



Department of Revenue

Kim Reynolds, Governor  
Chris Cournoyer, Lt. Governor

Mary Mosiman, Director

October 27, 2026

Mr. Tim McDermott  
Director  
Iowa Legislative Services Agency  
State Capitol  
L O C A L

Office of the Secretary of Senate  
Iowa Senate  
For Senate Ways & Means Chairpersons and Ranking Members  
State Capitol  
L O C A L

Office of the Chief Clerk  
Iowa House of Representatives  
For House Ways & Means Chairpersons and Ranking Members  
State Capitol  
L O C A L

Dear Mr. McDermott, Senate and House Chairpersons and Ranking Members:

Pursuant to Code of Iowa, Section 421.17(23), please find attached an annual report of costs incurred and paid for services to support the department's Tax Gap Compliance Program for Fiscal Year 2026.

The Code of Iowa, Section 421.17(23) states:

"The Director shall report annually to the Legislative Services Agency and the chairpersons and ranking members of the Ways and Means Committees on the amount of cost incurred and paid during the previous fiscal year pursuant to this subsection."

If you have any questions or further information is needed, please let me know.

Very Respectfully,

Mary Mosiman  
Director

cc: Patrick Tomka, Governor's Office



**Tax Gap Compliance Project  
Revenue and Expenditure Report for Fiscal Year 2026  
October 2026**

**Overview**

The Iowa Department of Revenue Tax Gap Program (“**Program**”) was established pursuant to Iowa Code § 421.17(23). The Program allows the Department to pay for the costs of closing the “tax gap” from revenues collected through Program activities. The “tax gap” consists of non-filers of tax returns and non-payers of taxes. During the 2015 legislative session, the General Assembly broadened the Program to include identification and prevention of fraudulent and erroneous refunds. *See* 2015 Iowa Acts, 86<sup>th</sup> G.A. ch. 138, § 105.

This report is required by Iowa Code section 421.17(23) and 2015 Iowa Acts, 86<sup>th</sup> G.A. ch. 138, § 106. The report contains the costs of the Program, amounts billed and collected under the Program, refund claims reduced or denied under the Program, and general recommendations to facilitate and improve the Program.

**Tax Gap Program Results**

In fiscal year 2026, the Program produced over **\$105.3 million** in gross revenue, broken down as follows:

**FY 2026 Program Revenues:**

|                                      |                      |
|--------------------------------------|----------------------|
| Individual                           | \$49,295,081         |
| Withholding                          | \$2,876,614          |
| Fiduciary                            | \$674,594            |
| Corporation                          | \$20,829,695         |
| Franchise                            | \$91,487             |
| Retail Sales                         | \$20,118,532         |
| Retail Use                           | \$618,190            |
| Consumer Use                         | \$6,856,637          |
| Inheritance                          | \$1,196,749          |
| Partnership                          | \$1,406,843          |
| Composite                            | <u>\$1,286,465</u>   |
| <b><i>TOTAL Program Revenues</i></b> | <b>\$105,250,887</b> |

The revenues set forth above are reported on a cash basis, meaning that only amounts that have been both billed and paid under the Program are included.

From these revenues, the Department paid the following expenses to administer the Program:

**FY 2026 Program Expenditures:**

|                        |                  |
|------------------------|------------------|
| Professional Service   | \$5,933,087      |
| DOM DoIT Reimbursement | \$2,863,102      |
| Data Processing        | \$1,169,869      |
| Salaries               | \$20,568,325     |
| Support                | <u>\$714,742</u> |

***TOTAL Program Expenditures***    \$31,249,125

The expenditures are also on a cash basis. Net revenues transferred to the general fund as a result of the Program totaled over **\$74 million** for fiscal year 2026.

In addition to revenue collected from non-filers and non-payers, the Department also works to prevent issuing fraudulent or erroneous refunds.<sup>1</sup> Refund reductions occur when the Department determines the amount of a taxpayer's refund request is incorrect and reduces the refund amount accordingly. As part of the Program, the Department has a team dedicated to identifying and preventing refund fraud. The work of the Department's fraud prevention and detection team generally results in refund reductions.

**FY 2026 Program Refund  
Reductions:**

|                               |                     |
|-------------------------------|---------------------|
| Fraud Team                    | \$12,477,526        |
| Other Erroneous Refund Claims | <u>\$23,732,631</u> |

***TOTAL Program Refund  
Reductions***                    \$36,210,157

When the amounts collected under the Program are added to the refunds reduced, the Program produced a total value to the State of over **\$110 million** after expenses during FY 2026.

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<sup>1</sup> The refund reduction numbers only reflect reductions made to individual income tax returns.