

House File 976 - Enrolled

House File 976

AN ACT

RELATING TO THE ADMINISTRATION OF THE TAX BY THE DEPARTMENT OF REVENUE BY MODIFYING PROVISIONS RELATED TO PERSONAL INCOME, PROPERTY, SALES AND USE, MOTOR FUEL, AND INHERITANCE TAXES, CHANGING TAX EXPENDITURE REVIEWS, AND INCLUDING EFFECTIVE DATE AND RETROACTIVE APPLICABILITY PROVISIONS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

DISCLOSURE OF TAX INFORMATION

Section 1. Section 421.19, subsection 2, Code 2025, is amended by striking the subsection and inserting in lieu thereof the following:

2. The department may notify federal, state, or local law enforcement agencies, and may disclose state returns, state return information, state investigative information or audit information, or any other state information, to such law enforcement agencies, if the department has information that indicates any of the following:

a. A person intentionally filed a false claim, affidavit, return, or other information with intent to evade tax or obtain a refund, credit, or other benefit from the department.

b. A person failed to file a return with intent to evade a tax or filing requirement.

c. A person failed to pay with the intent to evade tax.

d. A person committed any act or omission that is a criminal offense under a provision of this title administered by the department.

Sec. 2. Section 421.19, subsection 3, Code 2025, is amended to read as follows:

3. Notwithstanding sections 422.20 and 422.72, the department may disclose state returns, state return information, state investigative or audit information, or any other state information as provided under this section.

Sec. 3. Section 422.20, subsection 3, paragraph a, Code 2025, is amended to read as follows:

a. Unless otherwise expressly permitted by section 8G.4, section 11.41, section 96.11, subsection 6, section 421.17, subsections 22, 23, and 26, section 421.17, subsection 27, paragraph "k", section 421.17, subsection 31, section 252B.9, section 321.40, subsection 6, sections 321.120, 421.19, 421.28, 421.59, 421.65, 422.72, and 452A.63, and 556.19, subsection 2, this section, or another provision of law, a tax return, return information, or investigative or audit information shall not be divulged to any person or entity, other than the taxpayer, the department, or internal revenue service for use in a matter unrelated to tax administration.

Sec. 4. Section 422.72, subsection 3, paragraph a, Code 2025, is amended to read as follows:

a. Unless otherwise expressly permitted by section 8G.4, section 11.41, section 96.11, subsection 6, section 421.17, subsections 22, 23, and 26, section 421.17, subsection 27, paragraph "k", section 421.17, subsection 31, section 252B.9, section 321.40, subsection 6, sections 321.120, 421.19, 421.28, 421.65, 422.20, and 452A.63, and section 556.19, subsection 2, this section, or another provision of law, a tax return, return information, or investigative or audit information shall not be divulged to any person or entity, other than the taxpayer, the department, or internal revenue service for use in a matter unrelated to tax administration.

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

DIVISION II

ANNUAL REPORTING

Sec. 6. Section 421.60, subsection 2, paragraph k, Code 2025,

is amended by striking the paragraph.

Sec. 7. Section 422.75, Code 2025, is amended to read as follows:

422.75 Statistics — publication.

The department shall prepare and publish an annual report which shall include statistics reasonably available, with respect to the operation of this chapter, including amounts collected, classification of taxpayers, and such other facts as are deemed pertinent and valuable. ~~The annual report shall also include the reports and information required pursuant to section 421.60, subsection 2, paragraph "k".~~

DIVISION III

PROPERTY TAX — CHANGES

Sec. 8. Section 425.20, subsection 3, Code 2025, is amended to read as follows:

3. In case of sickness, absence, or other disability of the claimant or if, in the judgment of the ~~director of revenue or the director of health and human services, as applicable,~~ good cause exists and the claimant requests an extension, the director of health and human services may extend the time for filing a claim for reimbursement and ~~the director of revenue may extend the time for filing a claim for credit.~~ However, any further time granted shall not extend beyond December 31 of the year following the year in which the claim was required to be filed. Claims filed as a result of this subsection shall be filed with the director of health and human services ~~or the director of revenue, as applicable,~~ who shall provide for the reimbursement of the claim to the claimant.

Sec. 9. Section 445.60, Code 2025, is amended to read as follows:

445.60 Refunding erroneous tax.

The board of supervisors shall direct the county treasurer to refund to the taxpayer any tax or portion of a tax found to have been erroneously or illegally paid, with all interest, fees, and costs actually paid. A refund shall not be ordered or made unless a claim for refund is presented to the board within two years of the date the tax was due, or if appealed to the board of review, the property assessment appeal board, director of revenue, or district court, within two years of the final decision.

Sec. 10. EFFECTIVE DATE. The following, being deemed of immediate importance, takes effect upon enactment:

The section of this division of this Act amending section 445.60.

DIVISION IV

FARM TENANCY INCOME TAX EXCLUSION

Sec. 11. Section 422.7, subsection 14, paragraph a, Code 2025, is amended to read as follows:

a. Subtract, to the extent included, net income received by an eligible individual pursuant to a farm tenancy agreement covering real property held by the eligible individual for ten or more years, if the eligible individual materially participated in a farming business for ten or more years in the aggregate.

Sec. 12. Section 422.7, subsection 14, paragraph f, Code 2025, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (04) "Held" shall be determined with reference to the holding period provisions of section 1223 of the Internal Revenue Code and the federal regulations pursuant thereto.

DIVISION V

PASS-THROUGH ENTITIES

Sec. 13. Section 422.25C, subsection 2, Code 2025, is amended to read as follows:

2. For tax years beginning on or after January 1, 2020, any adjustments to a partnership's or pass-through entity's items of income, gain, loss, expense, or credit, or an adjustment to such items allocated to a partner that holds an interest in a partnership or pass-through entity for the reviewed year by the department as a result of a state partnership audit, shall be determined at the partnership level or pass-through entity level in the same manner as provided by section 6221(a) of the Internal Revenue Code and the regulations thereunder unless a different treatment is specifically provided in this title. The provisions of sections 6222, 6223, and 6227 of the Internal Revenue Code and the regulations thereunder shall also apply to a partnership or pass-through entity and its direct or indirect partners in the same manner as provided in such sections unless a different treatment is specifically provided in this title. For purposes of applying such sections, due account shall be made for differences in federal and Iowa

terminology. The adjustment provided by section 6221(a) of the Internal Revenue Code shall be determined as provided in such section but shall be based on Iowa taxable income or other tax attributes of the partnership or pass-through entity as determined pursuant to this chapter for the reviewed year. The department shall issue a notice of adjustment to the partnership or pass-through entity. Such notice shall be treated as an assessment for the purposes of section 422.25, and the notice shall be appealable, except as provided in section 422.25, by the partnership or pass-through entity pursuant to sections 422.28 and 422.29 and shall be issued within the time period provided by section 422.25. Once the adjustments to partnership-related or pass-through entity-related items or reallocations of income, gains, losses, expenses, credits, and other attributes among such partners for the reviewed year are finally determined, the partnership or pass-through entity and any direct partners or indirect partners shall then be subject to the provisions of section 422.25, subsection 1, paragraph "e", and section 422.25A in the same manner as if the state partnership audit were a federal partnership level audit, and as if the final state partnership audit adjustment were a final federal partnership adjustment. The penalty exceptions in section 421.27, subsection 2, paragraphs "b" and "c", shall not apply to a state partnership audit.

Sec. 14. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 15. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2024.

DIVISION VI SALES TAX CHANGES

Sec. 16. Section 423.2, subsection 1, paragraph b, Code 2025, is amended to read as follows:

b. (1) ~~Sales of building materials, supplies, and equipment to owners, contractors, subcontractors, or builders for the erection of buildings or the alteration, repair, or improvement of real property are retail sales of tangible personal property in whatever quantity sold. Where the owner, contractor, subcontractor, or builder is also a retailer holding a sales or use tax permit and transacting retail sales of building materials, supplies, and equipment, the person shall purchase~~

~~such items of tangible personal property without liability for the tax if such property will be subject to the tax at the time of resale or at the time it is withdrawn from inventory for construction purposes. The sales tax shall be due in the reporting period when the materials, supplies, and equipment are withdrawn from inventory for construction purposes or when sold at retail. The tax shall not be due when materials are withdrawn from inventory for use in construction outside of Iowa and the tax shall not apply to tangible personal property purchased and consumed by the manufacturer as building materials in the performance by the manufacturer or its subcontractor of construction outside of Iowa. The sale of carpeting is not a sale of building materials. The sale of carpeting to owners, contractors, subcontractors, or builders shall be treated as the sale of ordinary tangible personal property and subject to the tax imposed under this subsection and the use tax Sales of building materials and supplies to contractors, subcontractors, or builders for the erection of buildings and other structures or for the reconstruction, alteration, expansion, or remodeling of buildings and other structures are retail sales of tangible personal property. Sales of building materials and supplies to contractors, subcontractors, or builders for use in repairs to or for installation in existing buildings and other structures are purchases for resale. Sales of building equipment to contractors, subcontractors, or builders are retails sales of tangible personal property.~~

(2) Where the owner, contractor, subcontractor, or builder is also a retailer holding a sales and use tax permit and transacting retail sales of building materials, supplies, and equipment, the person shall purchase such items of tangible personal property without liability for the tax if such property will be subject to sales tax at the time of resale or subject to use tax at the time the retailer withdraws such property from inventory for use by the retailer in erecting buildings and other structures or for reconstruction, alteration, expansion, or remodeling of buildings and other structures. The tax shall be due in the reporting period when the materials, supplies, or equipment are withdrawn from inventory or when sold at retail. The tax shall not be due when materials and supplies are withdrawn from inventory for use in construction outside of Iowa.

(3) The sale of carpeting is not a sale of building materials. Sales of carpeting to owners, contractors, subcontractors, or builders are retail sales of tangible personal property and subject to tax.

Sec. 17. Section 423.36, subsection 9, paragraph a, Code 2025, is amended to read as follows:

a. Except as provided in paragraph "b", purchasers, users, and consumers of tangible personal property, specified digital products, or enumerated services taxed pursuant to subchapter II or III of this chapter or chapter 423B may be authorized, pursuant to rules adopted by the director, to remit tax owed directly to the department instead of the tax being collected and paid by the seller. To qualify for a direct pay tax permit, the purchaser, user, or consumer must accrue a tax liability of more than ~~four~~ eight thousand dollars in tax under subchapters II and III in a ~~semimonthly~~ monthly period and make deposits and file returns pursuant to section 423.31. This authority shall not be granted or exercised except upon application to the director and then only after issuance by the director of a direct pay tax permit.

DIVISION VII

MOTOR FUEL TAXES

Sec. 18. Section 452A.3, subsection 1, paragraph b, unnumbered paragraph 1, Code 2025, is amended to read as follows:

On and after July 1, 2030, an excise tax of thirty cents is imposed on each gallon of ethanol blended gasoline classified as E-15 or higher. Before July 1, 2030, the rate of the excise tax on ethanol blended gasoline classified as E-15 or higher shall be based on the number of gallons of ethanol blended gasoline classified as E-15 or higher that are distributed in this state as expressed as a percentage of the number of gallons of motor fuel distributed in this state, which is referred to as the distribution percentage. For purposes of this paragraph "b", only ethanol blended gasoline and nonblended gasoline, not including aviation gasoline, shall be used in determining the percentage basis for the excise tax. The department shall determine the percentage basis for each determination period beginning January 1 and ending December 31 based on information from reports submitted to the department for filing pursuant to section 452A.33. Before June 1, the department may amend the

distribution percentage due to a mistake, if there is a late report filed by a retail dealer to the department under section 452A.33, subsection 1, or if the distribution percentage is not accurate. The rate for the excise tax shall apply for the period beginning July 1 and ending June 30 following the end of the determination period. Before July 1, 2030, the rate of the excise tax on each gallon of ethanol blended gasoline classified as E-15 or higher shall be as follows:

Sec. 19. Section 452A.3, subsection 3, paragraph a, subparagraph (2), unnumbered paragraph 1, Code 2025, is amended to read as follows:

Except as otherwise provided in this section and in this subchapter, this subparagraph shall apply to the excise tax imposed on each gallon of biodiesel blended fuel classified as B-20 or higher used for any purpose for the privilege of operating motor vehicles in this state. On and after July 1, 2030, the rate of the excise tax on each gallon of biodiesel blended fuel classified as B-20 or higher is thirty-two and five-tenths cents. Before July 1, 2030, the rate of the excise tax on each gallon of biodiesel blended fuel classified as B-20 or higher shall be based on the number of gallons of biodiesel blended fuel classified as B-20 or higher that are distributed in this state as expressed as a percentage of the number of gallons of special fuel for diesel engines of motor vehicles distributed in this state, which is referred to as the distribution percentage. The department shall determine the percentage basis for each determination period beginning January 1 and ending December 31 based on information from reports submitted to the department for filing pursuant to section 452A.33. Before June 1, the department may amend the distribution percentage due to a mistake, if there is a late report filed by a retail dealer to the department under section 452A.33, subsection 1, or if the distribution percentage is not accurate. The rate of the excise tax shall apply for the period beginning July 1 and ending June 30 following the end of the determination period. Before July 1, 2030, the rate of the excise tax on each gallon of biodiesel blended fuel classified as B-20 or higher shall be as follows:

Sec. 20. Section 452A.15, subsection 5, Code 2025, is amended to read as follows:

5. The director may impose a civil penalty against any person who fails to timely file the reports or keep the records required under this section. The penalty shall be one hundred dollars for the first violation and shall increase by one hundred dollars for each additional violation occurring in the calendar year in which the first violation occurred.

Sec. 21. Section 452A.33, subsection 2, unnumbered paragraph 1, Code 2025, is amended to read as follows:

On or before April 1 the department shall deliver a report to the governor and the legislative services agency. Before June 1, the department may amend the report due to a mistake, if there is a late report by a retail dealer under subsection 1, or if the report is not accurate. The report shall compile information reported by retail dealers to the department as provided in this section and shall at least include all of the following:

Sec. 22. Section 452A.41, subsection 5, paragraph a, Code 2025, is amended to read as follows:

a. For the purpose of determining the amount of liability for the electric fuel tax, each dealer and user shall file with the department not later than July 31 for the period beginning January 1 and ending June 30, and not later than January ~~30~~ 31 for the period beginning July 1 and ending December ~~30~~ 31, a biannual tax return certified under penalties for false certification. The return shall show, with reference to each location at which fuel is delivered or placed by the dealer or user into the battery or other energy storage device of any electric motor vehicle during the next preceding six calendar months, information as required by the department. On and after January 1, 2026, the department may require by rule that such tax returns be filed quarterly.

Sec. 23. Section 452A.44, Code 2025, is amended by adding the following new subsection:

NEW SUBSECTION. 4. If electric fuel is sold or dispensed for a nontaxable purpose, the purchaser may complete and provide an exemption certificate produced by the department to the license holder.

DIVISION VIII

INHERITANCE TAX — FUTURE CODE CHANGES DUE TO REPEAL

Sec. 24. Section 12D.9, subsection 3, Code 2025, is amended to read as follows:

3. State For a death occurring before January 1, 2025, state inheritance tax treatment of interests in Iowa educational savings plans shall be as provided in section 450.4, subsection 8. This subsection shall apply to all Iowa educational savings plans existing on or after July 1, 1998.

Sec. 25. Section 12I.8, subsection 3, Code 2025, is amended to read as follows:

3. State For a death occurring before January 1, 2025, state inheritance tax treatment of interests in Iowa ABLE savings plans shall be as provided in section 450.4, subsection 9.

Sec. 26. Section 12I.10, subsection 3, Code 2025, is amended to read as follows:

3. State For a death occurring before January 1, 2025, state inheritance tax treatment of interests in the qualified ABLE program with which the state has contracted pursuant to this section shall be as provided in section 450.4, subsection 9.

Sec. 27. Section 16.177, subsection 8, Code 2025, is amended to read as follows:

8. Bonds issued under this section are declared to be issued for an essential public and governmental purpose and all bonds issued under this section shall be exempt from taxation by the state of Iowa and the interest on the bonds shall be exempt from the state income tax and the any state inheritance tax.

Sec. 28. Section 321.47, subsection 2, paragraph a, Code 2025, is amended to read as follows:

a. The persons entitled under the laws of descent and distribution to the possession and ownership of a vehicle owned in whole or in part by a decedent who died intestate, upon filing an affidavit stating the name and date of death of the decedent, the right to possession and ownership of the persons filing the affidavit, and that there has been no administration of the decedent's estate, which instrument must also contain an agreement by the affiant to indemnify creditors of the decedent who would be entitled to levy execution upon the motor vehicle to the extent of the value of the motor vehicle, shall, upon complying with the other title transfer requirements of this chapter, be issued a registration card for the decedent's interest in the vehicle and a certificate of title to the vehicle. If a decedent died testate, and either the will is not probated or is admitted to probate without administration,

the persons entitled to the possession and ownership of a vehicle owned in whole or in part by the decedent may file an affidavit and, upon complying with the other title transfer requirements of this chapter, shall be issued a registration card for the decedent's interest in the vehicle and a certificate of title to the vehicle. The affidavit must contain the same information and indemnity agreement as is required in cases of intestacy under this subsection. ~~Chapter 450 is not~~ For a death occurring before January 1, 2025, a requirement of chapter 450 shall not be considered satisfied by the filing of the affidavit provided for in this subsection. If, from the records in the office of the county treasurer, there appear to be any liens on the vehicle, the certificate of title must contain a statement of the liens unless the application is accompanied by proper evidence of the satisfaction or extinction of such liens. Evidence of extinction includes but is not limited to an affidavit of the applicant stating that a security interest was foreclosed as provided in chapter 554, article 9, part 6. The department shall waive the certificate of title fee and surcharge required under sections 321.20, 321.20A, 321.23, 321.46, 321.52, and 321.52A if the person entitled to possession and ownership of a vehicle, as provided in this subsection, is the surviving spouse of a decedent.

Sec. 29. Section 331.602, subsection 23, Code 2025, is amended to read as follows:

23. ~~Forward~~ For deaths occurring before January 1, 2025, forward to the director of revenue a copy of any deed, bill of sale, or other transfer which shows that it is made or intended to take effect at or after the death of the person executing the instrument as provided in section 450.81.

Sec. 30. Section 331.756, subsection 57, Code 2025, is amended to read as follows:

57. ~~Represent~~ For deaths occurring before January 1, 2025, represent the state in litigation relating to the inheritance tax if requested by the department of revenue as provided in section 450.1.

Sec. 31. Section 421.27, subsection 1, paragraph d, subparagraph (13), Code 2025, is amended to read as follows:

(13) ~~That~~ For a death occurring before January 1, 2025, that an Iowa inheritance tax return is filed for an estate

within the later of nine months from the date of death or sixty days from the filing of a disclaimer by the beneficiary of the estate refusing to take the property or right or interest in the property.

Sec. 32. Section 421.60, subsection 2, paragraph c, subparagraph (1), Code 2025, is amended to read as follows:

(1) If the notice of assessment or denial of a claim for refund relates to a tax return filed pursuant to section 422.14, or pursuant to chapter 450 for a death occurring before January 1, 2025, by the taxpayer which designates an individual as an authorized representative of the taxpayer with respect to that return, or if a power of attorney has been filed with the department by the taxpayer which designates an individual as an authorized representative of the taxpayer with respect to any tax that is included in the notice of assessment or denial of a claim for refund, a copy of the notice together with any additional information required to be sent to the taxpayer shall be sent to the authorized representative as well.

Sec. 33. Section 422.27, subsection 1, Code 2025, is amended to read as follows:

1. A final account of a personal representative, ~~as defined in section 450.1,~~ shall not be allowed by any court unless the account shows, and the judge of the court finds, that all taxes imposed by this subchapter upon the personal representative, which have become payable, have been paid, and that all taxes which may become due are secured by bond or deposit, or are otherwise secured. The certificate of acquittances of the department of revenue is conclusive as to the payment of the tax to the extent of the acquittance. This subsection does not apply if all property in the estate of a decedent is held in joint tenancy with right of survivorship by husband and wife alone. For purposes of this subsection, "personal representative" means an administrator, executor, or trustee as each is defined in section 633.3.

Sec. 34. Section 496C.14, subsection 6, paragraph h, Code 2025, is amended to read as follows:

h. Notwithstanding the provisions of this section, payment of any part of the purchase price for shares of a deceased shareholder shall not be required until the executor or administrator of the deceased shareholder provides any indemnity,

release, or other document from any taxing authority, which is reasonably necessary to protect the corporation against liability for any estate, inheritance, and death taxes tax, or any inheritance tax for a death occurring before January 1, 2025.

Sec. 35. Section 524.805, subsection 8, Code 2025, is amended to read as follows:

8. A state bank may receive deposits from one or more persons with the provision that upon the death of the depositors the deposit account shall be the property of the person or persons designated by the deceased depositors as shown on the deposit account records of the state bank. After payment by the state bank, the proceeds shall remain subject to the any debts of the decedent and the any payment of Iowa inheritance tax, ~~if any for a death occurring prior to January 1, 2025.~~ A state bank paying the person or persons designated shall not be liable as a result of that action for any debts of the decedent or for any estate, inheritance, or succession taxes which may be due this state.

Sec. 36. Section 541A.2, subsection 6, unnumbered paragraph 1, Code 2025, is amended to read as follows:

An individual development account closed in accordance with this subsection is not subject to the limitations and benefits provided by this chapter but is subject to state tax in accordance with the provisions of section 422.7, subsection 17, and in accordance with the provisions of section 450.4, subsection 6, for a death occurring before January 1, 2025. An individual development account may be closed for any of the following reasons:

Sec. 37. Section 602.8102, subsection 63, Code 2025, is amended to read as follows:

63. Carry out duties relating to the inheritance tax as provided in chapter 450 for deaths occurring before January 1, 2025.

Sec. 38. Section 633.21, Code 2025, is amended to read as follows:

633.21 Appraisers' fees and referees' fees fixed by rule.

The district judges of each judicial district shall by rule fix the fees of probate referees, and also provide, insofar as practicable, a uniform schedule of compensation for ~~inheritance~~ tax appraisers, other appraisers, brokers, and agents employed at estate expense.

Sec. 39. Section 633.31, subsection 2, paragraph a, Code 2025, is amended to read as follows:

a. For services performed in short form probates pursuant to sections 450.22 and 450.44 for deaths occurring before January 1, 2025..... \$ 15.00

Sec. 40. Section 633.356, subsection 1, unnumbered paragraph 1, Code 2025, is amended to read as follows:

When the gross value of the decedent's personal property that would otherwise be distributed by will or intestate succession is or has been, at any time since the decedent's death, fifty thousand dollars or less and there is no real property, or for deaths occurring before January 1, 2025, the real property passes to persons exempt from inheritance tax as joint tenants with full rights of survivorship pursuant to chapter 450, and if forty days have elapsed since the death of the decedent, a successor as defined in subsection 2 may, by furnishing an affidavit prepared pursuant to subsection 3 or 8, and without procuring letters of appointment, do any of the following with respect to one or more items of such personal property:

Sec. 41. Section 633.356, subsection 3, paragraph a, subparagraph (3), Code 2025, is amended to read as follows:

(3) That the gross value of the decedent's personal property that would otherwise be distributed by will or intestate succession is, or has been at any time since the decedent's death, fifty thousand dollars or less and there is no real property, or for deaths occurring before January 1, 2025, the real property passes to persons exempt from inheritance tax as joint tenants with full rights of survivorship pursuant to chapter 450.

Sec. 42. Section 633.356, subsection 3, paragraph a, subparagraph (10), Code 2025, is amended to read as follows:

(10) That no inheritance or other taxes are owed to the department of revenue for a death occurring prior to January 1, 2025, or if taxes are owed, that the taxes will be paid to the extent of funds received pursuant to the affidavit.

Sec. 43. Section 633.356, subsection 9, Code 2025, is amended to read as follows:

9. Upon receipt of an affidavit under subsection 3 and reasonable proof under subsection 5 of the identity of each successor seeking distribution by virtue of the affidavit, the

holder of the property shall disclose to the affiant whether the value of the property held by the holder is, or has been at any time since the decedent's death, fifty thousand dollars or less. An affidavit furnished for the purpose of determining whether the value of the property is, or has been at any time since the decedent's death, fifty thousand dollars or less need not contain the language required under subsection 3, paragraph "a", subparagraph (3), but shall state that the affiant reasonably believes that the gross value of the decedent's personal property that would otherwise be distributed by will or intestate succession is, or has been at any time since the decedent's death, fifty thousand dollars or less and there is no real property or for deaths occurring before January 1, 2025, the real property passes to persons exempt from inheritance tax as joint tenants with full rights of survivorship pursuant to chapter 450.

Sec. 44. Section 633.361, subsection 12, Code 2025, is amended to read as follows:

12. A listing of all other items, with estimated values, which are subject to Iowa inheritance tax for deaths occurring before January 1, 2025, or federal estate tax.

Sec. 45. Section 633.365, Code 2025, is amended to read as follows:

633.365 Appraisement.

Property belonging to the estate need not be appraised unless required for inheritance tax purposes for deaths occurring before January 1, 2025, under the provisions of this probate code, or by order of court.

Sec. 46. Section 633.399, Code 2025, is amended to read as follows:

633.399 Report for approval.

After making any such sale, mortgage, exchange or lease of real property, the personal representative shall make a verified report thereof to the court. The court shall examine said report, and if satisfied that the sale, mortgage, exchange, or lease has been at a price and upon terms advantageous to the estate, and, in all respects, made in conformity with law, and that it ought to be confirmed, shall confirm the same and order the personal representative to deliver a deed, mortgage, lease or other proper instruments to the persons entitled thereto;

provided, however, that in the event said real property has been sold at private sale without an appraisal for inheritance tax purposes for a death occurring before January 1, 2025, or for purpose of such sale, or, if it has been so appraised and has been sold at private sale for less than the appraised value thereof, then, upon the filing of such report, the court may enter an order fixing a time and place for hearing thereon and prescribe a notice of such hearing to be served upon all interested persons, any one of whom, prior to the time fixed for such hearing, may file written objections to the entry of an order approving said sale. If not satisfied that the sale, mortgage, exchange, or lease has been made in conformity with law and that it is to the best interests of the estate, the court may reject the sale, mortgage, exchange, or lease, and enter such orders as the court may deem advisable.

Sec. 47. Section 633.477, subsection 10, Code 2025, is amended to read as follows:

10. A statement as to whether or not all statutory requirements pertaining to taxes have been complied with including whether the federal estate tax due has been paid, whether a lien continues to exist for any federal estate tax, and whether inheritance tax was paid or a return was filed in this state for a death occurring before January 1, 2025.

Sec. 48. Section 633.479, subsection 2, paragraph a, subparagraph (5), Code 2025, is amended to read as follows:

(5) Compliance with ~~sections~~ section 422.27, and section 450.58 for deaths occurring before January 1, 2025, have been fulfilled.

Sec. 49. Section 633.481, Code 2025, is amended to read as follows:

633.481 Certificate to county recorder for tax purposes without administration.

When an inventory or report is filed under section 450.22 for deaths occurring before January 1, 2025, without administration of the estate of the decedent, the heir or heir's attorney shall prepare and deliver to the county recorder of the county in which the real estate is situated a certificate pertaining to each parcel of real estate described in the inventory or report. Any fees for certificates or recording fees required by this section or section 633.480 shall be assessed as costs of administration.

The fees for recording and indexing the instrument shall be as provided in section 331.604. The county recorder shall deliver the certificates to the county auditor as provided in section 558.58.

Sec. 50. Section 635.7, subsection 1, Code 2025, is amended to read as follows:

1. The personal representative is required to file the report and inventory for which provision is made in section 633.361, including all probate and nonprobate assets. This chapter does not exempt the personal representative from complying with the requirements of section 422.27, ~~450.22, 450.58,~~ 633.480, or 633.481, and the administration of an estate whether converted to or from a small estate shall be considered one proceeding pursuant to section 633.330. For a death occurring before January 1, 2025, this chapter does not exempt the personal representative from complying with the requirements of section 450.22 or 450.58.

Sec. 51. Section 635.8, subsection 1, paragraph e, Code 2025, is amended to read as follows:

e. A statement that all statutory requirements pertaining to taxes have been complied with, including whether federal estate tax due has been paid, whether a lien continues to exist for any federal estate tax, and whether inheritance tax was paid or a tax return was filed in this state for a death occurring before January 1, 2025.

Sec. 52. Section 654.16, subsection 2, Code 2025, is amended to read as follows:

2. If a homestead is designated, the court shall determine the fair market value of the designated homestead before the sheriff's sale. The court may consult with the county appraisers appointed pursuant to section 450.24 for deaths occurring before January 1, 2025, or with one or more independent appraisers, to determine the fair market value of the designated homestead.

Sec. 53. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 54. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2025, to the estates of decedents dying on or after January 1, 2025.

DIVISION IX

LUMP SUM DISTRIBUTION OF RETIREMENT INCOME

Sec. 55. Section 422.5, subsection 7, Code 2025, is amended to read as follows:

7. a. In addition to the other taxes imposed by this section, a tax is imposed, except under paragraph "b", on the amount of a lump sum distribution for which the taxpayer has elected under section 402(e) of the Internal Revenue Code to be separately taxed for federal income tax purposes for the tax year. The rate of tax is equal to twenty-five percent of the separate federal tax imposed on the amount of the lump sum distribution. A nonresident is liable for this tax only on that portion of the lump sum distribution allocable to Iowa. The total amount of the lump sum distribution subject to separate federal tax shall be included in net income for purposes of determining eligibility under subsections 2 and 3, as applicable, except the amount of the lump sum distribution exempt from state tax in paragraph "b" shall not be included.

b. The amount of a lump sum distribution that is received from a governmental or other pension or retirement plan, including defined benefit or defined contribution plans, annuities, individual retirement accounts, plans maintained or contributed to by an employer, or maintained or contributed to by a self-employed person as an employer, and deferred compensation plans or any earnings attributable to the deferred compensation plans is exempt from state tax imposed under paragraph "a" if received by a person who is disabled, or is fifty-five years of age or older, or is the surviving spouse of an individual or is a survivor having an insurable interest in an individual who would have qualified for the exemption under this subsection for the tax year.

Sec. 56. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 57. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2025, for tax years beginning on or after that date.

DIVISION X

ESTIMATED TAX THRESHOLD

Sec. 58. Section 422.16, subsection 12, paragraph a, subparagraph (1), Code 2025, is amended to read as follows:

(1) Taxpayers filing a return shall make estimated tax payments if their Iowa income tax liability can reasonably be

expected to amount to ~~two hundred~~ one thousand dollars or more for the year.

Sec. 59. EFFECTIVE DATE. This division of this Act takes effect January 1, 2026.

Sec. 60. APPLICABILITY. This division of this Act applies to tax years beginning on or after January 1, 2026.

DIVISION XI

TAX EXPENDITURE REVIEW

Sec. 61. Section 2.48, subsection 2, paragraph a, subparagraph (1), Code 2025, is amended to read as follows:

(1) The department administering a tax expenditure described in subsection 3 shall engage in a review of the tax expenditure based upon the schedule in subsection 3, unless the tax expenditure is repealed. For purposes of this section, a tax expenditure is considered repealed if a zero amount remains available to be awarded, issued, or claimed under law. If multiple departments administer the tax expenditure, the departments shall cooperate in the review.

Sec. 62. Section 2.48, subsection 3, paragraph b, subparagraph (1), Code 2025, is amended by striking the subparagraph.

Sec. 63. Section 2.48, subsection 3, paragraph d, subparagraphs (3) and (5), Code 2025, are amended by striking the subparagraphs.

Sec. 64. Section 2.48, subsection 3, paragraph e, subparagraph (4), Code 2025, is amended by striking the subparagraph.

Sec. 65. 2017 Iowa Acts, chapter 29, section 169, is amended to read as follows:

SEC. 169. EFFECTIVE DATE. The following provision or provisions in Division I of this Act take effect July 1, ~~2030~~ 2039:

1. The section of this Act amending section 2.48, subsection 3, paragraph "h".

DIVISION XII

LIMITATIONS ON SALES TAX EXEMPTIONS AND REFUNDS AND TRANSFERS TO THE ENERGY INFRASTRUCTURE REVOLVING FUND

Sec. 66. Section 423.2A, subsection 2, Code 2025, is amended by adding the following new paragraph:

NEW PARAGRAPH. h. Beginning July 1, 2025, transfer to the

energy infrastructure revolving loan fund under section 476.46A the portion of sales tax revenues attributable to the expiration of the exemption period specified in all of the following:

(1) Section 423.3, subsection 92, paragraph "a", subparagraph (2) or (3).

(2) Section 423.3, subsection 93, paragraph "a", subparagraph (2) or (3).

(3) Section 423.3, subsection 95, paragraph "a", subparagraph (2) or (3).

Sec. 67. Section 423.3, subsection 92, paragraph a, subparagraphs (2) and (3), Code 2025, are amended to read as follows:

(2) (a) The sales price of backup power generation fuel, that is purchased by a web search portal business for use in the items listed in subparagraph (1).

(b) The duration of the exemption allowed under this subparagraph shall be for the following time periods:

(i) For backup power generation fuel purchased in connection with real property for a web search portal that began operating prior to the effective date of this division of this Act, there shall be no limitation on the duration of the exemption.

(ii) For backup power generation fuel purchased by a web search portal in connection with real property with new construction upon the property completed on or after the effective date of this division of this Act, or additions upon existing property on or after the effective date of this division of this Act, and such property is located entirely or in part within a city having a population of more than thirty thousand, according to the most recent decennial federal census, the first ten years of operation in connection with the new construction or addition upon the existing property.

(iii) For backup power generation fuel purchased by a web search portal in connection with real property with new construction upon the property completed on or after the effective date of this division of this Act, or additions upon existing property on or after the effective date of this division of this Act, and such property of such a web portal business is not located entirely or in part within a city having a population of more than thirty thousand, according to the most recent decennial federal census, the first fifteen years of operation

in connection with the new construction or addition upon the existing property.

(3) (a) The sales price of electricity purchased for use in providing a web search portal.

(b) The duration of the exemption allowed under this subparagraph shall be for the following time periods:

(i) For electricity purchased in connection with real property for web search portals that began operating prior to the effective date of this division of this Act, there shall be no limitation on the duration of the exemption.

(ii) For electricity purchased by a web search portal in connection with real property with new construction upon the property completed on or after the effective date of this division of this Act, or additions upon existing property on or after the effective date of this division of this Act, and such property is located entirely or in part within a city having a population of more than thirty thousand, according to the most recent decennial federal census, the first ten years of operation in connection with the new construction or addition upon the existing property.

(iii) For electricity purchased by a web search portal in connection with real property with new construction upon the property completed on or after the effective date of this division of this Act, or additions upon existing property on or after the effective date of this division of this Act, and such property is not located entirely or in part within a city having a population of more than thirty thousand, according to the most recent decennial federal census, the first fifteen years of operation in connection with the new construction or addition upon the existing property.

Sec. 68. Section 423.3, subsection 92, paragraph b, Code 2025, is amended by adding the following new subparagraphs:

NEW SUBPARAGRAPH. (5) The web search portal business shall register with the department as a web search portal. To maintain its registration, the web search portal business shall file an annual report with the department, by January 31, 2026, and by each January 31 thereafter. The annual report shall describe the backup power generation fuel and electricity purchased and used in the previous calendar year for the purposes described in paragraph "a", subparagraphs (2) and (3), and any other

information the department requires.

NEW SUBPARAGRAPH. (6) Beginning after January 31, 2026, when purchasing exempt property under paragraph "a", the web search portal business shall present an exemption certificate, issued annually to the web search portal business after filing the annual report pursuant to subparagraph (5), to the retailer.

Sec. 69. Section 423.3, subsection 92, paragraph e, Code 2025, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (03) "Site preparation activities" means the same as defined in subsection 95.

Sec. 70. Section 423.3, subsection 93, paragraph a, subparagraphs (2) and (3), Code 2025, are amended to read as follows:

(2) (a) The sales price of backup power generation fuel, that is purchased by a web search portal business for use in the items listed in subparagraph (1).

(b) The duration of the exemption allowed under this subparagraph shall be for the following time periods:

(i) For backup power generation fuel purchased and used in connection with real property for a web search portal business that began operating prior to the effective date of this division of this Act, there shall be no limitation on the duration of the exemption.

(ii) For backup power generation fuel purchased by a web search portal business in connection with real property with new construction upon the property completed on or after the effective date of this division of this Act, or additions upon existing property on or after the effective date of this division of this Act, and such property is located entirely or in part within a city having a population of more than thirty thousand, according to the most recent decennial federal census, the first ten years of operation in connection with the new construction or addition to the existing property.

(iii) For backup power generation fuel purchased by a web search portal business in connection with real property with new construction upon the property completed on or after the effective date of this division of this Act, or additions upon existing real property on or after the effective date of this division of this Act, and such real property is not located entirely or in part within a city having a population

of more than thirty thousand, according to the most recent decennial federal census, the first fifteen years of operation in connection with the new construction or addition to the existing property.

(3) (a) The sales price of electricity purchased for use by a web search portal business.

(b) The duration of the exemption allowed under this subparagraph shall be for the following time periods:

(i) For electricity purchased and used in connection with real property for a web search portal business that began operating prior to the effective date of this division of this Act, there shall be no limitation on the duration of the exemption.

(ii) For electricity purchased by a web search portal business in connection with real property with new construction upon the property completed on or after the effective date of this division of this Act, or additions upon existing property on or after the effective date of this division of this Act, and such property is located entirely or in part within a city having a population of more than thirty thousand, according to the most recent decennial federal census, the first ten years of operation in connection with the new construction or addition to the existing property.

(iii) For electricity purchased by a web search portal business in connection with real property with new construction upon the property completed on or after the effective date of this division of this Act, or additions upon existing property on or after the effective date of this division of this Act, and such property is not located entirely or in part within a city having a population of more than thirty thousand, according to the most recent decennial federal census, the first fifteen years of operation in connection with the new construction or addition to the existing property.

Sec. 71. Section 423.3, subsection 93, paragraph b, Code 2025, is amended by adding the following new subparagraphs:

NEW SUBPARAGRAPH. (5) The web search portal business shall register with the department as a web search portal business. To maintain its registration, the web search portal business shall file an annual report with the department, by January 31, 2026, and by each January 31 thereafter. The annual report

shall describe the backup power generation fuel and electricity purchased and used in the previous calendar year for the purposes described in paragraph "a", subparagraphs (2) and (3), and any other information the department requires.

NEW SUBPARAGRAPH. (6) Beginning after January 31, 2026, when purchasing exempt property under paragraph "a", the web search portal business shall present an exemption certificate, issued annually to the web search portal business after filing the annual report pursuant to subparagraph (5) to the retailer.

Sec. 72. Section 423.3, subsection 93, paragraph e, Code 2025, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (03) "Site preparation activities" means the same as defined in subsection 95.

Sec. 73. Section 423.3, subsection 95, paragraph a, subparagraphs (2) and (3), Code 2025, are amended to read as follows:

(2) (a) The sales price of backup power generation fuel that is purchased by a data center business for use in the items listed in subparagraph (1).

(b) The duration of the exemption allowed under this subparagraph shall be for the following time periods:

(i) For backup power generation fuel purchased in connection with real property the data center business began operating prior to the effective date of this division of this Act, there shall be no limitation on the duration of the exemption.

(ii) For backup power generation fuel purchased by a data center business in connection with real property with new construction upon the property completed on or after the effective date of this division of this Act, or additions upon existing property on or after the effective date of this division of this Act, and such property is located entirely or in part within a city having a population of more than thirty thousand, according to the most recent decennial federal census, the first ten years of operation in connection with the new construction or addition upon the existing property.

(iii) For backup power generation fuel purchased by a data center business in connection with real property with new construction upon the property completed on or after the effective date of this division of this Act, or additions upon existing property on or after the effective date of this division

of this Act, and such property is not located entirely or in part within a city having a population of more than thirty thousand, according to the most recent decennial federal census, the first fifteen years of operation in connection with the new construction or addition upon the existing property.

(3) (a) The sales price of electricity purchased for use by a data center business.

(b) The duration of the exemption allowed under this subparagraph shall be for the following time periods:

(i) For electricity purchased in connection with real property the data center business began operating prior the effective date of this division of this Act, there shall be no limitation on the duration of the exemption.

(ii) For electricity purchased by a data center business in connection with real property with new construction upon the property completed on or after the effective date of this division of this Act, or additions upon existing property on or after the effective date of this division of this Act, and such property is located entirely or in part within a city having a population of more than thirty thousand, according to the most recent decennial federal census, the first ten years of operation in connection with the new construction or addition to the existing property.

(iii) For electricity purchased by a data center business in connection with real property with new construction upon the property completed on or after the effective date of this division of this Act, or additions upon existing property on or after the effective date of this division of this Act, and such property is not located in part within a city having a population of more than thirty thousand, according to the most recent decennial federal census, the first fifteen years of operation in connection with the new construction or addition to the property.

Sec. 74. Section 423.3, subsection 95, paragraph b, subparagraph (3), Code 2025, is amended to read as follows:

(3) The data center business shall make a minimum investment in an Iowa physical location of two hundred million dollars within the first six years of operation in Iowa beginning with the date the data center business initiates site preparation activities, or the beginning date of the initial lease term of a data center, as applicable. The minimum investment includes

the initial investment, including land and subsequent acquisition of additional adjacent land and subsequent investment at the Iowa location.

Sec. 75. Section 423.3, subsection 95, paragraph b, Code 2025, is amended by adding the following new subparagraphs:

NEW SUBPARAGRAPH. (5) The data center business shall register with the department as a data center business. To maintain its registration, the data center business shall file an annual report with the department, by January 31, 2026, and by each January 31 thereafter. The annual report shall describe the backup power generation fuel and electricity purchased in the previous calendar year for the purposes described in paragraph "a", subparagraphs (2) and (3), and any other information the department requires.

NEW SUBPARAGRAPH. (6) Beginning after January 31, 2026, when purchasing exempt property under paragraph "a", the data center business shall present an exemption certificate, issued annually to the data center business after filing the annual report pursuant to subparagraph (5), to the retailer.

Sec. 76. Section 423.3, subsection 95, paragraphs c and d, Code 2025, are amended to read as follows:

c. This exemption applies from the date of the initial investment in, ~~or~~ the initiation of site preparation activities for the data center business facility, or from the beginning date of the initial lease term, as described in paragraph "b".

d. Failure to meet eighty percent of the minimum investment amount requirement specified in paragraph "b" within the first six years of operation from the date the data center business initiates site preparation activities or from the beginning date of the initial lease term, as applicable, will result in the data center business losing the right to claim this data center business exemption and the data center business shall pay all sales or use tax that would have been due on the purchase or use of the items listed in this exemption, plus any applicable penalty and interest imposed by statute.

Sec. 77. Section 423.3, subsection 95, Code 2025, is amended by adding the following new paragraph:

NEW PARAGRAPH. *Od.* A data center business leasing space to operate a data center as a lessee is eligible to qualify for the exemption under this subsection.

Sec. 78. Section 423.3, subsection 95, paragraph e, subparagraphs (1) and (2), Code 2025, are amended to read as follows:

(1) "*Data center*" means a building rehabilitated or constructed to house a group of networked server computers in one physical location in order to centralize the storage, management, and dissemination of data and information pertaining to a particular business, taxonomy, or body of knowledge. A data center business's facility typically includes the mechanical and electrical systems, redundant or backup power supplies, redundant data communications connections, environmental controls, and fire suppression systems. A data center business's facility also includes a restricted access area employing advanced physical security measures such as video surveillance systems and card-based security or biometric security access systems. "Data center" includes the lease of a business facility leased by an entity operating a data center business at that location.

(2) "*Data center business*" means an entity whose business among other businesses, is to operate or lease a data center.

Sec. 79. Section 423.3, subsection 95, paragraph e, Code 2025, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (3) "*Site preparation activities*" means actions that are taken prior to beginning construction or rehabilitation of the building that will house the data center and in preparation for the construction or rehabilitation. "*Site preparation activities*" include but are not limited to grading and clearing of land, storing of construction equipment including temporary buildings and trailers for equipment storage and for construction offices, exploratory excavating and borings to assess the sustainability of a site, and clearing the site of existing vegetation, old buildings, or old equipment. "*Site preparation activities*" does not include the purchase or installation of the tangible personal property described in paragraph "a", subparagraph (1).

Sec. 80. Section 423.4, subsection 7, paragraph b, subparagraph (1), Code 2025, is amended to read as follows:

(1) The data center business shall make an investment in an Iowa physical location within the first three years of operation in Iowa beginning with the date on which the data center business initiates site preparation activities, or within three years of

the beginning date of the initial lease term of the data center, as applicable.

Sec. 81. Section 423.4, subsection 7, Code 2025, is amended by adding the following new paragraph:

NEW PARAGRAPH. g. As used in this subsection, "site preparation activities" means the same as defined in section 423.3, subsection 95.

Sec. 82. Section 423.4, subsection 8, paragraph b, subparagraph (2), Code 2025, is amended to read as follows:

(2) The data center business shall make a minimum investment of at least ten million dollars, in the case of new construction, or at least five million dollars in the case of a rehabilitated building, in an Iowa physical location within the first six years of operation in Iowa, beginning with the date on which the data center business initiates site preparation activities or the beginning date of the initial lease term, as applicable. The minimum investment includes the initial investment, including the value of a lease agreement or the amount invested in land and subsequent acquisition of additional adjacent land and subsequent investment at the Iowa location.

Sec. 83. Section 423.4, subsection 8, Code 2025, is amended by adding the following new paragraph:

NEW PARAGRAPH. h. As used in this subsection, "site preparation activities" means the same as defined in section 423.3, subsection 95.

Sec. 84. Section 423.43, subsection 1, paragraph a, Code 2025, is amended to read as follows:

a. Except as provided in ~~subsection 2~~ subsections 2 and 3, all revenue arising under the operation of the use tax under subchapter III shall be deposited into the general fund of the state.

Sec. 85. Section 423.43, Code 2025, is amended by adding the following new subsection:

NEW SUBSECTION. 3. All revenues derived from the use tax imposed pursuant to section 423.5 and attributable to the expiration of the exemption time period specified in all of the following shall be transferred to the energy infrastructure revolving loan fund under section 476.46A:

a. Section 423.3, subsection 92, paragraph "a", subparagraph (2) or (3).

b. Section 423.3, subsection 93, paragraph "a", subparagraph (2) or (3).

c. Section 423.3, subsection 95, paragraph "a", subparagraph (2) or (3).

Sec. 86. Section 427.1, subsection 37, paragraph b, Code 2025, is amended to read as follows:

b. This data center business exemption applies beginning with the assessment year the investment in or construction of the facility utilizing the materials, equipment, and systems set forth in paragraph "a" are first assessed, or applies beginning with the assessment year in which the date of the initial lease term of a data center by a data center business begins, as applicable.

Sec. 87. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

PAT GRASSLEY
Speaker of the House

AMY SINCLAIR
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 976, Ninety-first General Assembly.

MEGHAN NELSON
Chief Clerk of the House

Approved _____, 2025

KIM REYNOLDS
Governor