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[SF 608](#) – Taxation, Penalties (LSB2795SV)  
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Fiscal Note Version – New

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**Description**

[Senate File 608](#) contains three divisions:

- Division I relates to tax administration, tax penalties, and the cancellation of tax permits that are not being used.
- Division II relates to composite return requirements for pass-through tax entities.
- Division III amends 2021 Iowa Acts, [HF 309](#), by adding language related to the applicability of the provisions of that Act to specified actions of the Department of Revenue.

**Background**

House File 309 passed the House on February 23, 2021, and passed the Senate in the same form on April 13, 2021. As of April 27, 2021, the Act had not been transmitted to the Governor.

**Assumptions**

- Only provisions in Division I that reduce tax penalties are assumed to have a significant impact on State revenue or expenditures.
- The Department of Revenue reports that a total of \$102.5 million in tax collections that include penalties was collected in FY 2020, and this amount is assumed to remain constant in future years.
- A 2019 study of Iowa's tax collection process concluded that 8.8% of all tax collection amounts that include penalties represent penalties due to the failure of the taxpayer to file a tax return.
- The penalty reductions proposed in the Bill are projected to reduce tax penalty collections by 5.0%.
- The changes are assumed to be effective beginning July 1, 2021.

**Fiscal Impact**

The provisions of Division I that reduce the penalties associated with the failure to file tax returns are projected to reduce General Fund revenue by \$0.5 million per year, beginning with FY 2022.

**Source**

Department of Revenue

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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