall not be required to file a
13 federal adjustments report.

14 (3) The department may in its discretion and when
15 administratively feasible adopt a process through rule by
16 which a taxpayer may make estimated payments of tax expected
17 to result from a pending internal revenue service audit
18 prior to the filing of a federal adjustments report with the
19 department. The process shall provide that the estimated
20 tax payments shall be credited against any tax liability
21 ultimately found to be due to the state from the internal
22 revenue service audit and will limit the accrual of further
23 statutory interest on that liability. The process shall also
24 provide that if the estimated tax payments exceed the final
25 tax liability and statutory interest ultimately determined to
26 be due, the taxpayer is entitled to a refund or credit for
27 the excess, without interest, provided the taxpayer files a
28 federal adjustments report, or a claim for refund or credit of
29 tax under section 422.73, no later than one year following the
30 final determination date.

31 2. a. If the tax found due under subsection 1 is greater
32 than the amount paid, the department shall compute the amount
33 due, together with interest and penalties as provided in
34 paragraph "b", and shall mail a notice of assessment to the
35 taxpayer and, if applicable, to the taxpayer's authorized

1 representative of the total, which shall be computed as a sum
2 certain, with interest computed to the last day of the month
3 in which the notice is dated.

4 *b.* In addition to the tax or additional tax determined
5 by the department under subsection 1, the taxpayer shall pay
6 interest on the tax or additional tax at the rate in effect
7 under section 421.7 for each month counting each fraction of
8 a month as an entire month, computed from the date the return
9 was required to be filed. In addition to the tax or additional
10 tax, the taxpayer shall pay a penalty as provided in section
11 421.27.

12 Sec. 64. NEW SECTION. **422.25A Reporting and treatment of**
13 **certain partnership adjustments.**

14 1. *Definitions.* As used in this section and sections
15 422.25B and 422.25C, unless the context otherwise requires:

16 *a.* "Administrative adjustment request" means the same as
17 provided in section 6227 of the Internal Revenue Code.

18 *b.* "Audited partnership" means a partnership subject
19 to a final federal partnership adjustment resulting from a
20 partnership level audit.

21 *c.* "C corporation" means an entity that elects or is
22 required to be taxed as a corporation under title 26, chapter
23 1, subchapter A, part 2, of the Internal Revenue Code.

24 *d.* "Corporate partner" means a C corporation partner that is
25 subject to tax pursuant to section 422.33.

26 *e.* "Direct partner" means a person that holds an interest
27 directly in a partnership or pass-through entity.

28 *f.* "Exempt partner" means a partner that is exempt from
29 taxation pursuant to section 422.34.

30 *g.* "Federal adjustments report" means the same as defined
31 in section 422.25.

32 *h.* "Federal partnership adjustment" means a change to an
33 item or amount required to be determined under the Internal
34 Revenue Code and the regulations thereunder that is used by a
35 partnership and its direct and indirect partners to compute

1 state tax owed for the reviewed year where such change results
2 from a partnership level audit or an administrative adjustment
3 request. A federal partnership adjustment is positive to the
4 extent that it increases Iowa taxable income as determined
5 under this title and is negative to the extent that it
6 decreases Iowa taxable income as determined under this title.
7 A federal adjustment reported on an amended federal return
8 or other similar report filed pursuant to section 6225(c) of
9 the Internal Revenue Code shall not be considered a federal
10 partnership adjustment for purposes of this section.

11 *i. "Federal partnership representative"* means the person
12 the partnership designates for the taxable year as the
13 partnership's representative, or the person the internal
14 revenue service has appointed to act as the federal partnership
15 representative, pursuant to section 6223(a) of the Internal
16 Revenue Code and the regulations thereunder.

17 *j. "Fiduciary partner"* means a partner that is a fiduciary
18 that is subject to tax pursuant to sections 422.5 and 422.6.

19 *k. "Final determination date"* means any one of the following
20 dates:

21 (1) In the case of a federal partnership adjustment that
22 arises from a partnership level audit, the first day on which
23 no federal adjustments arising from that audit remain to be
24 finally determined, whether by agreement, or, if appealed
25 or contested, by a final decision with respect to which all
26 rights of appeal have been waived or exhausted. For agreements
27 required to be signed by the internal revenue service and the
28 audited partnership, the final determination date is the date
29 on which the last party signed the agreement.

30 (2) In the case of a federal partnership adjustment that
31 results from a timely filed administrative adjustment request,
32 the day on which the administrative adjustment request was
33 filed with the internal revenue service.

34 *l. "Final federal partnership adjustment"* means a federal
35 partnership adjustment after the final determination date for

1 that federal partnership adjustment has passed.

2 *m. "Indirect partner"* means a partner in a partnership or
3 pass-through entity where such partnership or pass-through
4 entity itself holds an interest directly, or through another
5 indirect partner, in a partnership or pass-through entity.

6 *n. "Individual partner"* means a partner who is a natural
7 person that is subject to tax pursuant to section 422.5.

8 *o. "Nonresident partner"* means a partner that is not a
9 resident partner as defined in this subsection.

10 *p. "Partner"* means a person that holds an interest, directly
11 or indirectly, in a partnership or pass-through entity.

12 *q. "Partnership"* means an entity subject to taxation
13 under subchapter K of the Internal Revenue Code and the
14 regulations thereunder and includes but is not limited to a
15 syndicate, group, pool, joint venture, or other unincorporated
16 organization through or by means of which any business,
17 financial operation, or venture is carried on and which is
18 not, within the meaning of this chapter, a trust, estate, or
19 corporation.

20 *r. "Partnership level audit"* means an examination by the
21 internal revenue service at the partnership level pursuant to
22 subchapter C, title 26, subtitle F, chapter 63, of the Internal
23 Revenue Code, as enacted by the Bipartisan Budget Act of 2015,
24 Pub. L. No. 114-74, and as amended, which results in final
25 federal partnership adjustments initiated and made by the
26 internal revenue service.

27 *s. "Pass-through entity"* means an entity, other than
28 a partnership, that is not subject to tax under section
29 422.33 for C corporations but excluding an exempt partner.
30 *"Pass-through entity"* includes but is not limited to S
31 corporations, estates, and trusts other than grantor trusts.

32 *t. "Reallocation adjustment"* means a final federal
33 partnership adjustment that changes the shares of items of
34 partnership income, gain, loss, expense, or credit allocated
35 to a partner that holds an interest directly in a partnership

1 or pass-through entity. A positive reallocation adjustment
2 means the portion of a reallocation adjustment that would
3 increase Iowa taxable income for such partners, and a negative
4 reallocation adjustment means the portion of a reallocation
5 adjustment that would decrease Iowa taxable income for such
6 partners.

7 *u. "Resident partner"* means any of the following:

8 (1) For an individual partner, a "resident" as defined in
9 section 422.4.

10 (2) For a fiduciary partner, one with situs in Iowa.

11 (3) For all other partners, a partner whose headquarters or
12 principal place of business is located in Iowa.

13 *v. "Reviewed year"* means the taxable year of a partnership
14 that is subject to a partnership level audit from which final
15 federal partnership adjustments arise, or otherwise means the
16 taxable year of the partnership or pass-through entity that is
17 the subject of a state partnership audit.

18 *w. "State partnership audit"* means an examination by the
19 director at the partnership or pass-through entity level which
20 results in adjustments to partnership or pass-through entity
21 related items or reallocations of income, gains, losses,
22 expenses, credits, and other attributes among such partners for
23 the reviewed year.

24 *x. "Tiered partner"* means any partner that is a partnership
25 or pass-through entity.

26 *y. "Unrelated business income"* means the income which is
27 defined in section 512 of the Internal Revenue Code and the
28 regulations thereunder.

29 2. *Application.* Partnerships and their direct partners
30 and indirect partners shall report final federal partnership
31 adjustments as provided in this section.

32 3. *State partnership representative.* Notwithstanding any
33 other law to the contrary, the state partnership representative
34 for the reviewed year shall have the sole authority to act on
35 behalf of the partnership or pass-through entity with respect

1 to an action required or permitted to be taken by a partnership
2 or pass-through entity under this section or section 422.28 or
3 422.29 with respect to final federal partnership adjustments
4 arising from a partnership level audit or an administrative
5 adjustment request, and its direct partners and indirect
6 partners shall be bound by those actions.

7 4. *Reporting and payment requirements for audited*
8 *partnerships and their partners subject to final federal*
9 *partnership adjustments.*

10 a. Unless an audited partnership makes the election in
11 subsection 5, the audited partnership shall do all of the
12 following for all final federal partnership adjustments no
13 later than ninety days after the final determination date of
14 the audited partnership:

15 (1) File a completed federal adjustments report.

16 (2) Notify each direct partner of such partner's
17 distributive share of the adjustments in the manner and form
18 prescribed by the department by rule.

19 (3) File an amended composite return under section 422.13
20 if one was originally filed, and if applicable for withholding
21 from partners, file an amended withholding report under
22 section 422.16, and pay the additional amount under this title
23 that would have been due had the final federal partnership
24 adjustments been reported properly as required, including any
25 applicable interest and penalties.

26 b. Unless an audited partnership paid an amount on behalf
27 of the direct partners of the audited partnership pursuant to
28 subsection 5, all direct partners of the audited partnership
29 shall do all of the following no later than one hundred
30 eighty days after the final determination date of the audited
31 partnership:

32 (1) File a completed federal adjustments report reporting
33 the direct partner's distributive share of the adjustments
34 required to be reported to such partners under paragraph "a".

35 (2) If the direct partner is a tiered partner, notify all

1 partners that hold an interest directly in the tiered partner
2 of such partner's distributive share of the adjustments in the
3 manner and form prescribed by the department by rule.

4 (3) If the direct partner is a tiered partner and subject to
5 section 422.13, file an amended composite return under section
6 422.13 if such return was originally filed, and if applicable
7 for withholding from partners file an amended withholding
8 report under section 422.16 if one was originally required to
9 be filed.

10 (4) Pay any additional amount under this title that would
11 have been due had the final federal partnership adjustments
12 been reported properly as required, including any applicable
13 penalty and interest.

14 c. Unless a partnership or tiered partner paid an amount on
15 behalf of the partners pursuant to subsection 5, each indirect
16 partner shall do all of the following:

17 (1) Within ninety days after the time for filing and
18 furnishing statements to tiered partners and their partners
19 as established by section 6226 of the Internal Revenue Code
20 and the regulations thereunder, file a completed federal
21 adjustments report.

22 (2) If the indirect partner is a tiered partner, within
23 ninety days after the time for filing and furnishing statements
24 to tiered partners and their partners as established by
25 section 6226 of the Internal Revenue Code and the regulations
26 thereunder but within sufficient time for all indirect partners
27 to also complete the requirements of this subsection, notify
28 all of the partners that hold an interest directly in the
29 tiered partner of such partner's distributive share of the
30 adjustments in the manner and form prescribed by the department
31 by rule.

32 (3) Within ninety days after the time for filing and
33 furnishing statements to tiered partners and their partners
34 as established by section 6226 of the Internal Revenue Code
35 and the regulations thereunder, if the indirect partner

1 is a tiered partner and subject to section 422.13, file an
2 amended composite return under section 422.13 if such return
3 was originally filed, and if applicable for withholding from
4 partners, file an amended withholding report under section
5 422.16 if one was originally required to be filed.

6 (4) Within ninety days after the time for filing and
7 furnishing statements to tiered partners and the partners of
8 the tiered partners as established by section 6226 of the
9 Internal Revenue Code and the regulations thereunder, pay any
10 additional amount due under this title, including any penalty
11 and interest that would have been due had the final federal
12 partnership adjustments been reported properly as required.

13 5. *Election for partnership or tiered partners to pay.*

14 a. An audited partnership, or a tiered partner that receives
15 a notification of a final federal partnership adjustment under
16 subsection 4, may make an election to pay as provided under
17 this subsection.

18 b. An audited partnership or tiered partner makes an
19 election to pay under this subsection by filing a completed
20 federal adjustments report, notifying the department in the
21 manner and form prescribed by the department that it is making
22 the election under this subsection, notifying each of the
23 direct partners of such partner's distributive share of the
24 adjustments, and paying on behalf of its partners an amount
25 calculated in paragraph "c", including any applicable penalty
26 and interest. These requirements shall all be fulfilled within
27 one of the following time periods:

28 (1) For the audited partnership, no later than ninety days
29 after the final determination date of the audited partnership.

30 (2) For a direct tiered partner, no later than one hundred
31 eighty days after the final determination date of the audited
32 partnership.

33 (3) For an indirect tiered partner, within ninety days
34 after the time for filing and furnishing statements to a
35 tiered partner and the partner of the tiered partner, as

1 established by section 6226 of the Internal Revenue Code and
2 the regulations thereunder.

3 c. The amount due under this subsection from an audited
4 partnership or tiered partner shall be calculated as follows:

5 (1) Exclude from final federal partnership adjustments and
6 any positive reallocation adjustments the distributive share
7 of such adjustments reported to an exempt partner that holds
8 an interest directly in the audited partnership if the audited
9 partnership is making the election or that holds an interest
10 directly in the tiered partner if the tiered partner is making
11 the election, but only to the extent the distributive share is
12 not unrelated business income.

13 (2) Determine the total distributive share of all final
14 federal partnership adjustments and positive reallocation
15 adjustments as modified by this title that are reported to
16 corporate partners, and to exempt partners to the extent the
17 distributive share is unrelated business income, and allocate
18 and apportion such adjustments as provided in section 422.33
19 at the partnership or tiered partner level, and multiply the
20 resulting amount by the maximum state corporate income tax rate
21 pursuant to section 422.33 for the reviewed year.

22 (3) Determine the total distributive share of all final
23 federal partnership adjustments and positive reallocation
24 adjustments as modified by this title that are reported to
25 nonresident individual partners and nonresident fiduciary
26 partners and allocate and apportion such adjustments as
27 provided in section 422.33 at the partnership or tiered
28 partner level, and multiply the resulting amount by the maximum
29 individual income tax rate pursuant to section 422.5A for the
30 reviewed year.

31 (4) For the total distributive share of all final federal
32 partnership adjustments and positive reallocation adjustments
33 as modified by this title that are reported to tiered partners:

34 (a) Determine the amount of such adjustments which are of a
35 type that would be subject to sourcing to Iowa under section

1 422.8, subsection 2, paragraph "a", as a nonresident, and then
2 determine the portion of this amount that would be sourced to
3 Iowa under those provisions as if the tiered partner were a
4 nonresident.

5 (b) Determine the amount of such adjustments which are of
6 a type that would not be subject to sourcing to Iowa under
7 section 422.8, subsection 2, paragraph "a", as a nonresident.

8 (c) Determine the portion of the amount in subparagraph
9 division (b) that can be established, as prescribed by the
10 department by rule, to be properly allocable to indirect
11 partners that are nonresident partners or other partners not
12 subject to tax on the adjustments.

13 (d) Multiply the total of the amounts determined in
14 subparagraph divisions (a) and (b), reduced by any amount
15 determined in subparagraph division (c), by the highest
16 individual income tax rate pursuant to section 422.5A for the
17 reviewed year.

18 (5) For the total distributive share of all final federal
19 partnership adjustments and positive reallocation adjustments
20 as modified by this title that are reported to resident
21 individual partners and resident fiduciary partners, multiply
22 that amount by the highest individual income tax rate pursuant
23 to section 422.5A for the reviewed year.

24 (6) Total the amounts computed pursuant to subparagraphs
25 (2) through (5) and calculate any interest and penalty as
26 provided under this title. Notwithstanding any provision of
27 law to the contrary, interest and penalties on the amount due
28 by the audited partnership or tiered partner shall be computed
29 from the day after the due date of the reviewed year return
30 without extension, and shall be imposed as if the audited
31 partnership or tiered partner was required to pay tax or show
32 tax due on the original return for the reviewed year.

33 d. Adjustments subject to the election in this subsection
34 do not include any adjustments arising from an administrative
35 adjustment request.

1 e. An audited partnership or tiered partner not otherwise
2 subject to any reporting or payment obligation to Iowa that
3 makes an election under this subsection consents to be subject
4 to the Iowa laws related to reporting, assessment, collection,
5 and payment of Iowa tax, interest, and penalties calculated
6 under the election.

7 6. *Modified reporting and payment method.* The department may
8 adopt procedures for an audited partnership or tiered partner
9 to enter into an agreement with the department to use an
10 alternative reporting and payment method, including applicable
11 time requirements or any other provision of this section. The
12 audited partnership or tiered partner must demonstrate that
13 the requested method will reasonably provide for the reporting
14 and payment of taxes, penalties, and interest due under the
15 provisions of this section. Application for approval of an
16 alternative reporting and payment method must be made by the
17 audited partnership or tiered partner within the time for
18 making an election to pay under subsection 5 and in the manner
19 prescribed by the department. Approval of such an alternative
20 reporting and payment method shall be at the discretion of the
21 department.

22 7. *Effect of election by partnership or tiered partner and*
23 *payment of amount due.*

24 a. The election made under subsection 5 is irrevocable,
25 unless in the discretion of the director, the director
26 determines otherwise.

27 b. The amount determined in subsection 5, when properly
28 reported and paid by the audited partnership or tiered partner,
29 shall be treated as paid on behalf of the partners of such
30 audited partnership or tiered partner on the same final federal
31 partnership adjustments, provided, however, that no partner may
32 take any deduction or credit for the amount, claim a refund of
33 the amount, or include the amount on such partner's Iowa return
34 in any manner.

35 c. In the event another state offers to an audited

1 partnership or tiered partner a similar election to pay state
2 tax resulting from final federal partnership adjustments,
3 nothing in this subsection shall prohibit a resident who holds
4 an interest directly in that audited partnership or tiered
5 partner, as the case may be, from claiming a credit for taxes
6 paid by the resident to another state under section 422.8,
7 subsection 1, for any amounts paid by the audited partnership
8 or tiered partner on such resident partner's behalf to another
9 state, provided such payment otherwise meets the requirements
10 of section 422.8, subsection 1.

11 *d.* Nothing in this section shall prohibit the department
12 from assessing direct partners and indirect partners for taxes
13 they owe in the event that an audited partnership or tiered
14 partner fails to timely make any report or payment required by
15 this section for any reason.

16 *8. Assessments of additional Iowa income tax, interest, and*
17 *penalties, and claims for refund, arising from final federal*
18 *partnership adjustments.*

19 *a.* The department shall assess additional Iowa income
20 tax, interest, and penalties arising from final federal
21 partnership adjustments in the same manner as provided in
22 this title unless a different treatment is provided by this
23 subsection. Since final federal partnership adjustments are
24 determined at the audited partnership level, any assessment
25 issued to partners shall not be appealable by the partner.
26 The department may assess any taxes, including on-behalf-of
27 amounts, interest, and penalties arising from the final federal
28 partnership adjustments if it issues a notice of assessment to
29 the audited partnership, tiered partner, or other direct or
30 indirect partner on or before the expiration of the applicable
31 limitations period specified in section 422.25.

32 *b.* In addition to the period for claiming a refund or credit
33 provided in section 422.73, subsection 1, paragraph "a", and
34 notwithstanding section 422.73, subsection 1, paragraph "b",
35 a partnership, tiered partner, or other direct or indirect

1 partner, as the case may be, may file a claim for refund of
2 Iowa income tax arising directly or indirectly from a final
3 federal partnership adjustment arising from a partnership level
4 audit on or before the date which is one year from the date the
5 federal adjustments report for that final federal partnership
6 adjustment was required to be filed by such person under this
7 section.

8 9. *Rules.* The department may adopt any rules pursuant to
9 chapter 17A to implement this section.

10 Sec. 65. NEW SECTION. **422.25B State partnership**
11 **representative.**

12 1. As used in this section, all words and phrases defined
13 in section 422.25A shall have the same meaning given them by
14 that section.

15 2. The state partnership representative for the reviewed
16 year for a partnership shall be the partnership's federal
17 partnership representative with respect to an action required
18 or permitted to be taken by a state partnership representative
19 under this chapter for a reviewed year, unless the partnership
20 designates in writing another person as the state partnership
21 representative as provided in subsection 3. The state
22 partnership representative for the reviewed year for a
23 pass-through entity is the person designated in subsection 3.

24 3. The department may establish reasonable qualifications
25 for a person to be a state partnership representative. If
26 a partnership desires to designate a person other than the
27 federal partnership representative, the partnership shall
28 designate such person in the manner and form prescribed by the
29 department. A pass-through entity shall designate a person as
30 the state partnership representative in the manner and form
31 prescribed by the department. A partnership or pass-through
32 entity shall be allowed to change such designation by notifying
33 the department at the time the change occurs in the manner and
34 form prescribed by the department.

35 4. The department may adopt any rules pursuant to chapter

1 17A to implement this section.

2 Sec. 66. NEW SECTION. **422.25C Partnership and pass-through**
3 **entity audits and examinations — consistent treatment of**
4 **entity-level items — binding actions — amended returns.**

5 1. As used in this section, all words and phrases defined
6 in section 422.25A shall have the same meaning given them by
7 that section.

8 2. For tax years beginning on or after January 1, 2020, any
9 adjustments to a partnership's or pass-through entity's items
10 of income, gain, loss, expense, or credit, or an adjustment
11 to such items allocated to a partner that holds an interest
12 in a partnership or pass-through entity for the reviewed year
13 by the department as a result of a state partnership audit,
14 shall be determined at the partnership level or pass-through
15 entity level in the same manner as provided by section 6221(a)
16 of the Internal Revenue Code and the regulations thereunder
17 unless a different treatment is specifically provided in this
18 title. The provisions of sections 6222, 6223, and 6227 of the
19 Internal Revenue Code and the regulations thereunder shall also
20 apply to a partnership or pass-through entity and its direct
21 or indirect partners in the same manner as provided in such
22 sections unless a different treatment is specifically provided
23 in this title. For purposes of applying such sections, due
24 account shall be made for differences in federal and Iowa
25 terminology. The adjustment provided by section 6221(a) of
26 the Internal Revenue Code shall be determined as provided in
27 such section but shall be based on Iowa taxable income or
28 other tax attributes of the partnership as determined pursuant
29 to this chapter for the reviewed year. The department shall
30 issue a notice of adjustment to the partnership or pass-through
31 entity. Such notice shall be treated as an assessment for
32 the purposes of section 422.25, and the notice shall be
33 appealable by the partnership or pass-through entity pursuant
34 to sections 422.28 and 422.29 and shall be issued within the
35 time period provided by section 422.25. Once the adjustments

1 to partnership-related or pass-through entity-related items or
2 reallocations of income, gains, losses, expenses, credits, and
3 other attributes among such partners for the reviewed year are
4 finally determined, the partnership or pass-through entity and
5 any direct partners or indirect partners shall then be subject
6 to the provisions of section 422.25, subsection 1, paragraph
7 "e", and section 422.25A in the same manner as if the state
8 partnership audit were a federal partnership level audit, and
9 as if the final state partnership audit adjustment were a final
10 federal partnership adjustment. The penalty exceptions in
11 section 421.27, subsection 2, paragraphs "b" and "c", shall not
12 apply to a state partnership audit.

13 3. The state partnership representative for the reviewed
14 year as determined under section 422.25B shall have the sole
15 authority to act on behalf of the partnership or pass-through
16 entity with respect to an action required or permitted to
17 be taken by a partnership or pass-through entity under this
18 section, including proceedings under section 422.28 or 422.29,
19 and the partnership's or pass-through entity's direct partners
20 and indirect partners shall be bound by those actions.

21 4. If the department, the partnership or pass-through
22 entity, and the partnership or pass-through entity owners
23 agree, the provisions of this section may be applied to tax
24 years beginning before January 1, 2020.

25 5. The department may adopt rules pursuant to chapter 17A to
26 implement this section.

27 Sec. 67. Section 422.35, Code 2020, is amended by adding the
28 following new subsection:

29 NEW SUBSECTION. 26. Any income subtracted from federal
30 taxable income for an adjustment year pursuant to section 6225
31 of the Internal Revenue Code and the regulations thereunder
32 shall be added back in computing net income for state tax
33 purposes for the adjustment year.

34 Sec. 68. Section 422.39, Code 2020, is amended by striking
35 the section and inserting in lieu thereof the following:

1 **422.39 Statutes applicable to corporations and corporation**
2 **tax.**

3 All the provisions of sections 422.24 through 422.27
4 of division II, respecting payment, collection, reporting,
5 examination, and assessment, shall apply in respect to a
6 corporation subject to the provisions of this division and to
7 the tax due and payable by a corporation taxable under this
8 division. This includes but is not limited to a corporation
9 that is a pass-through entity as defined in section 422.25A.

10 Sec. 69. Section 422.73, Code 2020, is amended by adding the
11 following new subsection:

12 NEW SUBSECTION. 01. For purposes of this section, "*federal*
13 *adjustment*", "*final determination date*", and "*final federal*
14 *adjustment*" all mean the same as defined in section 422.25.

15 Sec. 70. Section 422.73, subsections 1 and 3, Code 2020, are
16 amended to read as follows:

17 1. a. If it appears that an amount of tax, penalty, or
18 interest has been paid which was not due under **division II,**
19 **III or V of this chapter,** then that amount shall be credited
20 against any tax due on the books of the department by the
21 person who made the excessive payment, or that amount shall be
22 refunded to the person or with the person's approval, credited
23 to tax to become due. A claim for refund or credit that has
24 not been filed with the department within three years after
25 the return upon which a refund or credit claimed became due,
26 or within one year after the payment of the tax upon which a
27 refund or credit is claimed was made, whichever time is the
28 later, shall not be allowed by the director. If, as a result of
29 a carryback of a net operating loss or a net capital loss, the
30 amount of tax in a prior period is reduced and an overpayment
31 results, the claim for refund or credit of the overpayment
32 shall be filed with the department within the three years after
33 the return for the taxable year of the net operating loss or
34 net capital loss became due.

35 b. Notwithstanding the period of limitation specified in

1 paragraph "a", the taxpayer shall have ~~six months~~ one year from
2 ~~the day of final disposition~~ final determination date of any
3 ~~income tax matter between the taxpayer and the internal revenue~~
4 ~~service~~ final federal adjustment arising from an internal
5 revenue service audit or other similar action by the internal
6 revenue service with respect to the particular tax year to
7 claim an income tax refund or credit arising from that final
8 federal adjustment.

9 3. The department shall enter into an agreement with the
10 internal revenue service for the transmission of federal income
11 tax reports on individuals required to file an Iowa income tax
12 return who have been involved in an income tax matter with the
13 internal revenue service. After ~~final disposition~~ the final
14 determination date of the income tax matter that involves a
15 final federal adjustment between the taxpayer and the internal
16 revenue service, the department shall determine whether the
17 individual is due a state income tax refund as a result of that
18 ~~final disposition of~~ federal adjustment from such income tax
19 matter. If the individual is due a state income tax refund,
20 the department shall notify the individual within thirty days
21 and request the individual to file a claim for refund or credit
22 with the department.

23 Sec. 71. APPLICABILITY. This division of this Act applies
24 to federal adjustments and federal partnership adjustments that
25 have a final determination date after the effective date of
26 this division of this Act.

27

DIVISION VI

28

SETOFF PROCEDURES — RULEMAKING — EFFECTIVE DATE

29

30 Sec. 72. RULES. The following applies to 2020 Iowa Acts,
31 House File 2565, if enacted:

32

33 The department of revenue shall adopt rules governing
34 setoffs that occur during the transition from the department of
35 administrative services to the department of revenue.

36

37 Sec. 73. 2020 Iowa Acts, House File 2565, section 28, if
38 enacted, is amended to read as follows:

1 SEC. 28. EFFECTIVE DATE. This Act takes effect on the
2 later of January 1, 2021, or the effective date of the rules
3 adopted by the department of revenue pursuant to chapter 17A
4 implementing this Act other than transitional rules.

5 Sec. 74. EFFECTIVE DATE. This division of this Act, being
6 deemed of immediate importance, takes effect upon enactment.

7 DIVISION VII

8 MARRIED TAXPAYERS — JOINT LIABILITY

9 Sec. 75. Section 422.21, subsection 7, Code 2020, is amended
10 to read as follows:

11 7. If married taxpayers file a joint return or file
12 separately on a combined return in accordance with rules
13 prescribed by the director, both spouses are jointly and
14 severally liable for the total tax due on the return, except
15 when one spouse is ~~considered to be an innocent spouse~~ eligible
16 for relief under criteria established pursuant to section 6015
17 of the Internal Revenue Code. The department may notify the
18 nonrequesting spouse or former spouse and permit, by rule, the
19 intervention of a nonrequesting spouse or former spouse when
20 relief from joint and several liability is requested.

21 Sec. 76. EFFECTIVE DATE. This division of this Act, being
22 deemed of immediate importance, takes effect upon enactment.

23 DIVISION VIII

24 BUSINESS INTEREST EXPENSE DEDUCTION AND GLOBAL INTANGIBLE

25 LOW-TAXED INCOME

26 Sec. 77. Section 422.7, Code 2020, is amended by adding the
27 following new subsection:

28 NEW SUBSECTION. 59. *a.* Section 163(j) of the Internal
29 Revenue Code does not apply in computing net income for state
30 tax purposes. If the taxpayer's federal adjusted gross income
31 for the tax year was increased or decreased by reason of the
32 application of section 163(j) of the Internal Revenue Code,
33 the taxpayer shall recompute net income for state tax purposes
34 under rules prescribed by the director.

35 *b.* Paragraph "a" shall not apply during any tax year

1 in which the additional first-year depreciation allowance
2 authorized in section 168(k) of the Internal Revenue Code
3 applies in computing net income for state tax purposes.

4 *c.* For any tax year in which paragraph "a" does not apply,
5 a taxpayer shall not be permitted to deduct any amount of
6 interest expense paid or accrued in a previous taxable year
7 that is allowed as a deduction in the current taxable year by
8 reason of the carryforward of disallowed business interest
9 provisions of section 163(j)(2) of the Internal Revenue Code,
10 if either of the following apply:

11 (1) The interest expense was originally paid or accrued
12 during a tax year in which paragraph "a" applied.

13 (2) The interest expense was originally paid or accrued
14 during a tax year in which the taxpayer was not required to
15 file an Iowa return.

16 Sec. 78. Section 422.35, Code 2020, is amended by adding the
17 following new subsections:

18 NEW SUBSECTION. 26. *a.* Section 163(j) of the Internal
19 Revenue Code does not apply in computing net income for state
20 tax purposes. If the taxpayer's federal taxable income for
21 the tax year was increased or decreased by reason of the
22 application of section 163(j) of the Internal Revenue Code,
23 the taxpayer shall recompute net income for state tax purposes
24 under rules prescribed by the director.

25 *b.* Paragraph "a" shall not apply during any tax year
26 in which the additional first-year depreciation allowance
27 authorized in section 168(k) of the Internal Revenue Code
28 applies in computing net income for state tax purposes.

29 *c.* For any tax year in which paragraph "a" does not apply,
30 a taxpayer shall not be permitted to deduct any amount of
31 interest expense paid or accrued in a previous taxable year
32 that is allowed as a deduction in the current taxable year by
33 reason of the carryforward of disallowed business interest
34 provisions of section 163(j)(2) of the Internal Revenue Code,
35 if either of the following apply:

1 (1) The interest expense was originally paid or accrued
2 during a tax year in which paragraph "a" applied.

3 (2) The interest expense was originally paid or accrued
4 during a tax year in which the taxpayer was not required to
5 file an Iowa return.

6 NEW SUBSECTION. 27. Subtract, to the extent included,
7 global intangible low-taxed income under section 951A of the
8 Internal Revenue Code.

9 Sec. 79. RESCISSION OF ADMINISTRATIVE RULES.

10 1. Contingent upon the enactment of the section of this
11 Act amending section 422.35, subsection 27, the following Iowa
12 administrative rules are rescinded:

13 a. 701 Iowa administrative code, rule 54.2, subrule 3,
14 paragraph "i".

15 b. 701 Iowa administrative code, rule 59.28, subrule 2,
16 paragraph "p".

17 2. As soon as practicable, the Iowa administrative code
18 editor shall remove the language of the Iowa administrative
19 rules referenced in subsection 1 of this section from the Iowa
20 administrative code.

21 Sec. 80. EFFECTIVE DATE. This Act, being deemed of
22 immediate importance, takes effect upon enactment.

23 Sec. 81. RETROACTIVE APPLICABILITY. The following applies
24 retroactively to January 1, 2019, for tax years beginning on
25 or after that date:

26 The portion of the section of this division of this Act
27 enacting section 422.35, subsection 27.

28 Sec. 82. RETROACTIVE APPLICABILITY. The following apply
29 retroactively to January 1, 2020 for tax years beginning on or
30 after that date:

31 1. The section of this division of this Act enacting section
32 422.7, subsection 59.

33 2. The portion of the section of this division of this Act
34 enacting section 422.35, subsection 26.

35

DIVISION IX

IOWA REINVESTMENT ACT

1
2 Sec. 83. Section 15J.2, subsections 4, 7, 8, and 9, Code
3 2020, are amended to read as follows:

4 4. *"District"* means the area ~~within a municipality~~ that is
5 designated a reinvestment district pursuant to [section 15J.4](#).

6 7. *"Municipality"* means ~~a county or an incorporated city~~.
7 any of the following:

8 a. A county.

9 b. An incorporated city.

10 c. A joint board or other legal entity established or
11 designated in an agreement between two or more contiguous
12 municipalities identified in paragraph "a" or "b" pursuant to
13 chapter 28E.

14 8. a. *"New lessor"* means a lessor, as defined in section
15 423A.2, operating a business in the district that was not in
16 operation in the area of the district before the effective
17 date of the ordinance or resolution establishing the district,
18 regardless of ownership.

19 b. *"New lessor"* also includes any lessor, defined in section
20 423A.2, operating a business in the district if the place of
21 business for that business is the subject of a project that was
22 approved by the board.

23 9. a. *"New retail establishment"* means a business operated
24 in the district by a retailer, as defined in [section 423.1](#),
25 that was not in operation in the area of the district before
26 the effective date of the ordinance or resolution establishing
27 the district, regardless of ownership.

28 b. *"New retail establishment"* also includes any business
29 operated in the district by a retailer, as defined in section
30 423.1, if the place of business for that retail establishment
31 is the subject of a project that was approved by the board.

32 Sec. 84. Section 15J.4, subsection 1, unnumbered paragraph
33 1, Code 2020, is amended to read as follows:

34 A municipality that has an area suitable for development
35 within the boundaries of the municipality or within the

1 combined boundaries of a municipality under section 15J.2,
2 subsection 7, paragraph "c", is eligible to seek approval from
3 the board to establish a reinvestment district under this
4 section consisting of the area suitable for development. To
5 be designated a reinvestment district, an area shall meet the
6 following requirements:

7 Sec. 85. Section 15J.4, subsection 1, paragraphs c and d,
8 Code 2020, are amended to read as follows:

9 c. For districts approved before July 1, 2018, the area
10 consists of contiguous parcels and does not exceed twenty-five
11 acres in total. For districts approved on or after July 1,
12 2020, the area consists of contiguous parcels and does not
13 exceed seventy-five acres in total.

14 d. For a municipality that is a city or for a city that
15 is party to an agreement under section 15J.2, subsection 7,
16 paragraph "c", the area does not include the entire incorporated
17 area of the city.

18 Sec. 86. Section 15J.4, subsection 3, paragraph a, Code
19 2020, is amended to read as follows:

20 a. The municipality shall submit a copy of the resolution,
21 the proposed district plan, and all accompanying materials
22 adopted pursuant to [this section](#) to the board for evaluation.
23 The board shall not approve a proposed district plan on or
24 after July 1, ~~2018~~ 2025.

25 Sec. 87. Section 15J.4, subsection 3, paragraph b,
26 subparagraph (6), Code 2020, is amended to read as follows:

27 (6) The amount of proposed capital investment within the
28 proposed district related to retail businesses in the proposed
29 district does not exceed fifty percent of the total capital
30 investment for all proposed projects in the proposed district
31 plan. For the purposes of this subparagraph, "retail business"
32 means any business engaged in the business of selling tangible
33 personal property or taxable services at retail in this state
34 that is obligated to collect state sales or use tax under
35 chapter 423. However, for the purposes of this subparagraph,

1 "retail business" does not include a new lessor or a business
2 engaged in an activity subject to tax under section 423.2,
3 subsection 3.

4 Sec. 88. Section 15J.4, subsection 3, paragraph f, Code
5 2020, is amended to read as follows:

6 f. (1) The total aggregate amount of state sales tax
7 revenues and state hotel and motel tax revenues that may be
8 approved by the board for remittance to all municipalities and
9 that may be transferred to the state reinvestment district
10 fund under section 423.2A or 423A.6, and remitted to all
11 municipalities having a reinvestment district under this
12 chapter for districts approved by the board before July 1,
13 2018, shall not exceed one hundred million dollars.

14 (2) The total aggregate amount of state sales tax revenues
15 and state hotel and motel tax revenues that may be approved by
16 the board for remittance to all municipalities and that may
17 be transferred to the state reinvestment district fund under
18 section 423.2A or 423A.6, and remitted to all municipalities
19 having a reinvestment district under this chapter for districts
20 approved on or after July 1, 2020, but before July 1, 2025,
21 shall not exceed one hundred million dollars.

22 Sec. 89. Section 15J.4, subsections 4 and 5, Code 2020, are
23 amended to read as follows:

24 4. a. Upon receiving the approval of the board, the
25 municipality may shall adopt an ordinance, or in the case of
26 a municipality under section 15J.2, subsection 7, paragraph
27 "c", a resolution, establishing the district and shall notify
28 the director of revenue of the district's commencement date
29 established by the board and the information required under
30 paragraph "b" no later than thirty days after adoption of the
31 ordinance or resolution.

32 b. For each district approved by the board on or after July
33 1, 2020, the municipality shall include in the notification
34 under paragraph "a" and in the statement required under
35 paragraph "c" all of the following:

1 (1) For each new retail establishment under section 15J.2,
2 subsection 9, paragraph "b", that was in operation before
3 the establishment of the district, the monthly amount of
4 sales subject to the state sales tax from the most recently
5 available twelve-month period preceding the establishment of
6 the district.

7 (2) For each new lessor under section 15J.2, subsection 8,
8 paragraph "b", that was in operation before the establishment
9 of the district, the monthly amount of sales subject to the
10 state hotel and motel tax from the most recently available
11 twelve-month period preceding the establishment of the
12 district.

13 c. The ordinance or resolution adopted by the municipality
14 shall include the district's commencement date and a detailed
15 statement of the manner in which the approved projects to be
16 undertaken in the district will be financed, including but not
17 limited to the financial information included in the project
18 plan under subsection 2, paragraph "d".

19 d. Following establishment of the district, a municipality
20 may use the moneys deposited in the municipality's reinvestment
21 project fund created pursuant to section 15J.7 to fund the
22 development of those projects included within the district
23 plan.

24 5. A municipality may amend the district plan to add
25 or modify projects. However, a proposed modification to a
26 project and each project proposed to be added shall first be
27 approved by the board in the same manner as provided for the
28 original plan. In no case, however, shall an amendment to the
29 district plan result in the extension of the commencement date
30 established by the board. If a district plan is amended to
31 add or modify a project, the municipality shall, if necessary,
32 amend the ordinance or resolution, as applicable, if necessary,
33 to reflect any changes to the financial information required to
34 be included under subsection 4.

35 Sec. 90. Section 15J.5, subsection 1, paragraph b, Code

1 2020, is amended to read as follows:

2 b. (1) The For districts established before July 1,
3 2020, the amount of new state sales tax revenue for purposes
4 of paragraph "a" shall be the product of the amount of sales
5 subject to the state sales tax in the district during the
6 quarter from new retail establishments times four percent.

7 (2) For districts established on or after July 1, 2020, the
8 amount of new state sales tax revenue for purposes of paragraph
9 "a" shall be the product of four percent times the remainder of
10 amount of sales subject to the state sales tax in the district
11 during the quarter from new retail establishments minus the sum
12 of the sales from the corresponding quarter of the twelve-month
13 period determined under section 15J.4, subsection 4, paragraph
14 "b", subparagraph (1), for new retail establishments identified
15 under section 15J.4, subsection 4, paragraph "b", subparagraph
16 (1), that were in operation at the end of the quarter.

17 Sec. 91. Section 15J.5, subsection 2, paragraph b, Code
18 2020, is amended to read as follows:

19 b. (1) The For districts established before July 1,
20 2020, the amount of new state hotel and motel tax revenue for
21 purposes of paragraph "a" shall be the product of the amount of
22 sales subject to the state hotel and motel tax in the district
23 during the quarter from new lessors times the state hotel and
24 motel tax rate imposed under [section 423A.3](#).

25 (2) For districts established on or after July 1, 2020, the
26 amount of new state hotel and motel tax revenue for purposes of
27 paragraph "a" shall be the product of the state hotel and motel
28 tax rate imposed under section 423A.3 times the remainder of
29 amount of sales subject to the state hotel and motel tax in the
30 district during the quarter from new lessors minus the sum of
31 the sales from the corresponding quarter of the twelve month
32 period determined under section 15J.4, subsection 4, paragraph
33 "b", subparagraph (2), for new lessors identified under section
34 15J.4, subsection 4, paragraph "b", subparagraph (2), that were
35 in operation at the end of the quarter.

1 Sec. 92. Section 15J.7, subsection 4, paragraph b, Code
2 2020, is amended to read as follows:

3 **b.** For the purposes of **this subsection**, “relocation”
4 means the closure or substantial reduction of an enterprise’s
5 existing operations in one area of the state and the
6 initiation of substantially the same operation in the same
7 county or a contiguous county in the state. However, if
8 the initiation of operations includes an expanded scope
9 or nature of the enterprise’s existing operations, the new
10 operation shall not be considered to be substantially the
11 same operation. “Relocation” does not include an enterprise
12 expanding its operations in another area of the state provided
13 that existing operations of a similar nature are not closed or
14 substantially reduced.

15 Sec. 93. Section 15J.7, subsection 6, Code 2020, is amended
16 to read as follows:

17 6. Upon dissolution of a district pursuant to **section 15J.8**,
18 moneys remaining in the reinvestment project fund that were
19 deposited pursuant to **subsection 2** and all interest remaining
20 in the fund that was earned on such amounts shall be deposited
21 in the general fund of the municipality or, for a municipality
22 under section 15J.2, subsection 7, paragraph “c”, the governing
23 body shall allocate such amounts to the participating cities
24 and counties for deposit in each city or county general fund
25 according to the chapter 28E agreement.

26 Sec. 94. Section 15J.8, Code 2020, is amended to read as
27 follows:

28 **15J.8 End of deposits — district dissolution.**

29 1. As of the date twenty years after the district’s
30 commencement date, the department shall cease to deposit state
31 sales tax revenues and state hotel and motel tax revenues into
32 the district’s account within the fund, unless the municipality
33 dissolves the district by ordinance or resolution prior to that
34 date. Following the expiration of the twenty-year period, the
35 district shall be dissolved by ordinance or resolution of the

1 municipality adopted within twelve months of the conclusion of
2 the twenty-year period.

3 2. If the municipality dissolves the district by ordinance
4 or resolution prior to the expiration of the twenty-year
5 period specified in subsection 1, the municipality shall
6 notify the director of revenue of the dissolution as soon as
7 practicable after adoption of the ordinance or resolution, and
8 the department shall, as of the effective date of dissolution,
9 cease to deposit state sales tax revenues and state hotel and
10 motel tax revenues into the district's account within the fund.

11 3. Upon request of the municipality prior to the dissolution
12 of the district, and following a determination by the board
13 that the amounts of new state sales tax revenue and new state
14 hotel and motel tax revenue deposited in the municipality's
15 reinvestment project fund under section 15J.7 are substantially
16 lower than the amounts established by the board under section
17 15J.4, subsection 3, paragraph "e", the board may extend
18 the district's twenty-year period of time for depositing and
19 receiving revenues under this chapter by up to five additional
20 years if such an extension is in the best interest of the
21 public.

22 DIVISION X

23 COMPUTER PERIPHERALS

24 Sec. 95. Section 423.1, Code 2020, is amended by adding the
25 following new subsection:

26 NEW SUBSECTION. 10A. "*Computer peripheral*" means an
27 ancillary device connected to the computer digitally, by
28 cable, or by other medium, used to put information into or get
29 information out of a computer.

30 Sec. 96. Section 423.3, subsection 47, Code 2020, is amended
31 to read as follows:

32 47. a. The sales price from the sale or rental of
33 computers, computer peripherals, machinery, equipment,
34 replacement parts, supplies, and materials used to construct
35 or self-construct computers, computer peripherals, machinery,

1 equipment, replacement parts, and supplies, if such items are
2 any of the following:

3 (1) Directly and primarily used in processing by a
4 manufacturer.

5 (2) Directly and primarily used to maintain the integrity
6 of the product or to maintain unique environmental conditions
7 required for either the product or the computers, computer
8 peripherals, machinery, and equipment used in processing by a
9 manufacturer, including test equipment used to control quality
10 and specifications of the product.

11 (3) Directly and primarily used in research and development
12 of new products or processes of processing.

13 (4) Computers and computer peripherals used in processing
14 or storage of data or information by an insurance company,
15 financial institution, or commercial enterprise.

16 (5) Directly and primarily used in recycling or
17 reprocessing of waste products.

18 (6) Pollution-control equipment used by a manufacturer,
19 including but not limited to that required or certified by an
20 agency of this state or of the United States government.

21 *b.* The sales price from the sale of fuel used in creating
22 heat, power, steam, or for generating electrical current, or
23 from the sale of electricity, consumed by computers, computer
24 peripherals, machinery, or equipment used in an exempt manner
25 described in paragraph "a", subparagraph (1), (2), (3), (5), or
26 (6).

27 *c.* The sales price from the sale or rental of the following
28 shall not be exempt from the tax imposed by [this subchapter](#):

29 (1) Hand tools.

30 (2) Point-of-sale equipment, ~~and~~ computers, and computer
31 peripherals.

32 (3) The following within the scope of section 427A.1,
33 subsection 1, paragraphs "h" and "i":

34 (a) Computers.

35 (b) Computer peripherals.

1 ~~(b)~~ (c) Machinery.
2 ~~(e)~~ (d) Equipment, including pollution control equipment.
3 ~~(d)~~ (e) Replacement parts.
4 ~~(e)~~ (f) Supplies.
5 ~~(f)~~ (g) Materials used to construct or self-construct the
6 following:

7 (i) Computers.
8 (ii) Computer peripherals.
9 ~~(ii)~~ (iii) Machinery.
10 ~~(iii)~~ (iv) Equipment, including pollution control
11 equipment.
12 ~~(iv)~~ (v) Replacement parts.
13 ~~(v)~~ (vi) Supplies.

14 (4) Vehicles subject to registration, except vehicles
15 subject to registration which are directly and primarily used
16 in recycling or reprocessing of waste products.

17 d. As used in [this subsection](#):

18 (1) "*Commercial enterprise*" means businesses and
19 manufacturers conducted for profit, for-profit and nonprofit
20 insurance companies, and for-profit and nonprofit financial
21 institutions, but excludes other nonprofits and professions and
22 occupations.

23 (2) "*Financial institution*" means as defined in section
24 527.2.

25 (3) "*Insurance company*" means an insurer organized or
26 operating under [chapter 508, 514, 515, 518, 518A, 519](#), or
27 520, or authorized to do business in Iowa as an insurer or an
28 insurance producer under [chapter 522B](#).

29 (4) (a) "*Manufacturer*" means a business that primarily
30 purchases, receives, or holds personal property of any
31 description for the purpose of adding to its value by a process
32 of manufacturing with a view to selling the property for gain
33 or profit.

34 (b) "*Manufacturer*" includes contract manufacturers. A
35 contract manufacturer is a manufacturer that otherwise falls

1 within the definition of manufacturer, except that a contract
2 manufacturer does not sell the tangible personal property
3 the contract manufacturer processes on behalf of other
4 manufacturers.

5 (c) "*Manufacturer*" does not include persons who are not
6 commonly understood as manufacturers, including but not
7 limited to persons primarily engaged in any of the following
8 activities:

- 9 (i) Construction contracting.
10 (ii) Repairing tangible personal property or real property.
11 (iii) Providing health care.
12 (iv) Farming, including cultivating agricultural products
13 and raising livestock.

14 (v) Transporting for hire.

15 (d) For purposes of this subparagraph:

16 (i) "*Business*" means those businesses conducted for
17 profit, but excludes professions and occupations and nonprofit
18 organizations.

19 (ii) "*Manufacturing*" means those activities commonly
20 understood within the ordinary meaning of the term, and shall
21 include:

22 (A) Refining.

23 (B) Purifying.

24 (C) Combining of different materials.

25 (D) Packing of meats.

26 (E) Activities subsequent to the extractive process of
27 quarrying or mining, such as crushing, washing, sizing, or
28 blending of aggregate materials.

29 (iii) "*Manufacturing*" does not include activities occurring
30 on premises primarily used to make retail sales.

31 (5) "*Processing*" means a series of operations in which
32 materials are manufactured, refined, purified, created,
33 combined, or transformed by a manufacturer, ultimately
34 into tangible personal property. Processing encompasses
35 all activities commencing with the receipt or producing of

1 raw materials by the manufacturer and ending at the point
2 products are delivered for shipment or transferred from the
3 manufacturer. Processing includes but is not limited to
4 refinement or purification of materials; treatment of materials
5 to change their form, context, or condition; maintenance
6 of the quality or integrity of materials, components, or
7 products; maintenance of environmental conditions necessary for
8 materials, components, or products; quality control activities;
9 and construction of packaging and shipping devices, placement
10 into shipping containers or any type of shipping devices or
11 medium, and the movement of materials, components, or products
12 until shipment from the processor.

13 (6) "*Receipt or producing of raw materials*" means activities
14 performed upon tangible personal property only. With respect
15 to raw materials produced from or upon real estate, the receipt
16 or producing of raw materials is deemed to occur immediately
17 following the severance of the raw materials from the real
18 estate.

19 (7) "*Replacement part*" means tangible personal property
20 other than computers, computer peripherals, machinery,
21 equipment, or supplies, regardless of the cost or useful life
22 of the tangible personal property, that meets all of the
23 following conditions:

24 (a) The tangible personal property replaces a component of
25 a computer, computer peripheral, machinery, or equipment, which
26 component is capable of being separated from the computer,
27 computer peripheral, machinery, or equipment.

28 (b) The tangible personal property performs the same or
29 similar function as the component it replaced.

30 (c) The tangible personal property restores the computer,
31 computer peripheral, machinery, or equipment to an operational
32 condition, or upgrades or improves the efficiency of the
33 computer, computer peripheral, machinery, or equipment.

34 (8) "*Supplies*" means tangible personal property, other
35 than computers, computer peripherals, machinery, equipment, or

1 replacement parts, that meets one of the following conditions:

2 (a) The tangible personal property is to be connected to
3 a computer, computer peripheral, machinery, or equipment and
4 requires regular replacement because the property is consumed
5 or deteriorates during use, including but not limited to saw
6 blades, drill bits, filters, and other similar items with a
7 short useful life.

8 (b) The tangible personal property is used in conjunction
9 with a computer, computer peripheral, machinery, or equipment
10 and is specially designed for use in manufacturing specific
11 products and may be used interchangeably and intermittently on
12 a particular computer, computer peripheral, machine, or piece
13 of equipment, including but not limited to jigs, dies, tools,
14 and other similar items.

15 (c) The tangible personal property comes into physical
16 contact with other tangible personal property used in
17 processing and is used to assist with or maintain conditions
18 necessary for processing, including but not limited to cutting
19 fluids, oils, coolants, lubricants, and other similar items
20 with a short useful life.

21 (d) The tangible personal property is directly and
22 primarily used in an activity described in paragraph "a",
23 subparagraphs (1) through (6), including but not limited to
24 prototype materials and testing materials.

25 Sec. 97. RESCISSION OF ADMINISTRATIVE RULES.

26 1. The following Iowa administrative rules are rescinded as
27 of July 1, 2020:

28 a. 701 Iowa administrative code, rule 18.34, subrule 1,
29 paragraph "b", subparagraph (1).

30 b. 701 Iowa administrative code, rule 18.45, subrule 1,
31 definition of "computer".

32 c. 701 Iowa administrative code, rule 18.58, subrule 1,
33 definition of "computer".

34 d. 701 Iowa administrative code, rule 230.14, subrule 2,
35 paragraph "a".

1 2. As soon as practicable after July 1, 2020, the Iowa
2 administrative code editor shall remove the language of the
3 Iowa administrative rules referenced in subsection 1 of this
4 section from the Iowa administrative code.

5 DIVISION XI

6 SCHOOL TUITION ORGANIZATION TAX CREDIT

7 Sec. 98. Section 422.11S, subsection 8, paragraph a,
8 subparagraph (2), Code 2020, is amended to read as follows:

9 (2) (a) *"Total approved tax credits"* means for the 2006
10 calendar year, two million five hundred thousand dollars, for
11 the 2007 calendar year, five million dollars, for calendar
12 years beginning on or after January 1, 2008, but before January
13 1, 2012, seven million five hundred thousand dollars, for
14 calendar years beginning on or after January 1, 2012, but
15 before January 1, 2014, eight million seven hundred fifty
16 thousand dollars, for calendar years beginning on or after
17 January 1, 2014, but before January 1, 2019, twelve million
18 dollars, and for calendar years beginning on or after January
19 1, 2019, but before January 1, 2020, thirteen million dollars,
20 and for calendar years beginning on or after January 1, 2020,
21 fifteen million dollars.

22 (b) (i) During any calendar year beginning on or after
23 January 1, 2022, if the amount of awarded tax credits from the
24 preceding calendar year are equal to or greater than ninety
25 percent of the total approved tax credits for the current
26 calendar year, the total approved tax credits for the current
27 calendar year shall equal the product of ten percent multiplied
28 by the total approved tax credits for the current calendar year
29 plus the total approved tax credits for the current calendar
30 year.

31 (ii) If total approved tax credits are recomputed pursuant
32 to subparagraph subdivision (i), the total approved tax credits
33 shall equal the previous total approved tax credits recomputed
34 pursuant to subparagraph subdivision (i) for purposes of future
35 recomputations under subparagraph subdivision (i), provided

1 that the maximum total approved tax credits recomputed pursuant
2 to this subparagraph division (b) shall not exceed twenty
3 million dollars in a calendar year.

4 Sec. 99. Section 422.33, subsection 28, Code 2020, is
5 amended to read as follows:

6 28. The taxes imposed under **this division** shall be reduced
7 by a school tuition organization tax credit allowed under
8 section 422.11S. ~~The maximum amount of tax credits that~~
9 ~~may be approved under **this subsection** for a tax year equals~~
10 ~~twenty five percent of the school tuition organization's tax~~
11 ~~credits that may be approved pursuant to section 422.11S,~~
12 ~~subsection 8, for a tax year.~~

13 DIVISION XII

14 BROADBAND INFRASTRUCTURE TAXATION

15 Sec. 100. Section 422.7, Code 2020, is amended by adding the
16 following new subsection:

17 NEW SUBSECTION. 18. *a.* Subtract, to the extent included,
18 the amount of a federal, state, or local grant provided to
19 a communications service provider, if the grant is used to
20 install broadband infrastructure that facilitates broadband
21 service in targeted service areas at or above the download and
22 upload speeds.

23 *b.* As used in this subsection, "*broadband infrastructure*",
24 "*communications service provider*", and "*targeted service area*"
25 mean the same as defined in section 8B.1, respectively.

26 Sec. 101. Section 422.35, Code 2020, is amended by adding
27 the following new subsection:

28 NEW SUBSECTION. 26. *a.* Subtract, to the extent included,
29 the amount of a federal, state, or local grant provided to
30 a communications service provider, if the grant is used to
31 install broadband infrastructure that facilitates broadband
32 service in targeted service areas at or above the download and
33 upload speeds.

34 *b.* As used in this subsection, "*broadband infrastructure*",
35 "*communications service provider*", and "*targeted service area*"

1 mean the same as defined in section 8B.1, respectively.

2 Sec. 102. REFUNDS. Refunds of taxes, interest, or penalties
3 that arise from claims resulting from the enactment of this
4 division of this Act, in the tax year beginning January
5 1, 2019, but before January 1, 2020, shall not be allowed
6 unless refund claims are filed prior to October 1, 2020,
7 notwithstanding any other provision of law to the contrary.

8 Sec. 103. EFFECTIVE DATE. This division of this Act, being
9 deemed of immediate importance, takes effect upon enactment.

10 Sec. 104. RETROACTIVE APPLICABILITY. This division of this
11 Act applies retroactively to January 1, 2019, and applies to
12 tax years beginning on or after that date.

13 DIVISION XIII

14 LOCAL ASSESSORS

15 Sec. 105. Section 441.6, subsection 2, Code 2020, is amended
16 to read as follows:

17 2. Upon receipt of the report of the examining board, the
18 chairperson of the conference board shall by written notice
19 call a meeting of the conference board to appoint an assessor.
20 The meeting shall be held not later than seven days after the
21 receipt of the report of the examining board by the conference
22 board. At the meeting, the conference board shall appoint an
23 assessor from the register of eligible candidates. However,
24 if a special examination has not been conducted previously for
25 the same vacancy, the conference board may request the director
26 of revenue to hold a special examination pursuant to section
27 441.7. The chairperson of the conference board shall give
28 written notice to the director of revenue of the appointment
29 ~~and its effective date~~ within ten days of the decision of the
30 board.

31 Sec. 106. Section 441.6, Code 2020, is amended by adding the
32 following new subsection:

33 NEW SUBSECTION. 3. The appointee selected by the conference
34 board under subsection 2 shall not assume the office of city
35 or county assessor until such appointment is confirmed by

1 the director of revenue. If the director of revenue rejects
2 the appointment, the examining board shall conduct a new
3 examination and submit a new report to the conference board
4 under subsection 1. The director of revenue shall adopt rules
5 pursuant to chapter 17A to implement and administer this
6 subsection.

7 Sec. 107. Section 441.17, subsection 2, Code 2020, is
8 amended to read as follows:

9 2. Cause to be assessed, in accordance with [section 441.21](#),
10 all the property in the assessor's county or city, except
11 property exempt from taxation, or the assessment of which is
12 otherwise provided for by law. However, an assessor or deputy
13 assessor shall not personally assess a property if the person
14 or a member of the person's immediate family owns the property,
15 has a financial interest in the property, or has a financial
16 interest in the entity that owns the property. The director of
17 revenue shall adopt rules pursuant to chapter 17A to implement
18 and administer this subsection.

19 Sec. 108. Section 441.41, Code 2020, is amended to read as
20 follows:

21 **441.41 Legal counsel.**

22 In the case of cities having an assessor, the city legal
23 department shall represent the assessor and board of review
24 in all litigation dealing with assessments. In the case of
25 counties, the county attorney shall represent the assessor and
26 board of review in all litigation dealing with assessments.
27 Any taxing district interested in the taxes received from such
28 assessments may be represented by an attorney and shall be
29 required to appear by attorney upon written request of the
30 assessor to the presiding officer of any such taxing district.
31 The Subject to review and prior approval by either the city
32 legal department in the case of a city or the county attorney
33 in the case of a county, the conference board may employ
34 special counsel to assist the city legal department or county
35 attorney as the case may be.

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DIVISION XIV

PAYCHECK PROTECTION PROGRAM (PPP)

Sec. 109. IOWA NET INCOME EXCLUSION FOR FEDERAL PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS FOR CERTAIN FISCAL-YEAR FILERS IN TAX YEAR 2019. Notwithstanding any other provision of law to the contrary, for any tax year beginning on or after January 1, 2019, and ending after March 27, 2020, Pub. L. No. 116-136, §1106(i), applies in computing net income for state tax purposes under section 422.7 or 422.35.

Sec. 110. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION XV

IOWA INCOME TAX EXCLUSION — EMERGENCY STUDENT GRANT MONEY

Sec. 111. Section 422.7, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 59. Notwithstanding any other provision of law to the contrary, any funds received by a student through a higher education institution to support the student's financial needs as a result of the COVID-19 pandemic pursuant to §§3504, 18004, or 18008 of Pub. L. No. 116-136 shall not be included in the student's Iowa net income for any tax year ending after March 27, 2020.

Sec. 112. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 113. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to March 27, 2020, for tax years ending on or after that date.

DIVISION XVI

IOWA INCOME TAX EXCLUSION — STIMULUS CHECKS

Sec. 114. IOWA INCOME TAX EXCLUSION FOR ECONOMIC IMPACT PAYMENTS. In determining the amount of deduction for federal income tax under section 422.9 for tax years beginning in the 2020 calendar year, the amount of the deduction for the tax year shall not be adjusted by the amount received during the tax year of the income tax rebate provided pursuant to

1 the federal Recovery Rebates and Coronavirus Aid, Relief,
2 and Economic Security Act, Pub. L. No. 116-136, §2201, and
3 the amount of such income tax rebate shall not be subject to
4 taxation under chapter 422, division II.

5

DIVISION XVII

6 PRO RATA SHARE OF ENTITY-LEVEL INCOME TAX PAID BY SHAREHOLDERS
7 OR BENEFICIARIES

8 Sec. 115. Section 422.8, subsection 1, Code 2020, is amended
9 to read as follows:

10 1. a. The amount of income tax paid to another state or
11 foreign country by a resident taxpayer of this state on income
12 derived from sources outside of Iowa shall be allowed as a
13 credit against the tax computed under [this chapter](#), except that
14 the credit shall not exceed what the amount of the Iowa tax
15 would have been on the same income which was taxed by the other
16 state or foreign country. The limitation on this credit shall
17 be computed according to the following formula: Income earned
18 outside of Iowa and taxed by another state or foreign country
19 shall be divided by the total income of the resident taxpayer
20 of Iowa. This quotient multiplied ~~times~~ by the net Iowa tax as
21 determined on the total income of the taxpayer as if entirely
22 earned in Iowa shall be the maximum tax credit against the Iowa
23 net tax.

24 b. (1) For purposes of paragraph "a", a resident partner
25 of an entity taxed as a partnership for federal tax purposes,
26 a resident shareholder of an S corporation, or a resident
27 beneficiary of an estate or trust shall be deemed to have paid
28 the resident partner's, resident shareholder's, or resident
29 beneficiary's pro rata share of entity-level income tax paid
30 by the partnership, S corporation, estate, or trust to another
31 state or foreign country on income that is also subject to
32 tax under this division, but only if the entity provides the
33 resident partner, resident shareholder, or resident beneficiary
34 a statement that documents the resident partner's, resident
35 shareholder's, or resident beneficiary's share of the income

1 derived in the other state or foreign country, the income tax
2 liability of the entity in that state or foreign country, and
3 the income tax paid by the entity to that state or foreign
4 country.

5 (2) For purposes of paragraph "a", a resident shareholder of
6 a regulated investment company shall be deemed to have paid the
7 shareholder's pro rata share of entity-level income tax paid by
8 the regulated investment company to another state or foreign
9 country and treated as paid by its shareholders pursuant to
10 section 853 of the Internal Revenue Code, but only if the
11 regulated investment company provides the resident shareholder
12 a statement that documents the resident shareholder's share of
13 the income derived in the other state or foreign country, the
14 income tax liability of the regulated investment company in
15 that state or foreign country, and the income tax paid by the
16 regulated investment company to that state or foreign country.

17 Sec. 116. EFFECTIVE DATE. This division of this Act, being
18 deemed of immediate importance, takes effect upon enactment.

19 Sec. 117. RETROACTIVE APPLICABILITY. This division of this
20 Act applies retroactively to January 1, 2020, for tax years
21 beginning on or after that date.

22 DIVISION XVIII

23 IOWA SMALL BUSINESS RELIEF GRANT PROGRAM

24 Sec. 118. Section 422.7, Code 2020, is amended by adding the
25 following new subsection:

26 NEW SUBSECTION. 59. Subtract, to the extent included,
27 the amount of any financial assistance grant provided to an
28 eligible small business by the economic development authority
29 under the Iowa small business relief grant program created
30 during calendar year 2020 to provide financial assistance to
31 eligible small businesses economically impacted by the COVID-19
32 pandemic.

33 Sec. 119. Section 422.35, Code 2020, is amended by adding
34 the following new subsection:

35 NEW SUBSECTION. 26. Subtract, to the extent included,

1 the amount of any financial assistance grant provided to an
2 eligible small business by the economic development authority
3 under the Iowa small business relief grant program created
4 during calendar year 2020 to provide financial assistance to
5 eligible small businesses economically impacted by the COVID-19
6 pandemic.

7 Sec. 120. EFFECTIVE DATE. This division of this Act, being
8 deemed of immediate importance, takes effect upon enactment.

9 Sec. 121. RETROACTIVE APPLICABILITY. This division of this
10 Act applies retroactively to March 23, 2020, for tax years
11 ending on or after that date.

12 DIVISION XIX

13 SECTION 179 EXPENSING

14 Sec. 122. Section 422.7, subsections 51 and 52, Code 2020,
15 are amended by striking the subsections.

16 Sec. 123. Section 422.9, subsection 2, paragraph h, Code
17 2020, is amended to read as follows:

18 *h.* For purposes of calculating the deductions in this
19 subsection that are authorized under the Internal Revenue Code,
20 and to the extent that any of such deductions is determined by
21 an individual's federal adjusted gross income, the individual's
22 federal adjusted gross income is computed in accordance with
23 section 422.7, subsections 39, 39A, 39B, ~~51, 52,~~ and 53.

24 Sec. 124. Section 422.35, subsections 14 and 15, Code 2020,
25 are amended by striking the subsections.

26 Sec. 125. PRESERVATION OF EXISTING RIGHTS. The sections of
27 this division striking section 422.7, subsections 51 and 52,
28 and section 422.35, subsections 14 and 15, respectively, shall
29 not limit, modify, or otherwise adversely affect a taxpayer's
30 right to deduct for a tax year beginning on or after January 1,
31 2020, any amount determined under section 422.7, subsection 52,
32 paragraph "b", subparagraph (3), Code 2020, or under section
33 422.35, subsection 15, paragraph "b", subparagraph (3), Code
34 2020, for a tax year beginning prior to January 1, 2020.

35 Sec. 126. RETROACTIVE APPLICABILITY. This division of this

1 Act applies retroactively to January 1, 2020, for tax years
2 beginning on or after that date.

3 DIVISION XX

4 IOWA EDUCATIONAL SAVINGS PLAN TRUST (529 PLANS)

5 Sec. 127. Section 12D.1, subsection 2, paragraph k, Code
6 2020, is amended to read as follows:

7 *k. "Qualified education expenses" means the same as*
8 *"qualified higher education expenses" as defined in section*
9 *529(e)(3) of the Internal Revenue Code, as amended by Pub. L.*
10 *No. 115-97, and shall include elementary and secondary school*
11 *expenses for tuition described in section 529(c)(7) of the*
12 *Internal Revenue Code, subject to the limitations imposed by*
13 *section 529(e)(3)(A) of the Internal Revenue Code. "Qualified*
14 *education expenses" includes expenses for the participation*
15 *in an apprenticeship program registered and certified with*
16 *the United States secretary of labor under section 1 of the*
17 *National Apprenticeship Act, 29 U.S.C. §50, and amounts paid as*
18 *principal or interest on any qualified education loan on behalf*
19 *of a beneficiary or a sibling of the beneficiary, subject to*
20 *the limitations imposed by section 529(c)(9)(B) and (C) of the*
21 *Internal Revenue Code.*

22 Sec. 128. Section 12D.1, subsection 2, Code 2020, is amended
23 by adding the following new paragraphs:

24 NEW PARAGRAPH. 01. *"Qualified education loan" means the*
25 *same as "qualified education loan" as defined in section 221(d)*
26 *of the Internal Revenue Code.*

27 NEW PARAGRAPH. 0m. *"Sibling" means a brother, sister,*
28 *stepbrother, or stepsister of the beneficiary.*

29 Sec. 129. Section 422.7, subsection 32, paragraph c,
30 subparagraph (1), Code 2020, is amended by adding the following
31 new subparagraph divisions:

32 NEW SUBPARAGRAPH DIVISION. (d) The payment of expenses
33 for fees, books, supplies, and equipment required for the
34 participation of a beneficiary in an apprenticeship program.

35 NEW SUBPARAGRAPH DIVISION. (e) The payment of qualified

1 education loan repayments.

2 Sec. 130. Section 422.7, subsection 32, paragraph c,
3 subparagraph (2), Code 2020, is amended by adding the following
4 new subparagraph divisions:

5 NEW SUBPARAGRAPH DIVISION. (0a) "*Apprenticeship program*"
6 means a program registered and certified with the United
7 States secretary of labor under section 1 of the National
8 Apprenticeship Act, 29 U.S.C. §50.

9 NEW SUBPARAGRAPH DIVISION. (0c) "*Qualified education loan*"
10 means the same as defined in section 12D.1, subsection 2.

11 NEW SUBPARAGRAPH DIVISION. (00c) "*Qualified education loan*
12 *repayments*" means amounts paid as principal or interest on any
13 qualified education loan of the beneficiary or a sibling of
14 the beneficiary. The repayment amounts shall not exceed ten
15 thousand dollars in the aggregate for the beneficiary or the
16 sibling, respectively.

17 NEW SUBPARAGRAPH DIVISION. (d) "*Sibling*" means the same as
18 defined in section 12D.1, subsection 2.

19 Sec. 131. EFFECTIVE DATE. This division of this Act, being
20 deemed of immediate importance, takes effect upon enactment.

21 Sec. 132. RETROACTIVE APPLICABILITY. This division of this
22 Act applies retroactively to January 1, 2019, for tax years
23 beginning on or after that date.

24 DIVISION XXI

25 IOWA EDUCATIONAL SAVINGS ACCOUNT AND FIRST-TIME HOMEBUYER
26 ACCOUNT — EXTENSIONS

27 Sec. 133. EXTENSION OF IOWA EDUCATIONAL SAVINGS ACCOUNT
28 CONTRIBUTION DEDUCTION FOR TAX YEAR 2019. Notwithstanding any
29 provision of law to the contrary, in determining the deduction
30 provided under section 422.7, subsection 32, paragraph "a",
31 for tax years beginning during the 2019 calendar year, a
32 participant who makes a contribution to the Iowa educational
33 savings plan trust pursuant to section 12D.3, subsection 1, on
34 or after January 1, 2020, but on or before July 31, 2020, may
35 elect to be deemed to have made the contribution on the last

1 day of calendar year 2019.

2 Sec. 134. EXTENSION OF IOWA FIRST-TIME HOMEBUYER ACCOUNT
3 AND BENEFICIARY DESIGNATION FOR ACCOUNTS OPENED IN 2019.

4 1. Notwithstanding section 541B.3, subsection 1, paragraph
5 "a", or any other provision of law to the contrary, an
6 individual who opened a first-time homebuyer account during
7 calendar year 2019 and who wishes to participate in the Iowa
8 first-time homebuyer savings account program shall designate
9 the account as a first-time homebuyer account on or before July
10 31, 2020, on forms provided by the department of revenue.

11 2. Notwithstanding section 541B.3, subsection 2, paragraph
12 "a", or any other provision of law to the contrary, an
13 individual who opened a first-time homebuyer account during
14 calendar year 2019 and who wishes to participate in the Iowa
15 first-time homebuyer savings account program shall designate an
16 individual as beneficiary of the first-time homebuyer savings
17 account on or before July 31, 2020, on forms provided by the
18 department of revenue.

19 Sec. 135. EFFECTIVE DATE. This division of this Act, being
20 deemed of immediate importance, takes effect upon enactment.

21 DIVISION XXII

22 IOWA EDUCATIONAL SAVINGS PLAN TRUST (529 PLANS) —
23 RECONTRIBUTIONS

24 Sec. 136. Section 422.7, subsection 32, paragraph c,
25 subparagraph (1), Code 2020, is amended by adding the following
26 new subparagraph division:

27 NEW SUBPARAGRAPH DIVISION. (d) (i) A recontribution of
28 a refund of any qualified higher education expenses from an
29 eligible educational institution to the extent that such refund
30 has been recontributed to the Iowa educational savings plan
31 trust described in chapter 12D and meets all of the following
32 criteria:

33 (A) The recontribution is made to the same account from
34 which the original withdrawal was made.

35 (B) The recontribution occurs within sixty days of the date

1 of refund.

2 (C) The recontribution amount does not exceed the amount
3 refunded by the eligible educational institution.

4 (ii) A deduction under paragraph "a" shall not be taken for
5 the amount of the recontribution.

6 Sec. 137. Section 422.7, subsection 32, paragraph c,
7 subparagraph (2), subparagraph division (c), subparagraph
8 subdivision (ii), Code 2020, is amended to read as follows:

9 (ii) For purposes of this subparagraph division (c),
10 "*Internal Revenue Code*" means the Internal Revenue Code of
11 1954, prior to the date of its redesignation as the Internal
12 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
13 the Internal Revenue Code of 1986 as amended and in effect on
14 January 1, ~~2018~~ 2020. This definition shall not be construed
15 to include any amendment to the Internal Revenue Code enacted
16 after the date specified in the preceding sentence, including
17 any amendment with retroactive applicability or effectiveness.

18 Sec. 138. EFFECTIVE DATE. This division of this Act, being
19 deemed of immediate importance, takes effect upon enactment.

20 Sec. 139. RETROACTIVE APPLICABILITY. This division of this
21 Act applies retroactively to January 1, 2019, for tax years
22 beginning on or after that date.

23 DIVISION XXIII

24 QUALIFYING PERSONAL PROTECTION EQUIPMENT — DONATION

25 Sec. 140. Section 423.6, Code 2020, is amended by adding the
26 following new subsection:

27 NEW SUBSECTION. 18. Qualifying personal protective
28 equipment and materials which are assembled to become
29 qualifying personal protective equipment. For purposes of this
30 subsection, "*qualifying personal protective equipment*" means
31 personal protective equipment that is assembled and donated by
32 a person during the period beginning with a state of disaster
33 emergency proclamation by the governor under section 29C.6 and
34 ending one hundred eighty days after the expiration of such
35 proclamation.

1 establishment or farmers market ~~that sells or offers for sale a~~
2 ~~meat food product, poultry product, milk or milk product, eggs~~
3 ~~or an egg product, aquatic product, or honey.~~

4 Sec. 145. EFFECTIVE DATE. This division of this Act, being
5 deemed of immediate importance, takes effect upon enactment.

6 Sec. 146. RETROACTIVE APPLICABILITY. This division of this
7 Act applies retroactively to June 10, 2020.

8 DIVISION XXV

9 SHORT-TERM RENTAL PROPERTIES

10 Sec. 147. Section 331.301, Code 2020, is amended by adding
11 the following new subsection:

12 NEW SUBSECTION. 18. *a.* For purposes of this subsection,
13 *"short-term rental property"* means any individually or
14 collectively owned single-family house or dwelling unit;
15 any unit or group of units in a condominium, cooperative,
16 or timeshare; or an owner-occupied residential home that is
17 offered for a fee for thirty days or less. *"Short-term rental*
18 *property"* does not include a unit that is used for any retail,
19 restaurant, banquet space, event center, or other similar use.

20 *b.* A county shall not adopt or enforce any regulation,
21 restriction, or other ordinance, including a conditional use
22 permit requirement, relating to short-term rental properties
23 within the county. A short-term rental property shall be
24 classified as a residential land use for zoning purposes.

25 *c.* Notwithstanding paragraph *"b"*, a county may enact or
26 enforce an ordinance that regulates, prohibits, or otherwise
27 limits short-term rental properties for the following primary
28 purposes if enforcement is performed in the same manner as
29 enforcement applicable to similar properties that are not
30 short-term rental properties:

31 (1) Protection of public health and safety related to fire
32 and building safety, sanitation, or traffic control.

33 (2) Residential use and zoning purposes related to noise,
34 property maintenance, or nuisance issues.

35 (3) Limitation or prohibition of use of property to house

1 sex offenders; to manufacture, exhibit, distribute, or sell
2 illegal drugs, liquor, pornography, or obscenity; or to operate
3 an adult-oriented entertainment establishment as described in
4 section 239B.5, subsection 4, paragraph "a".

5 (4) To provide the county with an emergency contact for a
6 short-term rental property.

7 d. A county shall not require a license or permit fee for a
8 short-term rental property in the county.

9 Sec. 148. Section 414.1, subsection 1, Code 2020, is amended
10 by adding the following new paragraph:

11 NEW PARAGRAPH. e. (1) For purposes of this paragraph,
12 "*short-term rental property*" means any individually or
13 collectively owned single-family house or dwelling unit;
14 any unit or group of units in a condominium, cooperative,
15 or timeshare; or an owner-occupied residential home that is
16 offered for a fee for thirty days or less. "*Short-term rental*
17 *property*" does not include a unit that is used for any retail,
18 restaurant, banquet space, event center, or other similar use.

19 (2) A city shall not adopt or enforce any regulation,
20 restriction, or other ordinance, including a conditional use
21 permit requirement, relating to short-term rental properties
22 within the city. A short-term rental property shall be
23 classified as a residential land use for zoning purposes.

24 (3) Notwithstanding subparagraph (2), a city may enact or
25 enforce an ordinance that regulates, prohibits, or otherwise
26 limits short-term rental properties for the following primary
27 purposes if enforcement is performed in the same manner as
28 enforcement applicable to similar properties that are not
29 short-term rental properties:

30 (a) Protection of public health and safety related to fire
31 and building safety, sanitation, or traffic control.

32 (b) Residential use and zoning purposes related to noise,
33 property maintenance, or nuisance issues.

34 (c) Limitation or prohibition of use of property to house
35 sex offenders; to manufacture, exhibit, distribute, or sell

1 illegal drugs, liquor, pornography, or obscenity; or to operate
2 an adult-oriented entertainment establishment as described in
3 section 239B.5, subsection 4, paragraph "a".

4 (d) To provide the city with an emergency contact for a
5 short-term rental property.

6 (4) A city shall not require a license or permit fee for a
7 short-term rental property in the city.

8 DIVISION XXVI

9 RURAL IMPROVEMENT ZONES

10 Sec. 149. Section 357H.1, subsection 1, Code 2020, is
11 amended to read as follows:

12 1. The board of supervisors of a county with less than
13 twenty thousand residents, not counting persons admitted or
14 committed to an institution enumerated in [section 218.1](#) or
15 904.102, based upon the most recent certified federal census,
16 and with a private ~~lake~~ real estate development adjacent to or
17 abutting in part a lake may designate an area surrounding the
18 lake, if it is an unincorporated area of the county, a rural
19 improvement zone upon receipt of a petition pursuant to section
20 357H.2, and upon the board's determination that the area is in
21 need of improvements.

22 Sec. 150. EFFECTIVE DATE. This division of this Act, being
23 deemed of immediate importance, takes effect upon enactment.

24 Sec. 151. APPLICABILITY. This division of this Act applies
25 to rural improvement zones in existence on or established on or
26 after the effective date of this division of this Act.

27 DIVISION XXVII

28 ENTERPRISE ZONE PROGRAM

29 Sec. 152. 2014 Iowa Acts, chapter 1130, section 27, is
30 amended to read as follows:

31 SEC. 27. INVESTMENT TAX CREDITS ISSUED TO ELIGIBLE
32 HOUSING BUSINESSES UNDER THE ENTERPRISE ZONE PROGRAM —
33 TRANSFERABILITY. Notwithstanding the requirement in section
34 15E.193B, subsection 8, Code 2014, that not more than three
35 million dollars worth of tax credits for housing developments

1 located in a brownfield site or a blighted area shall be
2 eligible for transfer in a calendar year unless the eligible
3 housing business is also eligible for low-income housing tax
4 credits authorized under section 42 of the Internal Revenue
5 Code, and notwithstanding the requirement in section 15E.193B,
6 subsection 8, Code 2014, that the economic development
7 authority shall not approve more than one million five hundred
8 thousand dollars in tax credit certificates for transfer to
9 any one eligible housing business located on a brownfield
10 site or in a blighted area in a calendar year, all investment
11 tax credits determined under [section 15E.193B, subsection 6,](#)
12 [paragraph "a",](#) Code 2014, for housing developments located on
13 a brownfield site or in a blighted area may be approved by
14 the economic development authority for transfer in calendar
15 year 2014, or any subsequent calendar year, provided the
16 eligible housing business was awarded the investment tax
17 credit before the effective date of this section of this
18 division of this Act and notifies the economic development
19 authority, in writing, before July 1, 2014, of its intent to
20 transfer such tax credits, or provided the eligible housing
21 business was awarded the investment tax credit before July 1,
22 2015, for a housing development located in a blighted area
23 and in a county with a total population of less than one
24 hundred five thousand as determined by the most recent federal
25 decennial census, and submits a written request to the economic
26 development authority before September 1, 2020, for approval
27 to transfer such tax credits and provided the eligible housing
28 business and the related housing development meet all other
29 applicable requirements under [section 15E.193B, Code 2014.](#)
30 Notwithstanding any other provision of law to the contrary, a
31 tax credit transferred pursuant to this section shall not be
32 claimed by a transferee prior to January 1, 2016.

33 Sec. 153. EFFECTIVE DATE. This division of this Act, being
34 deemed of immediate importance, takes effect upon enactment.

35 Sec. 154. RETROACTIVE APPLICABILITY. This division of this

1 Act applies retroactively to May 30, 2014.

2 DIVISION XXVIII

3 FLYING OUR COLORS SPECIAL REGISTRATION PLATES

4 Sec. 155. Section 321.34, Code 2020, is amended by adding
5 the following new subsection:

6 NEW SUBSECTION. 11D. *Flying our colors plates.*

7 *a.* Upon application and payment of the proper fees, the
8 director may issue flying our colors plates to the owner of a
9 motor vehicle subject to registration under section 321.109,
10 subsection 1, autocycle, motor truck, motor home, multipurpose
11 vehicle, motorcycle, trailer, or travel trailer.

12 *b.* Flying our colors plates shall be designed by the
13 department. Flying our colors plates shall be navy along the
14 top and red along the bottom, and contain a white space in the
15 middle of the plate which shall include the plate's letters and
16 numbers in black and a gray image of a bald eagle behind the
17 plate's letters and numbers.

18 *c.* (1) The special flying our colors fee for letter-number
19 designated flying our colors plates is thirty-five dollars.
20 An applicant may obtain personalized flying our colors plates
21 upon payment of the fee for personalized plates as provided in
22 subsection 5, which is in addition to the special fee. The
23 fees collected by the director under this subsection shall be
24 paid monthly to the treasurer of state and deposited in the
25 road use tax fund.

26 (2) The treasurer of state shall credit monthly from the
27 statutory allocations fund created under section 321.145,
28 subsection 2, to the flood mitigation fund created under
29 section 418.10, the amount of the special fees collected in the
30 previous month for flying our colors plates. This subparagraph
31 is repealed July 1, 2023.

32 *d.* Upon receipt of the special registration plates, the
33 applicant shall surrender the current registration plates to
34 the county treasurer. The county treasurer shall validate
35 the special registration plates in the same manner as regular

1 registration plates are validated under this section. The
2 annual special flying our colors fee for letter-number
3 designated flying our colors plates is ten dollars which
4 shall be paid in addition to the regular annual registration
5 fee. The annual fee for personalized flying our colors
6 plates is five dollars which shall be paid in addition to the
7 annual special flying our colors fee and the regular annual
8 registration fee. The annual special flying our colors fee
9 shall be credited as provided under paragraph "c".

10 Sec. 156. Section 321.166, subsection 9, Code 2020, is
11 amended to read as follows:

12 9. Special registration plates issued pursuant to section
13 321.34, other than gold star, medal of honor, collegiate,
14 fire fighter, natural resources, ~~and blackout,~~ and flying
15 our colors registration plates, shall be consistent with the
16 design and color of regular registration plates but shall
17 provide a space on a portion of the plate for the purpose of
18 allowing the placement of a distinguishing processed emblem or
19 an organization decal. Special registration plates shall also
20 comply with the requirements for regular registration plates
21 as provided in [this section](#) to the extent the requirements are
22 consistent with the section authorizing a particular special
23 vehicle registration plate.>

24 2. Title page, line 8, by striking <port authorities> and
25 inserting <short-term rentals, special registration plates>