

House File 2641 - Introduced

HOUSE FILE 2641

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 696)

A BILL FOR

1 An Act relating to state taxation and related laws of the
2 state, including the administration by the department of
3 revenue of certain tax credits and refunds, income taxes,
4 moneys and credits taxes, sales and use taxes, partnership
5 and pass-through entity audits, and by modifying provisions
6 relating to the reinstatement of business entities, the
7 assessment and valuation of property, the Iowa reinvestment
8 Act, horse racing, and port authorities, and providing
9 penalties, and including effective date and retroactive
10 applicability provisions.

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

DIVISION I

DEPARTMENT OF REVENUE ADMINISTRATION AND PENALTY PROVISIONS

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

421.6 Definition of return.

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

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

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

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

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

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

b. In the case of a specified business with no tax shown due or required to be shown due that fails to timely file an income return, the specified business shall pay the greater of the following penalty amounts:

(1) Two hundred dollars.

(2) An amount equal to ten percent of the imputed Iowa

1 liability of the specified business, not to exceed twenty-five
2 thousand dollars.

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

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

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

14 c. (3) The death of a taxpayer, death of a member of
15 the immediate family of the taxpayer, or death of the person
16 directly responsible for filing the return and paying the tax,
17 when the death interferes with timely filing.

18 d. (4) The onset of serious, long-term illness or
19 hospitalization of the taxpayer, of a member of the immediate
20 family of the taxpayer, or of the person directly responsible
21 for filing the return and paying the tax.

22 e. (5) Destruction of records by fire, flood, or other act
23 of God.

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

33 g. (7) Reliance upon results in a previous audit was a
34 direct cause for the failure to file where the previous audit
35 expressly and clearly addressed the issue and the previous

1 audit results have not been superseded by a court decision, or
2 the adoption, amendment, or repeal of a rule or law.

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

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

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

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

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

27 ~~m.~~ (13) The failure to file a timely inheritance tax return
28 resulting solely from a disclaimer that required the personal
29 representative to file an inheritance tax return. The penalty
30 shall be waived if such return is filed and any tax due is paid
31 within the later of nine months from the date of death or sixty
32 days from the delivery or filing of the disclaimer pursuant to
33 section 633E.12.

34 ~~n.~~ (14) That an Iowa inheritance tax return is filed for
35 an estate within the later of nine months from the date of

1 death or sixty days from the filing of a disclaimer by the
2 beneficiary of the estate refusing to take the property or
3 right or interest in the property.

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

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

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

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

21 (a) One thousand five hundred dollars.

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

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

33 b. The penalties imposed under this subsection are not
34 subject to waiver.

35 6. ~~*Improper receipt of payments*~~ *Liability — fraudulent*

1 practice. A person who makes an erroneous application for
2 refund, credit, reimbursement, rebate, or other payment shall
3 be liable for any overpayment received or tax liability reduced
4 plus interest at the rate in effect under section 421.7.

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

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

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

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

28 b. Payments, penalties, and interest due under this
29 subsection may be collected and enforced in the same manner as
30 the tax imposed.

31 Sec. 5. Section 421.27, Code 2020, is amended by adding the
32 following new subsections:

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

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

35 (1) In the case of corporations other than corporations

1 described in section 422.34 or section 422.36, subsection 5,
2 the corporation's Iowa net income after the application of the
3 Iowa business activity ratio, if applicable, multiplied by the
4 top income tax rate imposed under section 422.33 for the tax
5 year.

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

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

18 *b. "Income return"* means an income tax return or information
19 return required under section 422.15, subsection 2, or section
20 422.36, 422.37, or 422.62.

21 *c. "Specified business"* means a partnership or other entity
22 required to file an information return under section 422.15,
23 subsection 2, a corporation required to file a return under
24 section 422.36 or 422.37, or a financial institution required
25 to file a return under section 422.62.

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

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

33 1. For purposes of this title, a form, application, or any
34 other documentation required or requested by the department
35 shall be required to be certified under penalty of perjury that

1 the information contained in the form, application, or other
2 documentation is true and correct.

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

5 a. The person makes a form, application, or other document
6 containing false information in support of an application for
7 refund, credit, exemption, reimbursement, rebate, or other
8 payment or benefit with intent to evade tax.

9 b. The person makes a form, application, or other document
10 containing false information with intent to unlawfully receive
11 a refund, credit, exemption, reimbursement, rebate, or other
12 payment or benefit, to which the person is not entitled.

13 c. The person knowingly makes any false affidavit.

14 d. The person knowingly swears or affirms falsely to any
15 matter or thing required by the terms of this title to be sworn
16 to or affirmed.

17 Sec. 7. NEW SECTION. 421.59 Power of attorney — authority
18 to act on behalf of taxpayer.

19 1. a. A taxpayer may authorize an individual to act on
20 behalf of the taxpayer by filing a power of attorney with the
21 department, on a form prescribed by the department.

22 b. A taxpayer may at any time revoke a power of attorney
23 filed with the department pursuant to subsection 1. Upon
24 processing of the taxpayer's revocation of a power of attorney,
25 the department shall cease honoring the power of attorney.

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

30 a. A guardian, conservator, or custodian appointed by a
31 court, if a taxpayer has been deemed legally incompetent by a
32 court. The authority of the appointee to act on behalf of the
33 taxpayer shall be limited to the extent specifically stated in
34 the order of appointment.

35 (1) Upon request, a guardian, conservator, or custodian of

1 a taxpayer shall submit to the department a copy of the court
2 order appointing the guardian, conservator, or custodian.

3 (2) The department may petition the court that appointed the
4 guardian, conservator, or custodian to verify the appointment
5 or to determine the scope of the appointment.

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

9 (1) Upon the request of the department, a receiver shall
10 submit to the department a copy of the court order appointing
11 the receiver.

12 (2) The department may petition the court that appointed the
13 receiver to verify the appointment or to determine the scope
14 of the appointment.

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

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

21 (a) A president or chief executive officer, or any other
22 officer of the corporation or association if the president or
23 chief executive officer certifies that the officer has the
24 authority to legally bind the corporation or association.

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

27 (c) A person authorized to act on behalf of a limited
28 liability company in tax matters pursuant to a valid statement
29 of authority.

30 (2) An individual seeking to act on behalf of a taxpayer
31 pursuant to this paragraph shall file an affidavit with the
32 department attesting to the identity and qualifications of the
33 individual and any necessary certifications required under this
34 paragraph. The department may require any documents or other
35 evidence to demonstrate the individual has authority to act on

1 behalf of the taxpayer before the department.

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

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

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

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

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

31 4. The department shall adopt rules pursuant to chapter 17A
32 to administer this section.

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

35 (2) The statement prepared in accordance with this

1 paragraph shall be available on the department's internet site.
2 The internet site for this information shall be distributed by
3 the department to all taxpayers at the first contact by the
4 department with respect to the determination or collection of
5 any tax, except in the case of simply providing tax forms.

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

8 NEW SUBSECTION. 11. *Electronic communication.*

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

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

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

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

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

30 Sec. 12. Section 421.62, subsection 2, paragraph a, Code
31 2020, is amended to read as follows:

32 a. On or after January 1, 2020, a tax return preparer
33 is required to include the tax return preparer's PTIN on
34 any income tax return or claim for refund prepared by the
35 tax return preparer and filed under ~~chapter 422~~ with the

1 department.

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

4 1. For purposes of [this section](#), "*tax return preparer*" means
5 the same as defined in [section ~~421.61~~ 421.62](#).

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

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

30 2. It is unlawful for an officer, employee, or agent, or
31 former officer, employee, or agent of the state to willfully
32 or recklessly disclose to any person, except as authorized
33 in [subsection 1](#) of [this section](#), any federal tax return
34 or return information as defined in section 6103(b) of the
35 Internal Revenue Code. It is unlawful for a person to whom

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

8 Sec. 15. Section 422.20, subsection 3, paragraph a, Code
9 2020, is amended to read as follows:

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

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

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

29 NEW SUBSECTION. 3B. a. Prior to being made available for
30 public inspection, the department shall redact from the record
31 in an appeal or contested case the following information from
32 any pleading, exhibit, attachment, motion, written evidence,
33 final order, decision, or opinion:

34 (1) A financial account number.

35 (2) An account number generated by the department to

1 identify an audit or examination.

2 (3) A social security number.

3 (4) A federal employer identification number.

4 (5) The name of a minor.

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

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

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

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

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

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

32 Sec. 18. Section 422.69, subsection 1, Code 2020, is amended
33 to read as follows:

34 1. All fees, taxes, interest, and penalties imposed under
35 this chapter shall be paid to the department in the form of

1 remittances payable to the ~~state treasurer~~ department and the
2 department shall transmit each payment daily to the state
3 treasurer.

4 Sec. 19. Section 422.72, subsection 1, paragraph a,
5 subparagraph (1), Code 2020, is amended to read as follows:

6 (1) It is unlawful for the director, or any person having
7 an administrative duty under this chapter, or any present or
8 former officer or other employee of the state authorized by the
9 director to examine returns, to willfully or recklessly divulge
10 in any manner whatever, the business affairs, operations, or
11 information obtained by an investigation under this chapter of
12 records and equipment of any person visited or examined in the
13 discharge of official duty, or the amount or source of income,
14 profits, losses, expenditures or any particular thereof, set
15 forth or disclosed in any return, or to willfully or recklessly
16 permit any return or copy of a return or any book containing
17 any abstract or particulars thereof to be seen or examined by
18 any person except as provided by law.

19 Sec. 20. Section 422.72, Code 2020, is amended by adding the
20 following new subsection:

21 NEW SUBSECTION. 7A. a. Prior to being made available for
22 public inspection, the department shall redact from the record
23 in an appeal or contested case the following information from
24 any pleading, exhibit, attachment, motion, written evidence,
25 final order, decision, or opinion:

26 (1) A financial account number.

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

29 (3) A social security number.

30 (4) A federal employer identification number.

31 (5) The name of a minor.

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

33 b. Upon a motion filed by the taxpayer, the department
34 may redact from the record in an appeal or contested case any
35 other information from a pleading, exhibit, attachment, motion,

1 or written evidence, if the taxpayer proves by clear and
2 convincing evidence that the release of such information would
3 disclose a trade secret or be a clear, unwarranted invasion of
4 personal privacy.

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

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

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

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

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

26 3. The declaration of value shall state the full
27 consideration paid for the real property transferred. If
28 agricultural land, as defined in [section 9H.1](#), is purchased by
29 a corporation, limited partnership, trust, alien or nonresident
30 alien, the declaration of value shall include the name and
31 address of the buyer, the name and address of the seller, a
32 legal description of the agricultural land, and identify the
33 buyer as a corporation, limited partnership, trust, alien, or
34 nonresident alien. The county recorder shall not record the
35 declaration of value, but shall enter on the declaration of

1 value information the director of revenue requires for the
2 production of the sales/assessment ratio study and transmit
3 all declarations of value to the city or county assessor in
4 whose jurisdiction the property is located. The city or county
5 assessor shall ~~enter on the declaration of value~~ provide the
6 information the director of revenue requires for the production
7 of the sales/assessment ratio study ~~and transmit one copy of~~
8 ~~each declaration of value to the director of revenue,~~ at times
9 as directed by the director of revenue. The assessor shall
10 retain ~~one copy of each declaration of value~~ for three years
11 from December 31 of the year in which the transfer of realty
12 for which the declaration was filed took place. The director
13 of revenue shall, upon receipt of the information required to
14 be filed under [this chapter](#) by the city or county assessor,
15 send to the office of the secretary of state that part of the
16 declaration of value which identifies a corporation, limited
17 partnership, trust, alien, or nonresident alien as a purchaser
18 of agricultural land as defined in [section 9H.1](#).

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

21 **441.48 Notice of adjustment.**

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

28 2. If the county or assessing jurisdiction intends to
29 protest the proposed adjustment, the board of supervisors or
30 city council, as applicable, shall provide the department with
31 notice of intent to protest prior to expiration of the ten
32 days' notice.

33 3. After expiration of the ten days' notice, at which time
34 the county or assessing jurisdiction may appear by its city
35 council or board of supervisors, city or county attorney, and

1 ~~other assessing jurisdiction, or~~ city or county officials, and
2 make written or oral protest against such proposed adjustment.

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

6 5. After written protest is received, or an oral protest
7 is heard, the final action may be taken in reference to the
8 proposed adjustment.

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

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

22 Sec. 25. Section 490.1422, subsection 2, paragraph a, Code
23 2020, is amended to read as follows:

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

35 Sec. 26. Section 501.813, subsection 2, paragraph a, Code

1 2020, is amended to read as follows:

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

13 Sec. 27. Section 504.1423, subsection 2, paragraph a, Code
14 2020, is amended to read as follows:

15 a. 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
20 of state the tax status of the corporation. If either the
21 department reports to the secretary of state that a filing
22 delinquency or liability exists against the corporation,
23 the secretary of state shall not cancel the certificate of
24 dissolution until the filing delinquency or liability is
25 satisfied.

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

28 NEW SUBSECTION. 03. Returns shall be in the form the
29 director of revenue prescribes, and shall be filed with the
30 department of revenue on or before the last day of the fourth
31 month after the expiration of the tax year. The moneys and
32 credits tax is due and payable on the last day of the fourth
33 month after the expiration of the tax year.

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

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

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

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

17 1. The section of this division of this Act amending section
18 422.25.

19 2. The section of this division of this Act amending section
20 423.37.

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

25 The portion of the section of this division of this Act
26 enacting section 421.27, subsection 9.

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

29 1. The section of this division of this Act amending section
30 421.27, subsection 1.

31 2. The portion of the section of this division of this Act
32 amending section 421.27, subsection 4.

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

35

DIVISION II

SALES AND USE TAX

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

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

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

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

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

2. a. The owner of the all-terrain vehicle shall file an application for registration with the department through the county recorder of the county of residence, or in the case of a nonresident owner, in the county of primary use, in the manner established by the commission. The application shall

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

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

22 Sec. 36. Section 423.2, subsection 6, paragraph bs, Code
23 2020, is amended to read as follows:

24 bs. Services arising from or related to installing,
25 maintaining, servicing, repairing, operating, upgrading, or
26 enhancing either specified digital products or software sold
27 as tangible personal property.

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

30 (1) The retail sale of tangible personal property or
31 specified digital product and a service, where the tangible
32 personal property or specified digital product is essential
33 to the use of the service, and is provided exclusively in
34 connection with the service, and the true object of the
35 transaction is the service.

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

3 3A. The sales price from the sale of a commercial recreation
4 service offering the opportunity to hunt a preserve whitetail
5 as defined in [section 484C.1](#) if the sale occurred between July
6 1, 2005, and December 31, 2015.

7 Sec. 39. Section 423.3, subsection 31, unnumbered paragraph
8 1, Code 2020, is amended to read as follows:

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

25 Sec. 40. Section 423.3, Code 2020, is amended by adding the
26 following new subsection:

27 NEW SUBSECTION. 60A. The sales price from sales of diapers
28 eligible for medical assistance as defined in section 249A.2.

29 Sec. 41. 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. 42. 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~~τ.~~

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

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~~τ.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~~τ.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~~τ.~~

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. 43. 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. 44. 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. 45. 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. 46. Section 423.5, subsection 1, paragraph b, Code
2 2020, is amended by striking the paragraph.

3 Sec. 47. 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. 48. 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 of the transaction, the retailer shall thereafter remit the
2 applicable sales tax, or the purchaser thereafter shall remit
3 the applicable use tax. If the purchaser remits all applicable
4 use tax, the retailer remains liable for any local sales and
5 services tax under chapter 423B that the retailer failed to
6 collect.

7 Sec. 49. REFUNDS RELATED TO PRESERVE WHITETAIL DEER
8 HUNTING. Refunds of taxes, interest, or penalties that arise
9 from claims resulting from the amendment of section 423.3,
10 subsection 3A, for sales occurring between July 1, 2005,
11 and the effective date of the amendment to section 423.3,
12 subsection 3A, shall not be allowed, notwithstanding any other
13 law to the contrary.

14 Sec. 50. LEGISLATIVE INTENT.

15 1. It is the intent of the general assembly that the section
16 of this division of this Act amending section 423.29 is a
17 conforming amendment consistent with current state law, and
18 that the amendment does not change the application of current
19 law but instead reflects current law both before and after the
20 enactment of this division of this Act.

21 2. It is the intent of the general assembly that the
22 addition of "jointly" in the section of this division of
23 this Act amending section 423.33 is a conforming amendment
24 consistent with current state law, and that the amendment
25 does not change the application of current law but instead
26 reflects current law both before and after the enactment of
27 this division of this Act.

28 Sec. 51. EFFECTIVE DATE. The following, being deemed of
29 immediate importance, take effect upon enactment:

30 1. The section of this division of this Act amending section
31 423.3A.

32 2. The section of this division of this Act relating
33 to refunds for commercial recreation services offering an
34 opportunity to hunt preserve whitetail deer.

35 Sec. 52. RETROACTIVE APPLICABILITY. The following applies

1 retroactively to July 1, 2005:

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

4 DIVISION III

5 INCOME TAX

6 Sec. 53. 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. 54. 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. 55. APPLICABILITY. This division of this Act applies

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

2 DIVISION IV

3 SCHOOL TUITION TAX CREDIT — FUNDING

4 Sec. 56. Section 422.11S, subsection 8, paragraph a,
5 subparagraph (2), Code 2020, is amended to read as follows:

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

19 (b) (i) During any calendar year beginning after January 1,
20 2022, if the amount of claimed tax credits from the preceding
21 calendar year are equal to or greater than ninety percent of
22 the total approved tax credits for the calendar year, the
23 total approved tax credits for the calendar year shall equal
24 the product of ten percent multiplied by the total approved
25 tax credits for the calendar year plus the total approved tax
26 credits for the calendar year.

27 (ii) If total approved tax credits are recomputed pursuant
28 to subparagraph subdivision (i), the total approved tax credits
29 shall equal the previous total approved tax credits recomputed
30 pursuant to subparagraph subdivision (i) for purposes of future
31 recomputations under subparagraph subdivision (i), provided
32 that the maximum total approved tax credits recomputed pursuant
33 to this subparagraph division (b) shall not exceed twenty
34 million dollars in a calendar year.

35 DIVISION V

RESEARCH ACTIVITIES CREDIT

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

Sec. 57. Section 15.335, subsection 4, paragraph a, Code 2020, is amended to read as follows:

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

Sec. 58. Section 15.335, subsection 4, paragraph b, unnumbered paragraph 1, Code 2020, is amended to read as follows:

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

Sec. 59. Section 422.10, subsection 1, paragraphs c and d, Code 2020, are amended to read as follows:

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

d. For purposes of the alternate credit computation method in paragraph "c", the credit percentages applicable to qualified research expenses described in section ~~41(e)(5)(A)~~

1 41(c)(4)(A) and clause (ii) of section ~~41(e)(5)(B)~~ 41(c)(4)(B)
2 of the Internal Revenue Code are four and fifty-five
3 hundredths percent and one and ninety-five hundredths percent,
4 respectively.

5 Sec. 60. Section 422.33, subsection 5, paragraphs c and d,
6 Code 2020, are amended to read as follows:

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

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

24 Sec. 61. EFFECTIVE DATE. This division of this Act, being
25 deemed of immediate importance, takes effect upon enactment.

26 Sec. 62. RETROACTIVE APPLICABILITY. This division of this
27 Act applies retroactively to January 1, 2019, for tax years
28 beginning on or after that date.

29 DIVISION VI

30 PARTNERSHIP AND PASS-THROUGH ENTITY AUDITS AND REPORTING OF
31 FEDERAL ADJUSTMENTS

32 Sec. 63. Section 421.27, subsection 2, paragraph c, Code
33 2020, is amended to read as follows:

34 c. (1) The Except in the case of a final federal
35 partnership adjustment governed by subparagraph (2), the

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

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

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

20 Sec. 64. Section 422.7, Code 2020, is amended by adding the
21 following new subsection:

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

27 Sec. 65. Section 422.25, subsections 1 and 2, Code 2020,
28 are amended by striking the subsections and inserting in lieu
29 thereof the following:

30 1. a. For purposes of this subsection:

31 (1) "Federal adjustment" means a change to an item or amount
32 required to be determined under the Internal Revenue Code and
33 the regulations thereunder that is used by the taxpayer to
34 compute state tax owed whether such change results from action
35 by the internal revenue service, or the filing of a timely

1 amended federal return or timely federal refund claim. A
2 federal adjustment is positive to the extent that it increases
3 Iowa taxable income as determined under this title and is
4 negative to the extent that it decreases Iowa taxable income
5 as determined under this title.

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

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

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

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

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

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

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

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

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

31 e. (1) In addition to the applicable period of limitation
32 for examination and determination in paragraph "b", "c", or "d",
33 the department may make an examination and determination at any
34 time within one year from the date of receipt by the department
35 of a federal adjustments report with respect to a final

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

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

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

29 2. a. If the tax found due under subsection 1 is greater
30 than the amount paid, the department shall compute the amount
31 due, together with interest and penalties as provided in
32 paragraph "b", and shall mail a notice of assessment to the
33 taxpayer and, if applicable, to the taxpayer's authorized
34 representative of the total, which shall be computed as a sum
35 certain, with interest computed to the last day of the month

1 in which the notice is dated.

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

10 Sec. 66. NEW SECTION. **422.25A Reporting and treatment of**
11 **certain partnership adjustments.**

12 1. *Definitions.* As used in this section and sections
13 422.25B and 422.25C, unless the context otherwise requires:

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

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

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

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

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

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

28 *g.* "Federal adjustments report" means the same as defined
29 in section 422.25.

30 *h.* "Federal partnership adjustment" means a change to an
31 item or amount required to be determined under the Internal
32 Revenue Code and the regulations thereunder that is used by a
33 partnership and its direct and indirect partners to compute
34 state tax owed for the reviewed year where such change results
35 from a partnership level audit or an administrative adjustment

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

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

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

17 *k. "Final determination date"* means any one of the following
18 dates:

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

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

32 *l. "Final federal partnership adjustment"* means a federal
33 partnership adjustment after the final determination date for
34 that federal partnership adjustment has passed.

35 *m. "Indirect partner"* means a partner in a partnership or

1 pass-through entity where such partnership or pass-through
2 entity itself holds an interest directly, or through another
3 indirect partner, in a partnership or pass-through entity.

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

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

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

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

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

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

30 *t.* "Reallocation adjustment" means a final federal
31 partnership adjustment that changes the shares of items of
32 partnership income, gain, loss, expense, or credit allocated
33 to a partner that holds an interest directly in a partnership
34 or pass-through entity. A positive reallocation adjustment
35 means the portion of a reallocation adjustment that would

1 increase Iowa taxable income for such partners, and a negative
2 reallocation adjustment means the portion of a reallocation
3 adjustment that would decrease Iowa taxable income for such
4 partners.

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

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

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

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

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

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

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

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

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

30 3. *State partnership representative.* Notwithstanding any
31 other law to the contrary, the state partnership representative
32 for the reviewed year shall have the sole authority to act on
33 behalf of the partnership or pass-through entity with respect
34 to an action required or permitted to be taken by a partnership
35 or pass-through entity under this section or section 422.28 or

1 422.29 with respect to final federal partnership adjustments
2 arising from a partnership level audit or an administrative
3 adjustment request, and its direct partners and indirect
4 partners shall be bound by those actions.

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

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

13 (1) File a completed federal adjustments report.

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

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

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

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

33 (2) If the direct partner is a tiered partner, notify all
34 partners that hold an interest directly in the tiered partner
35 of such partner's distributive share of the adjustments in the

1 manner and form prescribed by the department by rule.

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

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

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

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

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

30 (3) Within ninety days after the time for filing and
31 furnishing statements to tiered partners and their partners
32 as established by section 6226 of the Internal Revenue Code
33 and the regulations thereunder, if the indirect partner
34 is a tiered partner and subject to section 422.13, file an
35 amended composite return under section 422.13 if such return

1 was originally filed, and if applicable for withholding from
2 partners, file an amended withholding report under section
3 422.16 if one was originally required to be filed.

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

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

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

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

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

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

31 (3) For an indirect tiered partner, within ninety days
32 after the time for filing and furnishing statements to a
33 tiered partner and the partner of the tiered partner, as
34 established by section 6226 of the Internal Revenue Code and
35 the regulations thereunder.

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

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

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

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

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

32 (a) Determine the amount of such adjustments which are of a
33 type that would be subject to sourcing to Iowa under section
34 422.8, subsection 2, paragraph "a", as a nonresident, and then
35 determine the portion of this amount that would be sourced to

1 Iowa under those provisions as if the tiered partner were a
2 nonresident.

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

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

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

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

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

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

34 e. An audited partnership or tiered partner not otherwise
35 subject to any reporting or payment obligation to Iowa that

1 makes an election under this subsection consents to be subject
2 to the Iowa laws related to reporting, assessment, collection,
3 and payment of Iowa tax, interest, and penalties calculated
4 under the election.

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

20 7. *Effect of election by partnership or tiered partner and*
21 *payment of amount due.*

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

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

33 c. In the event another state offers to an audited
34 partnership or tiered partner a similar election to pay state
35 tax resulting from final federal partnership adjustments,

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

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

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

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

30 *b.* In addition to the period for claiming a refund or credit
31 provided in section 422.73, subsection 1, paragraph "a", and
32 notwithstanding section 422.73, subsection 1, paragraph "b",
33 a partnership, tiered partner, or other direct or indirect
34 partner, as the case may be, may file a claim for refund of
35 Iowa income tax arising directly or indirectly from a final

1 federal partnership adjustment arising from a partnership level
2 audit on or before the date which is one year from the date the
3 federal adjustments report for that final federal partnership
4 adjustment was required to be filed by such person under this
5 section.

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

8 Sec. 67. NEW SECTION. **422.25B State partnership**
9 **representative.**

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

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

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

33 4. The department may adopt any rules pursuant to chapter
34 17A to implement this section.

35 Sec. 68. NEW SECTION. **422.25C Partnership and pass-through**

1 entity audits and examinations — consistent treatment of
2 entity-level items — binding actions — amended returns.

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

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

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

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

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

23 5. The department may adopt rules pursuant to chapter 17A to
24 implement this section.

25 Sec. 69. Section 422.35, Code 2020, is amended by adding the
26 following new subsection:

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

32 Sec. 70. Section 422.39, Code 2020, is amended by striking
33 the section and inserting in lieu thereof the following:

34 **422.39 Statutes applicable to corporations and corporation**
35 **tax.**

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

8 Sec. 71. Section 422.73, Code 2020, is amended by adding the
9 following new subsection:

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

13 Sec. 72. Section 422.73, subsections 1 and 3, Code 2020, are
14 amended to read as follows:

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

33 b. Notwithstanding the period of limitation specified in
34 paragraph "a", the taxpayer shall have ~~six months~~ one year from
35 ~~the day of final disposition~~ final determination date of any

1 ~~income tax matter between the taxpayer and the internal revenue~~
2 service final federal adjustment arising from an internal
3 revenue service audit or other similar action by the internal
4 revenue service with respect to the particular tax year to
5 claim an income tax refund or credit arising from that final
6 federal adjustment.

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

21 Sec. 73. APPLICABILITY. This division of this Act applies
22 to federal adjustments and federal partnership adjustments that
23 have a final determination date after the effective date of
24 this division of this Act.

25 DIVISION VII

26 SETOFF PROCEDURES — RULEMAKING — EFFECTIVE DATE

27 Sec. 74. RULES. The following applies to 2020 Iowa Acts,
28 Senate file 2328 or House File 2565, if enacted:

29 The department of revenue shall adopt rules governing
30 setoffs that occur during the transition from the department of
31 administrative services to the department of revenue.

32 Sec. 75. 2020 Iowa Acts, Senate File 2328, if enacted, is
33 amended by adding the following new section:

34 NEW SECTION. Sec. 28. EFFECTIVE DATE. This Act takes
35 effect on the later of January 1, 2021, or the effective date

1 of the rules adopted by the department of revenue pursuant
2 to chapter 17A implementing this Act other than transitional
3 rules.

4 Sec. 76. 2020 Iowa Acts, House File 2565, section 28, if
5 enacted, is amended to read as follows:

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

10 Sec. 77. EFFECTIVE DATE. This division of this Act, being
11 deemed of immediate importance, takes effect upon enactment.

12 Sec. 78. RETROACTIVE APPLICABILITY. This division of this
13 Act applies retroactively to the effective date of 2020 Iowa
14 Acts, Senate File 2328 or House File 2565, if enacted.

15 DIVISION VIII

16 BUSINESS INTEREST EXPENSE DEDUCTION AND GLOBAL INTANGIBLE
17 LOW-TAXED INCOME

18 Sec. 79. Section 422.7, Code 2020, is amended by adding the
19 following new subsection:

20 NEW SUBSECTION. 59. *a.* Section 163(j) of the Internal
21 Revenue Code does not apply in computing net income for state
22 tax purposes. If the taxpayer's federal adjusted gross income
23 for the tax year was increased or decreased by reason of the
24 application of section 163(j) of the Internal Revenue Code,
25 the taxpayer shall recompute net income for state tax purposes
26 under rules prescribed by the director.

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

31 *c.* For any tax year in which paragraph "a" does not apply,
32 a taxpayer shall not be permitted to deduct any amount of
33 interest expense paid or accrued in a previous taxable year
34 that is allowed as a deduction in the current taxable year by
35 reason of the carryforward of disallowed business interest

1 provisions of section 163(j)(2) of the Internal Revenue Code,
2 if either of the following apply:

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

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

8 Sec. 80. Section 422.35, Code 2020, is amended by adding the
9 following new subsections:

10 NEW SUBSECTION. 26. *a.* Section 163(j) of the Internal
11 Revenue Code does not apply in computing net income for state
12 tax purposes. If the taxpayer's federal taxable income for
13 the tax year was increased or decreased by reason of the
14 application of section 163(j) of the Internal Revenue Code,
15 the taxpayer shall recompute net income for state tax purposes
16 under rules prescribed by the director.

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

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

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

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

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

1 Sec. 81. RESCISSION OF ADMINISTRATIVE RULES.

2 1. Contingent upon the enactment of the section of this
3 Act amending section 422.35, subsection 27, the following Iowa
4 administrative rules are rescinded:

5 a. 701 Iowa administrative code, rule 54.2, subrule 3,
6 paragraph "i".

7 b. 701 Iowa administrative code, rule 59.28, subrule 2,
8 paragraph "p".

9 2. As soon as practicable, the Iowa administrative code
10 editor shall remove the language of the Iowa administrative
11 rules referenced in subsection 1 of this section from the Iowa
12 administrative code.

13 Sec. 82. EFFECTIVE DATE. This Act, being deemed of
14 immediate importance, takes effect upon enactment.

15 Sec. 83. RETROACTIVE APPLICABILITY. The following applies
16 retroactively to January 1, 2019, for tax years beginning on
17 or after that date:

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

20 Sec. 84. RETROACTIVE APPLICABILITY. The following apply
21 retroactively to January 1, 2020 for tax years beginning on or
22 after that date:

23 1. The section of this division of this Act enacting section
24 422.7, subsection 59.

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

27 DIVISION IX

28 IOWA REINVESTMENT ACT

29 Sec. 85. Section 15J.2, subsections 4, 7, 8, and 9, Code
30 2020, are amended to read as follows:

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

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

35 a. A county.

1 b. An incorporated city.

2 c. A joint board or other legal entity established or
3 designated in an agreement between two or more contiguous
4 municipalities identified in paragraph "a" or "b" pursuant to
5 chapter 28E.

6 8. a. "New lessor" means a lessor, as defined in section
7 423A.2, operating a business in the district that was not in
8 operation in the area of the district before the effective
9 date of the ordinance or resolution establishing the district,
10 regardless of ownership.

11 b. "New lessor" also includes any lessor, defined in section
12 423A.2, operating a business in the district if the place of
13 business for that business is the subject of a project that was
14 approved by the board.

15 9. a. "New retail establishment" means a business operated
16 in the district by a retailer, as defined in [section 423.1](#),
17 that was not in operation in the area of the district before
18 the effective date of the ordinance or resolution establishing
19 the district, regardless of ownership.

20 b. "New retail establishment" also includes any business
21 operated in the district by a retailer, as defined in section
22 423.1, if the place of business for that retail establishment
23 is the subject of a project that was approved by the board.

24 Sec. 86. Section 15J.4, subsection 1, unnumbered paragraph
25 1, Code 2020, is amended to read as follows:

26 A municipality that has an area suitable for development
27 within the boundaries of the municipality or within the
28 combined boundaries of a municipality under section 15J.2,
29 subsection 7, paragraph "c", is eligible to seek approval from
30 the board to establish a reinvestment district under this
31 section consisting of the area suitable for development. To
32 be designated a reinvestment district, an area shall meet the
33 following requirements:

34 Sec. 87. Section 15J.4, subsection 1, paragraphs c and d,
35 Code 2020, are amended to read as follows:

1 ~~The~~ For districts approved before July 1, 2018, the area
2 consists of contiguous parcels and does not exceed twenty-five
3 acres in total. For districts approved on or after July 1,
4 2020, the area consists of contiguous parcels and does not
5 exceed seventy-five acres in total.

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

10 Sec. 88. Section 15J.4, subsection 3, paragraph a, Code
11 2020, is amended to read as follows:

12 ~~a.~~ The municipality shall submit a copy of the resolution,
13 the proposed district plan, and all accompanying materials
14 adopted pursuant to ~~this section~~ to the board for evaluation.
15 The board shall not approve a proposed district plan on or
16 after July 1, ~~2018~~ 2025.

17 Sec. 89. Section 15J.4, subsection 3, paragraph b,
18 subparagraph (6), Code 2020, is amended to read as follows:

19 (6) The amount of proposed capital investment within the
20 proposed district related to retail businesses in the proposed
21 district does not exceed fifty percent of the total capital
22 investment for all proposed projects in the proposed district
23 plan. For the purposes of this subparagraph, "*retail business*"
24 means any business engaged in the business of selling tangible
25 personal property or taxable services at retail in this state
26 that is obligated to collect state sales or use tax under
27 chapter 423. However, for the purposes of this subparagraph,
28 "*retail business*" does not include a new lessor or a business
29 engaged in an activity subject to tax under section 423.2,
30 subsection 3.

31 Sec. 90. Section 15J.4, subsection 3, paragraph f, Code
32 2020, is amended to read as follows:

33 ~~f.~~ (1) The total aggregate amount of state sales tax
34 revenues and state hotel and motel tax revenues that may be
35 approved by the board for remittance to all municipalities and

1 that may be transferred to the state reinvestment district
2 fund under section 423.2A or 423A.6, and remitted to all
3 municipalities having a reinvestment district under this
4 chapter for districts approved by the board before July 1,
5 2018, shall not exceed one hundred million dollars.

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

14 Sec. 91. Section 15J.4, subsections 4 and 5, Code 2020, are
15 amended to read as follows:

16 4. a. Upon receiving the approval of the board, the
17 municipality ~~may~~ shall adopt an ordinance, or in the case of
18 a municipality under section 15J.2, subsection 7, paragraph
19 "c", a resolution, establishing the district and shall notify
20 the director of revenue of the district's commencement date
21 established by the board and the information required under
22 paragraph "b" no later than thirty days after adoption of the
23 ordinance or resolution.

24 b. For each district approved by the board on or after July
25 1, 2020, the municipality shall include in the notification
26 under paragraph "a" and in the statement required under
27 paragraph "c" all of the following:

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

34 (2) For each new lessor under section 15J.2, subsection 8,
35 paragraph "b", that was in operation before the establishment

1 of the district, the monthly amount of sales subject to the
2 state hotel and motel tax from the most recently available
3 twelve-month period preceding the establishment of the
4 district.

5 c. The ordinance or resolution adopted by the municipality
6 shall include the district's commencement date and a detailed
7 statement of the manner in which the approved projects to be
8 undertaken in the district will be financed, including but not
9 limited to the financial information included in the project
10 plan under [subsection 2](#), paragraph "d".

11 d. Following establishment of the district, a municipality
12 may use the moneys deposited in the municipality's reinvestment
13 project fund created pursuant to [section 15J.7](#) to fund the
14 development of those projects included within the district
15 plan.

16 5. A municipality may amend the district plan to add
17 or modify projects. However, a proposed modification to a
18 project and each project proposed to be added shall first be
19 approved by the board in the same manner as provided for the
20 original plan. In no case, however, shall an amendment to the
21 district plan result in the extension of the commencement date
22 established by the board. If a district plan is amended to
23 add or modify a project, the municipality shall, if necessary,
24 amend the ordinance or resolution, as applicable, if necessary,
25 to reflect any changes to the financial information required to
26 be included under [subsection 4](#).

27 Sec. 92. Section 15J.5, subsection 1, paragraph b, Code
28 2020, is amended to read as follows:

29 b. (1) The For districts established before July 1,
30 2020, the amount of new state sales tax revenue for purposes
31 of paragraph "a" shall be the product of the amount of sales
32 subject to the state sales tax in the district during the
33 quarter from new retail establishments times four percent.

34 (2) For districts established on or after July 1, 2020, the
35 amount of new state sales tax revenue for purposes of paragraph

1 "a" shall be the product of four percent times the remainder of
2 amount of sales subject to the state sales tax in the district
3 during the quarter from new retail establishments minus the sum
4 of the sales from the corresponding quarter of the twelve-month
5 period determined under section 15J.4, subsection 4, paragraph
6 "b", subparagraph (1), for new retail establishments identified
7 under section 15J.4, subsection 4, paragraph "b", subparagraph
8 (1), that were in operation at the end of the quarter.

9 Sec. 93. Section 15J.5, subsection 2, paragraph b, Code
10 2020, is amended to read as follows:

11 b. (1) The For districts established before July 1,
12 2020, the amount of new state hotel and motel tax revenue for
13 purposes of paragraph "a" shall be the product of the amount of
14 sales subject to the state hotel and motel tax in the district
15 during the quarter from new lessors times the state hotel and
16 motel tax rate imposed under [section 423A.3](#).

17 (2) For districts established on or after July 1, 2020, the
18 amount of new state hotel and motel tax revenue for purposes of
19 paragraph "a" shall be the product of the state hotel and motel
20 tax rate imposed under [section 423A.3](#) times the remainder of
21 amount of sales subject to the state hotel and motel tax in the
22 district during the quarter from new lessors minus the sum of
23 the sales from the corresponding quarter of the twelve month
24 period determined under section 15J.4, subsection 4, paragraph
25 "b", subparagraph (2), for new lessors identified under section
26 15J.4, subsection 4, paragraph "b", subparagraph (2), that were
27 in operation at the end of the quarter.

28 Sec. 94. Section 15J.7, subsection 4, paragraph b, Code
29 2020, is amended to read as follows:

30 b. For the purposes of [this subsection](#), "relocation"
31 means the closure or substantial reduction of an enterprise's
32 existing operations in one area of the state and the initiation
33 of substantially the same operation in the same county or a
34 contiguous county in the state. [However, if the initiation](#)
35 of operations includes an expanded scope or nature of the

1 enterprise's existing operations, the new operation shall
2 not be considered to be substantially the same operation.
3 *"Relocation"* does not include an enterprise expanding its
4 operations in another area of the state provided that existing
5 operations of a similar nature are not closed or substantially
6 reduced.

7 Sec. 95. Section 15J.7, subsection 6, Code 2020, is amended
8 to read as follows:

9 6. Upon dissolution of a district pursuant to [section 15J.8](#),
10 moneys remaining in the reinvestment project fund that were
11 deposited pursuant to [subsection 2](#) and all interest remaining
12 in the fund that was earned on such amounts shall be deposited
13 in the general fund of the municipality or, for a municipality
14 under section 15J.2, subsection 7, paragraph "c", the governing
15 body shall allocate such amounts to the participating cities
16 and counties for deposit in each city or county general fund
17 according to the chapter 28E agreement.

18 Sec. 96. Section 15J.8, Code 2020, is amended to read as
19 follows:

20 **15J.8 End of deposits — district dissolution.**

21 1. As of the date twenty years after the district's
22 commencement date, the department shall cease to deposit state
23 sales tax revenues and state hotel and motel tax revenues into
24 the district's account within the fund, unless the municipality
25 dissolves the district by ordinance or resolution prior to that
26 date. Following the expiration of the twenty-year period, the
27 district shall be dissolved by ordinance or resolution of the
28 municipality adopted within twelve months of the conclusion of
29 the twenty-year period.

30 2. If the municipality dissolves the district by ordinance
31 or resolution prior to the expiration of the twenty-year
32 period specified in [subsection 1](#), the municipality shall
33 notify the director of revenue of the dissolution as soon as
34 practicable after adoption of the ordinance or resolution, and
35 the department shall, as of the effective date of dissolution,

1 cease to deposit state sales tax revenues and state hotel and
2 motel tax revenues into the district's account within the fund.
3 3. Upon request of the municipality prior to the dissolution
4 of the district, and following a determination by the board
5 that the amounts of new state sales tax revenue and new state
6 hotel and motel tax revenue deposited in the municipality's
7 reinvestment project fund under section 15J.7 are substantially
8 lower than the amounts established by the board under section
9 15J.4, subsection 3, paragraph "e", the board may extend
10 the district's twenty-year period of time for depositing and
11 receiving revenues under this chapter by up to five additional
12 years if such an extension is in the best interest of the
13 public.

14 DIVISION X

15 COMPUTER PERIPHERALS

16 Sec. 97. Section 423.1, Code 2020, is amended by adding the
17 following new subsection:

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

22 Sec. 98. Section 423.3, subsection 47, Code 2020, is amended
23 to read as follows:

24 47. a. The sales price from the sale or rental of
25 computers, computer peripherals, machinery, equipment,
26 replacement parts, supplies, and materials used to construct
27 or self-construct computers, computer peripherals, machinery,
28 equipment, replacement parts, and supplies, if such items are
29 any of the following:

30 (1) Directly and primarily used in processing by a
31 manufacturer.

32 (2) Directly and primarily used to maintain the integrity
33 of the product or to maintain unique environmental conditions
34 required for either the product or the computers, computer
35 peripherals, machinery, and equipment used in processing by a

1 manufacturer, including test equipment used to control quality
2 and specifications of the product.

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

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

8 (5) Directly and primarily used in recycling or
9 reprocessing of waste products.

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

13 *b.* The sales price from the sale of fuel used in creating
14 heat, power, steam, or for generating electrical current, or
15 from the sale of electricity, consumed by computers, computer
16 peripherals, machinery, or equipment used in an exempt manner
17 described in paragraph "a", subparagraph (1), (2), (3), (5), or
18 (6).

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

21 (1) Hand tools.

22 (2) Point-of-sale equipment, and computers, and computer
23 peripherals.

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

26 (a) Computers.

27 (b) Computer peripherals.

28 ~~(b)~~ (c) Machinery.

29 ~~(e)~~ (d) Equipment, including pollution control equipment.

30 ~~(d)~~ (e) Replacement parts.

31 ~~(e)~~ (f) Supplies.

32 ~~(f)~~ (g) Materials used to construct or self-construct the
33 following:

34 (i) Computers.

35 (ii) Computer peripherals.

1 ~~(ii)~~ (iii) Machinery.

2 ~~(iii)~~ (iv) Equipment, including pollution control
3 equipment.

4 ~~(iv)~~ (v) Replacement parts.

5 ~~(v)~~ (vi) Supplies.

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

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

10 (1) *"Commercial enterprise"* means businesses and
11 manufacturers conducted for profit, for-profit and nonprofit
12 insurance companies, and for-profit and nonprofit financial
13 institutions, but excludes other nonprofits and professions and
14 occupations.

15 (2) *"Financial institution"* means as defined in section
16 527.2.

17 (3) *"Insurance company"* means an insurer organized or
18 operating under [chapter 508](#), [514](#), [515](#), [518](#), [518A](#), [519](#), or
19 [520](#), or authorized to do business in Iowa as an insurer or an
20 insurance producer under [chapter 522B](#).

21 (4) (a) *"Manufacturer"* means a business that primarily
22 purchases, receives, or holds personal property of any
23 description for the purpose of adding to its value by a process
24 of manufacturing with a view to selling the property for gain
25 or profit.

26 (b) *"Manufacturer"* includes contract manufacturers. A
27 contract manufacturer is a manufacturer that otherwise falls
28 within the definition of manufacturer, except that a contract
29 manufacturer does not sell the tangible personal property
30 the contract manufacturer processes on behalf of other
31 manufacturers.

32 (c) *"Manufacturer"* does not include persons who are not
33 commonly understood as manufacturers, including but not
34 limited to persons primarily engaged in any of the following
35 activities:

- 1 (i) Construction contracting.
- 2 (ii) Repairing tangible personal property or real property.
- 3 (iii) Providing health care.
- 4 (iv) Farming, including cultivating agricultural products
5 and raising livestock.
- 6 (v) Transporting for hire.
- 7 (d) For purposes of this subparagraph:
- 8 (i) "*Business*" means those businesses conducted for
9 profit, but excludes professions and occupations and nonprofit
10 organizations.
- 11 (ii) "*Manufacturing*" means those activities commonly
12 understood within the ordinary meaning of the term, and shall
13 include:
- 14 (A) Refining.
- 15 (B) Purifying.
- 16 (C) Combining of different materials.
- 17 (D) Packing of meats.
- 18 (E) Activities subsequent to the extractive process of
19 quarrying or mining, such as crushing, washing, sizing, or
20 blending of aggregate materials.
- 21 (iii) "*Manufacturing*" does not include activities occurring
22 on premises primarily used to make retail sales.
- 23 (5) "*Processing*" means a series of operations in which
24 materials are manufactured, refined, purified, created,
25 combined, or transformed by a manufacturer, ultimately
26 into tangible personal property. Processing encompasses
27 all activities commencing with the receipt or producing of
28 raw materials by the manufacturer and ending at the point
29 products are delivered for shipment or transferred from the
30 manufacturer. Processing includes but is not limited to
31 refinement or purification of materials; treatment of materials
32 to change their form, context, or condition; maintenance
33 of the quality or integrity of materials, components, or
34 products; maintenance of environmental conditions necessary for
35 materials, components, or products; quality control activities;

1 and construction of packaging and shipping devices, placement
2 into shipping containers or any type of shipping devices or
3 medium, and the movement of materials, components, or products
4 until shipment from the processor.

5 (6) "*Receipt or producing of raw materials*" means activities
6 performed upon tangible personal property only. With respect
7 to raw materials produced from or upon real estate, the receipt
8 or producing of raw materials is deemed to occur immediately
9 following the severance of the raw materials from the real
10 estate.

11 (7) "*Replacement part*" means tangible personal property
12 other than computers, computer peripherals, machinery,
13 equipment, or supplies, regardless of the cost or useful life
14 of the tangible personal property, that meets all of the
15 following conditions:

16 (a) The tangible personal property replaces a component of
17 a computer, computer peripheral, machinery, or equipment, which
18 component is capable of being separated from the computer,
19 computer peripheral, machinery, or equipment.

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

22 (c) The tangible personal property restores the computer,
23 computer peripheral, machinery, or equipment to an operational
24 condition, or upgrades or improves the efficiency of the
25 computer, computer peripheral, machinery, or equipment.

26 (8) "*Supplies*" means tangible personal property, other
27 than computers, computer peripherals, machinery, equipment, or
28 replacement parts, that meets one of the following conditions:

29 (a) The tangible personal property is to be connected to
30 a computer, computer peripheral, machinery, or equipment and
31 requires regular replacement because the property is consumed
32 or deteriorates during use, including but not limited to saw
33 blades, drill bits, filters, and other similar items with a
34 short useful life.

35 (b) The tangible personal property is used in conjunction

1 with a computer, computer peripheral, machinery, or equipment
2 and is specially designed for use in manufacturing specific
3 products and may be used interchangeably and intermittently on
4 a particular computer, computer peripheral, machine, or piece
5 of equipment, including but not limited to jigs, dies, tools,
6 and other similar items.

7 (c) The tangible personal property comes into physical
8 contact with other tangible personal property used in
9 processing and is used to assist with or maintain conditions
10 necessary for processing, including but not limited to cutting
11 fluids, oils, coolants, lubricants, and other similar items
12 with a short useful life.

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

17 Sec. 99. RESCISSION OF ADMINISTRATIVE RULES.

18 1. The following Iowa administrative rules are rescinded as
19 of July 1, 2020:

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

22 b. 701 Iowa administrative code, rule 18.45, subrule 1,
23 definition of "computer".

24 c. 701 Iowa administrative code, rule 18.58, subrule 1,
25 definition of "computer".

26 d. 701 Iowa administrative code, rule 230.14, subrule 2,
27 paragraph "a".

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

32 DIVISION XI

33 SCHOOL TUITION ORGANIZATION TAX CREDIT — CORPORATIONS

34 Sec. 100. Section 422.33, subsection 28, Code 2020, is
35 amended to read as follows:

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

8 DIVISION XII

9 BROADBAND INFRASTRUCTURE TAXATION

10 Sec. 101. Section 422.7, Code 2020, is amended by adding the
11 following new subsection:

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

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

21 Sec. 102. Section 422.35, Code 2020, is amended by adding
22 the following new subsection:

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

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

32 Sec. 103. REFUNDS. Refunds of taxes, interest, or penalties
33 that arise from claims resulting from the enactment of this
34 division of this Act, in the tax year beginning January
35 1, 2019, but before January 1, 2020, shall not be allowed

1 unless refund claims are filed prior to October 1, 2020,
2 notwithstanding any other provision of law to the contrary.

3 Sec. 104. EFFECTIVE DATE. This division of this Act, being
4 deemed of immediate importance, takes effect upon enactment.

5 Sec. 105. RETROACTIVE APPLICABILITY. This division of this
6 Act applies retroactively to January 1, 2019, and applies to
7 tax years beginning on or after that date.

8 DIVISION XIII

9 LOCAL ASSESSORS

10 Sec. 106. Section 441.6, subsection 2, Code 2020, is amended
11 to read as follows:

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

26 Sec. 107. Section 441.6, Code 2020, is amended by adding the
27 following new subsection:

28 NEW SUBSECTION. 3. The appointee selected by the conference
29 board under subsection 2 shall not assume the office of city
30 or county assessor until such appointment is confirmed by
31 the director of revenue. If the director of revenue rejects
32 the appointment, the examining board shall conduct a new
33 examination and submit a new report to the conference board
34 under subsection 1. The director of revenue shall adopt rules
35 pursuant to chapter 17A to implement and administer this

1 subsection.

2 Sec. 108. Section 441.17, subsection 2, Code 2020, is
3 amended to read as follows:

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

14 Sec. 109. Section 441.41, Code 2020, is amended to read as
15 follows:

16 **441.41 Legal counsel.**

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

31 DIVISION XIV

32 PAYCHECK PROTECTION PROGRAM (PPP)

33 Sec. 110. IOWA NET INCOME EXCLUSION FOR FEDERAL PAYCHECK
34 PROTECTION PROGRAM LOAN FORGIVENESS FOR CERTAIN FISCAL-YEAR
35 FILERS IN TAX YEAR 2019. Notwithstanding any other provision

1 of law to the contrary, for any tax year beginning on or after
2 January 1, 2019, and ending after March 27, 2020, Pub. L. No.
3 116-136, §1106(i), applies in computing net income for state
4 tax purposes under section 422.7 or 422.35.

5 Sec. 111. EFFECTIVE DATE. This division of this Act, being
6 deemed of immediate importance, takes effect upon enactment.

7 DIVISION XV

8 FOOD BANKS — SALES TAX EXEMPTION

9 Sec. 112. Section 423.3, Code 2020, is amended by adding the
10 following new subsection:

11 NEW SUBSECTION. 107. The sales price from the sale or
12 rental of tangible personal property or specified digital
13 products, or services furnished, to a nonprofit food bank,
14 which tangible personal property, specified digital products,
15 or services are to be used by the nonprofit food bank for a
16 charitable purpose. For purposes of this subsection, "*nonprofit*
17 *food bank*" means an organization organized under chapter 504
18 and qualifying under section 501(c)(3) of the Internal Revenue
19 Code as an organization exempt from federal income tax under
20 section 501(a) of the Internal Revenue Code that maintains
21 an established operation involving the provision of food or
22 edible commodities or the products thereof on a regular basis
23 to persons in need or to food pantries, soup kitchens, hunger
24 relief centers, or other food or feeding centers that, as an
25 integral part of their normal activities, provide meals or food
26 on a regular basis to persons in need.

27 DIVISION XVI

28 PRO RATA SHARE OF ENTITY-LEVEL INCOME TAX PAID BY SHAREHOLDERS
29 OR BENEFICIARIES

30 Sec. 113. Section 422.8, subsection 1, Code 2020, is amended
31 to read as follows:

32 1. a. The amount of income tax paid to another state or
33 foreign country by a resident taxpayer of this state on income
34 derived from sources outside of Iowa shall be allowed as a
35 credit against the tax computed under [this chapter](#), except that

1 the credit shall not exceed what the amount of the Iowa tax
2 would have been on the same income which was taxed by the other
3 state or foreign country. The limitation on this credit shall
4 be computed according to the following formula: Income earned
5 outside of Iowa and taxed by another state or foreign country
6 shall be divided by the total income of the resident taxpayer
7 of Iowa. This quotient multiplied ~~times~~ by the net Iowa tax as
8 determined on the total income of the taxpayer as if entirely
9 earned in Iowa shall be the maximum tax credit against the Iowa
10 net tax.

11 b. (1) For purposes of paragraph "a", a resident partner
12 of an entity taxed as a partnership for federal tax purposes,
13 a resident shareholder of an S corporation, or a resident
14 beneficiary of an estate or trust shall be deemed to have paid
15 the resident partner's, resident shareholder's, or resident
16 beneficiary's pro rata share of entity-level income tax paid
17 by the partnership, S corporation, estate, or trust to another
18 state or foreign country on income that is also subject to
19 tax under this division, but only if the entity provides the
20 resident partner, resident shareholder, or resident beneficiary
21 a statement that documents the resident partner's, resident
22 shareholder's, or resident beneficiary's share of the income
23 derived in the other state or foreign country, the income tax
24 liability of the entity in that state or foreign country, and
25 the income tax paid by the entity to that state or foreign
26 country.

27 (2) For purposes of paragraph "a", a resident shareholder of
28 a regulated investment company shall be deemed to have paid the
29 shareholder's pro rata share of entity-level income tax paid by
30 the regulated investment company to another state or foreign
31 country and treated as paid by its shareholders pursuant to
32 section 853 of the Internal Revenue Code, but only if the
33 regulated investment company provides the resident shareholder
34 a statement that documents the resident shareholder's share of
35 the income derived in the other state or foreign country, the

1 income tax liability of the regulated investment company in
2 that state or foreign country, and the income tax paid by the
3 regulated investment company to that state or foreign country.

4 DIVISION XVII

5 HORSE RACING — DISASTER EMERGENCY PROCLAMATION

6 Sec. 114. Section 99D.7, Code 2020, is amended by adding the
7 following new subsection:

8 NEW SUBSECTION. 24A. To alter, amend, suspend, or restrict
9 requirements related to the duration of thoroughbred and
10 quarter horse racing seasons and purse moneys designated for
11 horse racing in the event of the issuance of a proclamation of
12 disaster emergency by the governor ordering the closure of a
13 licensed racetrack facility that conducts live horse racing,
14 notwithstanding any provision of this section or section 99F.6,
15 subsection 4, to the contrary.

16 DIVISION XVIII

17 PORT AUTHORITIES

18 Sec. 115. Section 28J.1, subsections 1 and 3, Code 2020, are
19 amended to read as follows:

20 1. "*Authorized purposes*" means an activity that enhances,
21 fosters, aids, provides, or promotes transportation,
22 infrastructure, utility service, flood and erosion control,
23 economic development, housing, recreation, education,
24 governmental operations, culture, or research within the
25 jurisdiction of a port authority.

26 3. "*City*" means the same as defined in [section 362.2](#), and
27 also includes a city enterprise as defined in section 384.24.

28 Sec. 116. Section 28J.1, subsection 6, paragraphs d, f, and
29 g, Code 2020, are amended to read as follows:

30 *d.* The cost of machinery, furnishings, equipment, financing
31 charges, interest prior to and during construction and for
32 no more than twelve months after completion of construction,
33 engineering, architectural services, technical services,
34 preliminary reports, property valuations, consequential
35 damages or costs, provisions for contingencies, supervision,

1 inspection, testing, and expenses of research and development
2 with respect to a facility.

3 *f.* The interest upon the revenue bonds, and pledge
4 orders, loan agreements, lease contracts, and certificates of
5 participation in or other participatory interests or evidences
6 of any obligation under a loan agreement or lease contract,
7 during the period or estimated period of construction and
8 for twelve months thereafter, or for twelve months after the
9 acquisition date, and upon reserve funds as the port authority
10 deems advisable in connection with a facility and the issuance
11 of port authority revenue bonds, and pledge orders, loan
12 agreements, lease contracts, and certificates of participation
13 in or other participatory interests or evidences of any
14 obligation under a loan agreement or lease contract.

15 *g.* The costs of issuance of port authority revenue bonds,
16 and pledge orders, loan agreements, lease contracts, and
17 certificates of participation in or other participatory
18 interests or evidences of any obligations under a loan
19 agreement or lease contract.

20 Sec. 117. Section 28J.1, subsections 7 and 8, Code 2020, are
21 amended to read as follows:

22 7. "*Facility*" or "*port authority facility*" means any
23 public works project, intermodal freight or transportation
24 facility, project for which tax-exempt financing is authorized
25 by the Internal Revenue Code, and real or personal property
26 or improvements owned, leased, constructed, or otherwise
27 controlled or financed by or for a port authority and that
28 is related to or in furtherance of one or more authorized
29 purposes.

30 8. "*Governmental agency*" means a department, division,
31 or other unit of state government of this state or any other
32 state, ~~city, county,~~ any political subdivision, township, or
33 other governmental subdivision, or any city utility, any other
34 public corporation, special purpose district, authority, or
35 agency created under the laws of this state, any other state,

1 the United States, or any department or agency thereof, or any
2 agency, commission, or authority established pursuant to an
3 interstate compact or agreement or combination thereof.

4 Sec. 118. Section 28J.1, Code 2020, is amended by adding the
5 following new subsection:

6 NEW SUBSECTION. 8A. "*Net revenues*" means revenues less
7 operating expenses.

8 Sec. 119. Section 28J.1, subsections 11, 12, and 14, Code
9 2020, are amended to read as follows:

10 11. "*Political subdivision*" means a ~~city, county,~~
11 ~~city-county consolidation, or multicounty consolidation, or~~
12 ~~combination thereof~~ municipality as defined in section 16.151.

13 12. "*Political subdivisions comprising the port authority*"
14 means the each political ~~subdivisions~~ subdivision which created
15 or participated in the creation of the port authority under
16 section 28J.2, or which joined an existing port authority under
17 section 28J.4.

18 14. "*Port authority revenue bonds*" or "revenue bonds" means
19 revenue bonds and revenue refunding bonds issued pursuant to
20 section 28J.21.

21 Sec. 120. Section 28J.1, Code 2020, is amended by adding the
22 following new subsection:

23 NEW SUBSECTION. 15A. "*Public works project*" means a
24 project of a type that a political subdivision is authorized
25 to undertake as otherwise provided by law, including
26 but not limited to public roads and other transportation
27 infrastructure, utility systems such as water treatment
28 facilities and sewage treatment facilities, or a project as
29 defined in section 384.80.

30 Sec. 121. Section 28J.1, subsection 16, Code 2020, is
31 amended to read as follows:

32 16. "*Revenues*" means ~~rental~~ rents, fees, income, rates,
33 tolls, receipts, and other charges or revenues received by a
34 port authority or derived from the operations of a facility
35 or for the use or services of a facility, a gift or grant

1 received with respect to a facility, moneys received with
2 respect to the lease, sublease, sale, including installment
3 sale or conditional sale, or other disposition of a facility,
4 moneys received in repayment of and for interest on any
5 loans made by the port authority to a person or governmental
6 agency, proceeds of port authority revenue bonds for payment
7 of principal, premium, or interest on the bonds authorized
8 by the port authority, proceeds or borrowings under port
9 authority loan agreements for payment of principal, premium,
10 or interest on the port authority obligations thereunder,
11 proceeds or borrowings under lease contracts for the payment of
12 lease payments thereunder, proceeds under any certificates of
13 participation in or other participatory interests or evidences
14 of any obligations under a loan agreement or lease contract,
15 proceeds from any insurance, condemnation, or guarantee
16 pertaining to the financing of the facility, and income and
17 profit from the investment of the proceeds of port authority
18 revenue bonds, proceeds, or borrowings under loan agreements,
19 lease contracts, or proceeds of certificates of participation
20 in or other participatory interests or evidences of any
21 obligation under any loan agreement or lease contract or of any
22 revenues.

23 Sec. 122. Section 28J.2, subsection 1, Code 2020, is amended
24 to read as follows:

25 1. ~~Two~~ One or more political subdivisions may by resolution
26 create a port authority under this chapter ~~by resolution~~
27 anywhere in this state, regardless of proximity to a body of
28 water. If a proposal to create a port authority receives a
29 favorable majority of the members of the elected legislative
30 body of each of the political subdivisions, the port authority
31 is created at the time provided in the resolution. The
32 jurisdiction of a port authority includes the territory
33 described in section 28J.8.

34 Sec. 123. Section 28J.2, Code 2020, is amended by adding the
35 following new subsection:

1 NEW SUBSECTION. 5. A port authority is an entity separate
2 from the political subdivisions comprising the port authority.
3 The powers granted to the port authority pursuant to this
4 chapter are in addition to other powers, and constitute
5 independent powers that may be exercised by the port authority
6 whether or not the political subdivisions comprising the
7 port authority have or may exercise any of those powers
8 individually.

9 Sec. 124. Section 28J.3, subsection 1, Code 2020, is amended
10 to read as follows:

11 1. The political subdivisions comprising a port authority
12 may appropriate and expend public funds and make contributions
13 to the port authority to finance or subsidize the operation and
14 authorized purposes of the port authority and pay the costs
15 and expenses incurred by the port authority in carrying out
16 any operations or authorized purposes of the port authority.
17 Political subdivisions comprising the port authority may
18 enter into agreements with each other or the port authority
19 providing for the contributions to the port authority to be
20 made by each of the political subdivisions and providing for
21 the obligations of each of the political subdivisions to pay,
22 finance, or subsidize the costs and expenses incurred by the
23 port authority. Political subdivisions comprising the port
24 authority may, by resolution, authorize and appropriate funds
25 for any contribution, payment, or financing required to be
26 made under such agreement by the use of any method available
27 to government agencies for providing funds or financing under
28 section 28J.16. A port authority shall control tax revenues
29 allocated to the facilities the port authority administers and
30 all revenues derived from the operation of the port authority,
31 the sale of its property, interest on investments, or from any
32 other source related to the port authority.

33 Sec. 125. Section 28J.5, subsections 1, 2, and 5, Code 2020,
34 are amended to read as follows:

35 1. A port authority created pursuant to [section 28J.2](#) shall

1 be governed by a board of directors. Members of a board of
2 directors of a port authority created by two or more political
3 subdivisions shall be divided among the political subdivisions
4 comprising the port authority in such proportions as the
5 political subdivisions may agree and shall be appointed by the
6 respective political subdivision's elected legislative body.
7 Members of a board of directors of a port authority created by
8 one political subdivision shall be appointed by the political
9 subdivision's governing body.

10 2. The number of directors comprising the board of a port
11 authority created by two or more political subdivisions shall
12 be determined by agreement between the political subdivisions
13 comprising the port authority, ~~and which.~~ The number of
14 directors comprising the board of directors of a port authority
15 created by one political subdivision shall consist of the
16 number of directors the political subdivision considers
17 necessary. The number may be changed by resolution of each
18 of the political subdivisions comprising the port authority
19 and in accordance with any agreement between the political
20 subdivisions comprising the port authority.

21 5. The board may provide procedures for the removal of a
22 director who fails to attend three consecutive regular meetings
23 of the board. If a director is so removed, a successor shall
24 be appointed for the remaining term of the removed director in
25 the same manner provided for the original appointment. ~~The~~
26 ~~appointing body~~ Any political subdivisions comprising the port
27 authority may at any time remove a director appointed by it for
28 misfeasance, nonfeasance, or malfeasance in office and appoint
29 a successor for the remaining term of the removed director in
30 the same manner as provided for by the original appointment.

31 Sec. 126. Section 28J.8, subsection 1, Code 2020, is amended
32 to read as follows:

33 1. The area of jurisdiction of a port authority shall
34 include all of the territory of the port authority facility and
35 of the political subdivisions comprising the port authority

1 and, if the port authority owns or leases a railroad line or
2 airport, the territory on which the railroad's line, terminals,
3 and related facilities or the airport's runways, terminals,
4 and related facilities are located, regardless of whether the
5 territory is located in the political subdivisions comprising
6 the port authority.

7 Sec. 127. Section 28J.9, subsections 4, 8, and 10, Code
8 2020, are amended to read as follows:

9 4. Acquire, construct, furnish, equip, maintain, repair,
10 sell, exchange, lease, lease with an option to purchase,
11 convey interests in real or personal property, and operate any
12 property of the port authority within or outside the territory
13 of the political subdivisions comprising the port authority in
14 furtherance of any authorized purpose, including in connection
15 with transportation, recreational, governmental operations, or
16 cultural activities in furtherance of an authorized purpose.

17 8. Issue port authority revenue bonds beyond the limit
18 of bonded indebtedness provided by law, payable solely from
19 revenues as provided in section 28J.21, and enter into loan
20 agreements and lease contracts as provided in section 28J.21A,
21 for the purpose of providing funds to pay the costs of any
22 facility or facilities of the port authority or parts thereof.

23 10. Enjoy and possess the same legislative and executive
24 rights, privileges, and powers granted cities under ~~chapter~~
25 chapters 28F, 364, and 384, and counties under chapter 331,
26 including the exercise of police power but excluding the power
27 to levy taxes.

28 Sec. 128. Section 28J.11, subsection 2, Code 2020, is
29 amended to read as follows:

30 2. Impair the powers of a political subdivision to develop
31 or improve a port ~~and terminal~~ authority facility except as
32 restricted by section 28J.15.

33 Sec. 129. Section 28J.13, Code 2020, is amended to read as
34 follows:

35 **28J.13 Annual budget — use of rents and charges.**

1 The board shall annually prepare a budget for the port
2 authority. Revenues received by the port authority shall be
3 used for the general expenses of the port authority and to
4 pay interest, amortization, and retirement charges on, and
5 principal of, money borrowed and to make payments under lease
6 contracts. Except as provided in [section 28J.26](#), if there
7 remains, at the end of any fiscal year, a surplus of such funds
8 after providing for the above uses, the board shall pay such
9 surplus into the general funds of the political subdivisions
10 comprising the port authority as agreed to by the subdivisions.

11 Sec. 130. Section 28J.15, Code 2020, is amended to read as
12 follows:

13 **28J.15 Limitation on certain powers of political**
14 **subdivisions.**

15 A political subdivision creating or participating in the
16 creation of a port authority in accordance with [section 28J.2](#)
17 shall not, during the time the port authority is in existence,
18 exercise the rights and powers provided in [chapters 28A, 28K,](#)
19 [and 384](#) relating to the political subdivision's authority over
20 a port, wharf, dock, harbor, or other facility substantially
21 similar to that political subdivision's authority under a port
22 authority granted under [this chapter](#), except as provided in
23 section 28J.2.

24 Sec. 131. Section 28J.16, subsection 1, paragraphs a and c,
25 Code 2020, are amended to read as follows:

26 *a.* A port authority may charge, alter, and collect ~~rental~~
27 rents, fees, or other charges or revenues for the use or
28 services of any port authority facility and contract for the
29 use or services of a facility, and fix the terms, conditions,
30 ~~rental~~ rents, fees, or other charges for the use or services.

31 *c.* ~~The rental rents, fees, or other charges, and other~~
32 revenues of a port authority shall not be subject to
33 supervision or regulation by any other authority, commission,
34 board, bureau, or governmental agency of the state and the
35 contract may provide for acquisition of all or any part of

1 the port authority facility for such consideration payable
2 over the period of the contract or otherwise as the port
3 authority determines to be appropriate, but subject to the
4 provisions of any resolution authorizing the issuance of port
5 authority revenue bonds, loan agreements, lease contracts,
6 or certificates of participation in or other participatory
7 interests or evidences of any obligations under a loan
8 agreement or lease contract, or of any trust agreement securing
9 the bonds, loan agreements, lease contracts, or certificates of
10 participation in or other participatory interests or evidences
11 of any obligation under a loan agreement or lease contract.

12 Sec. 132. Section 28J.16, subsection 2, paragraph a, Code
13 2020, is amended to read as follows:

14 a. A governmental agency may cooperate with the port
15 authority in the acquisition, operation, or construction of a
16 port authority facility and shall enter into such agreements
17 with the port authority as may be appropriate, which shall
18 provide for contributions by the parties in a proportion as may
19 be agreed upon and other terms as may be mutually satisfactory
20 to the parties including the authorization of the construction
21 of the facility by one of the parties acting as agent for all
22 of the parties and the ownership, operation, and control of
23 the facility by the port authority to the extent necessary or
24 appropriate.

25 Sec. 133. Section 28J.17, subsection 1, paragraph a, Code
26 2020, is amended to read as follows:

27 a. A port authority may enter into a contract or other
28 arrangement with a person, railroad, utility company,
29 corporation, governmental agency including sewerage, drainage,
30 conservation, conservancy, or other improvement districts in
31 this or other states, or the governments or agencies of foreign
32 countries as may be necessary or convenient for the exercise
33 of the powers granted by [this chapter](#). The port authority
34 may purchase, lease, or acquire land or other property in
35 any county of this state and in adjoining states for the

1 accomplishment of authorized purposes of the port authority, or
2 for the improvement of ~~the harbor and~~ port authority facilities
3 over which the port authority may have jurisdiction including
4 development of port authority facilities in adjoining states.
5 The authority granted in **this section** to enter into contracts
6 or other arrangements with the federal government includes the
7 power to enter into any contracts, arrangements, or agreements
8 that may be necessary to hold and save harmless the United
9 States from damages due to the construction and maintenance by
10 the United States of work the United States undertakes.

11 Sec. 134. Section 28J.19, Code 2020, is amended to read as
12 follows:

13 **28J.19 Property tax exemption.**

14 A port authority shall be exempt from and shall not be
15 required to pay taxes on real property that is purchased by a
16 port authority or real property belonging to a port authority
17 that is used exclusively for an authorized purpose, as provided
18 in **section 427.1, subsection 34**.

19 Sec. 135. **NEW SECTION. 28J.21A Loan agreements — lease**
20 **contracts — trust agreements.**

21 1. *Definitions.* As used in this section, unless the context
22 otherwise requires:

23 a. "*Lease contract*" includes any certificates of
24 participation or other participatory interests in the lease
25 contract or obligations arising out of the lease contract.

26 b. "*Loan agreement*" includes any notes, certificates, or any
27 other participatory interests issued to evidence the parties'
28 obligations arising out of the loan agreement.

29 2. *Loan agreements.* A port authority may enter into loan
30 agreements to borrow money to pay the costs of any facility, or
31 parts thereof, or to refund other obligations which are payable
32 from the net revenues of the port authority at lower, the same,
33 or higher rates of interest in accordance with the all of the
34 following terms and procedures:

35 a. A loan agreement entered into by a port authority may

1 contain provisions similar to those in loan agreements between
2 private parties, including but not limited to any of the
3 following:

4 (1) The loan agreement may provide for the issuance
5 of notes, certificates of participation, or any other
6 participatory interests to evidence the parties' obligations.

7 (2) The loan agreement may provide for maturity in one or
8 more installments.

9 (3) The loan agreement may be in registered form and carry
10 registration and conversion privileges.

11 (4) The loan agreement may be payable as to principal and
12 interest at times and places as specified.

13 (5) The loan agreement may be subject to terms of redemption
14 prior to maturity with or without a premium.

15 (6) The loan agreement may be in one or more denominations.

16 *b.* A provision of a loan agreement which stipulates that
17 a portion of the payments be applied as interest is subject
18 to chapter 74A and such interest may be at a variable rate or
19 rates changing from time to time in accordance with a base or
20 formula. Other laws relating to interest rates do not apply
21 and the provisions of chapter 75 are not applicable.

22 *c.* The board may authorize a loan agreement to be
23 payable solely from the net revenues of a port authority by
24 substantially following the authorization procedures of section
25 28J.21 for the issuance of revenue bonds. The resolution
26 authorizing the loan agreement may also prescribe additional
27 provisions, terms, conditions, and covenants that the port
28 authority deems advisable, consistent with this chapter,
29 including provisions for creating and maintaining reserve
30 funds and for the authorization of additional loan agreements
31 ranking on a parity with such loan agreements and additional
32 loan agreements junior and subordinate to such loan agreement,
33 and that such loan agreement shall rank on a parity with or
34 be junior and subordinate to any loan agreement which may be
35 then outstanding. A port authority loan agreement shall be

1 a contract between the port authority and the lender and the
2 resolution shall be made part of the contract.

3 *d.* A loan agreement to which a port authority is a party
4 is an obligation of the political subdivisions comprising the
5 port authority for the purposes of chapters 502 and 636, and
6 is a lawful investment for any bank, trust company, savings
7 association, deposit guaranty association, investment company,
8 insurance company, insurance association, executor, guardian or
9 trustee, and any fiduciary responsible for the investment of
10 funds or having charge of the loan retirement funds or sinking
11 funds of any port authority, governmental agency, or taxing
12 district of this state, any pension and annuity retirement
13 system, the Iowa public employees' retirement system, the
14 police officers and fire fighters retirement systems under
15 chapters 410 and 411, or a revolving fund of a governmental
16 agency of this state, and are acceptable as security for the
17 deposit of public funds under chapter 12C.

18 3. *Lease contracts.* A port authority may enter into lease
19 contracts for real or personal property comprising a port
20 authority facility, or parts thereof, in accordance with all of
21 the following terms and procedures:

22 *a.* A port authority shall lease property only for a term
23 which does not exceed the economic life of the property, as
24 determined by the board.

25 *b.* A lease contract entered into by a port authority may
26 contain provisions similar to those found in lease contracts
27 between private parties, including but not limited to any of
28 the following:

29 (1) The lease contract may provide for the issuance of
30 certificates of participation or other participatory interests
31 in the lease contracts or any obligations thereunder.

32 (2) The lease contract may provide for the lessee to pay any
33 of the costs of operation or ownership of the leased property
34 and for the right to purchase the leased property.

35 *c.* A provision of a lease contract which stipulates that a

1 portion of the rent or lease payments be applied as interest
2 is subject to the provisions of chapter 74A and such interest
3 may be at a variable rate or rates changing from time to time
4 in accordance with a base or formula. Other laws relating to
5 interest rates shall not apply and the provisions of chapter
6 75 are not applicable.

7 *d.* The board may authorize a lease contract payable solely
8 from the net revenues of a port authority by substantially
9 following the authorization procedures set forth in section
10 28J.21 for the issuance of port authority revenue bonds. The
11 resolution authorizing the lease contract may also prescribe
12 additional provisions, terms, conditions, and covenants which
13 the port authority deems advisable, consistent with this
14 chapter, including provisions for creating and maintaining
15 reserve funds and the authorization of additional lease
16 contracts ranking on a parity with such lease contracts and
17 additional lease contracts junior and subordinate to such lease
18 contracts, and that such lease contracts shall rank on a parity
19 with or be junior and subordinate to any lease contract which
20 may be then outstanding. A port authority lease contract shall
21 be a contract between the port authority and the lessor and the
22 resolution shall be part of the contract.

23 *e.* A lease contract to which a port authority is a party
24 is an obligation of the political subdivisions comprising the
25 port authority for the purposes of chapters 502 and 636, and
26 is a lawful investment for any bank, trust company, savings
27 association, deposit guaranty association, investment company,
28 insurance company, insurance association, executor, guardian or
29 trustee, and any fiduciary responsible for the investment of
30 funds or having charge of the lease retirement funds or sinking
31 funds of any port authority, governmental agency or taxing
32 district of this state, any pension and annuity retirement
33 system, the Iowa public employees' retirement system, the
34 police officers and fire fighters retirement systems under
35 chapters 410 and 411, or a revolving fund of a governmental

1 agency of this state, and are acceptable as security for the
2 deposit of public funds under chapter 12C.

3 *f.* A contract for construction by a private party of
4 property to be leased by a port authority is not a contract for
5 a public improvement and shall not be subject to the provisions
6 of chapter 26 and section 28J.3, subsection 3. This paragraph
7 applies to all contracts that are subject to this subsection,
8 notwithstanding section 28J.9, subsection 18, or any other
9 provision of law that might otherwise apply, including a
10 requirement of notice, competitive bidding or selection, or
11 for the provision of security. However, if a contract is
12 funded in advance by means of the lessor depositing moneys to
13 be administered by a port authority with the port authority's
14 obligation to make rent or lease payments commencing with
15 its receipt of moneys, a contract for construction of the
16 property in question awarded by the port authority is a public
17 improvement and is subject to the provisions of chapter 26.

18 *4. Trust agreements.*

19 *a.* In the discretion of the port authority, a loan agreement
20 or a lease contract authorized under this section and the port
21 authority's obligations thereunder may be secured by a trust
22 agreement between the port authority and a corporate trustee
23 that may be any trust company or bank having the powers of a
24 trust company within this or any other state. Subject to the
25 other provisions of this paragraph, the corporate trustee may
26 also be the lender under a loan agreement or the lessor under a
27 lease contract authorized under this section.

28 *b.* The trust agreement may provide for the issuance of
29 notes to evidence the port authority's obligations under a loan
30 agreement to which the port authority is a party. The trust
31 agreement may also provide for the issuance of certificates
32 of participation or other participatory interests in a lease
33 contract to which a port authority is a party. The trust
34 agreement, or any resolution authorizing the loan agreement or
35 the lease contract, may pledge or assign revenues of the port

1 authority to be received as payment of obligations under the
2 loan agreement or the lease contract and may contain provisions
3 for protecting and enforcing the rights and remedies of the
4 lender, the lessor, or the holders of notes evidencing the
5 port authority's obligations under the loan agreement. These
6 provisions may include covenants setting forth the duties of
7 the port authority in relation to the acquisition of property,
8 the construction, improvement, maintenance, repair, operation,
9 and insurance of the port authority facility in connection
10 with which the loan agreement or the lease contract is
11 authorized, the rentals or other charges to be imposed for the
12 use or services of any port authority facility, the custody,
13 safeguarding, and application of all moneys, and provisions for
14 the employment of consulting engineers in connection with the
15 construction or operation of any port authority facility.

16 *c.* A bank or trust company incorporated under the laws
17 of this state that acts as the depository of the proceeds or
18 borrowings provided under the loan agreement or lease contract
19 or of revenues, shall furnish any indemnifying bonds and may
20 pledge any securities that are required by the port authority.
21 The trust agreement may set forth the rights and remedies of
22 the lender, the lessor, or the holders of notes evidencing the
23 port authority's obligations under the loan agreement and may
24 restrict the individual right of action by the lender, the
25 lessor, or the holders of notes evidencing the port authority's
26 obligations under the loan agreement as is customary in trust
27 agreements or trust indentures securing similar loan agreements
28 or lease contracts. The trust agreement may contain any other
29 provisions that the port authority determines reasonable and
30 proper for the security of the lender, the lessor, or the
31 holders of notes evidencing the port authority's obligations
32 under the loan agreement. All expenses incurred in carrying
33 out the provisions of the trust agreement may be treated as
34 a part of the cost of the operation of the port authority
35 facility.

1 5. *Exclusions.* Port authority loan agreements and lease
2 contracts authorized under this chapter shall not constitute
3 a debt, indebtedness, or a pledge of the faith and credit of
4 the port authority or the state or any political subdivision
5 of the state, within the meaning of any state constitutional
6 provision or statutory limitation, nor constitute or give rise
7 to a pecuniary liability of the port authority, any political
8 subdivisions comprising the port authority, the state, or
9 any political subdivision of the state, or a charge against
10 the general credit or taxing power of the port authority.
11 Any political subdivisions comprising the port authority,
12 the state, or any political subdivision of the state, and
13 the holders or owners of the obligations owed under a loan
14 agreement or lease contract shall not have taxes levied by the
15 state or by a taxing authority of a governmental agency of the
16 state for the payment of the principal of or interest owed on
17 such obligations. However, a loan agreement or lease contract
18 and the obligation owed thereunder are payable solely from the
19 revenues and funds pledged for their payment as authorized
20 by this chapter. All loan agreements and lease contracts
21 authorized under this chapter and the evidence of obligations
22 owed under such loan agreements or lease contracts such shall
23 contain a statement to the effect that the loan agreement or
24 lease contract authorized under this chapter and the evidence
25 of obligations owed under the loan agreement or lease contract,
26 as to both principal and interest, are not debts of the port
27 authority or the state or any political subdivision of the
28 state, but are payable solely from revenues and funds pledged
29 for their payment.

30 6. *Judicial proceedings.*

31 a. The sole remedy for a breach or default of a term of
32 any port authority loan agreement or lease contract authorized
33 under this chapter is a proceeding in law or in equity by
34 suit, action, or mandamus to enforce and compel performance of
35 the duties required by this chapter and of the terms of the

1 resolution authorizing the loan agreement or lease contract,
2 or to obtain the appointment of a receiver to take possession
3 of and operate the port authority and to perform the duties
4 required by this chapter and the terms of the resolution
5 authorizing the loan agreement or lease contract.

6 *b.* An action shall not be brought after fifteen days from
7 the time the loan agreement or lease contract is authorized by
8 the port authority with regards to any of the following:

9 (1) The legality of the port authority loan agreement or
10 lease contract.

11 (2) The power of a port authority to authorize the port
12 authority loan agreement or lease contract.

13 (3) The effectiveness of any proceedings relating to the
14 authorization of the port authority loan agreement or lease
15 contract.

16 Sec. 136. Section 28J.25, Code 2020, is amended to read as
17 follows:

18 **28J.25 Funds and property held in trust — use and deposit of**
19 **funds.**

20 All revenues, funds, properties, and assets acquired by the
21 port authority under [this chapter](#), whether as proceeds from the
22 sale of port authority revenue bonds, pledge orders, borrowings
23 under a loan agreement, entering into a lease contract,
24 proceeds from the issuance of certificates of participation
25 or any other participatory interests in such loan agreement
26 or lease contract or as revenues, shall be held in trust for
27 the purposes of carrying out the port authority's powers and
28 duties, shall be used and reused as provided in [this chapter](#),
29 and shall at no time be part of other public funds. Such funds,
30 except as otherwise provided in a resolution authorizing port
31 authority revenue bonds or pledge orders, the loan agreement or
32 lease contract, or in a trust agreement securing the same, or
33 except when invested pursuant to [section 28J.26](#), shall be kept
34 in depositories selected by the port authority in the manner
35 provided in [chapter 12C](#), and the deposits shall be secured

1 as provided in that chapter. The resolution authorizing the
2 issuance of revenue bonds or pledge orders, the loan agreement
3 or lease contract, or the trust agreement securing such bonds
4 or pledge orders, shall provide that any officer to whom, or
5 any bank or trust company to which, such moneys are paid shall
6 act as trustee of such moneys and hold and apply them for the
7 purposes hereof, subject to such conditions as **this chapter** and
8 such resolution or trust agreement provide.

9 Sec. 137. Section 28J.26, subsection 1, Code 2020, is
10 amended to read as follows:

11 1. If a port authority has surplus funds after making all
12 deposits into all funds required by the terms, covenants,
13 conditions, and provisions of outstanding revenue bonds, pledge
14 orders, loan agreements, or lease contracts and refunding bonds
15 which are payable from the revenues of the port authority
16 and after complying with all of the requirements, terms,
17 covenants, conditions, and provisions of the proceedings and
18 resolutions pursuant to which revenue bonds, pledge orders,
19 and refunding bonds are issued or the loan agreement or lease
20 contract is authorized, the board may transfer the surplus
21 funds to any other fund of the port authority in accordance
22 with **this chapter** and **chapter 12C**, provided that a transfer
23 shall not be made if it conflicts with any of the requirements,
24 terms, covenants, conditions, or provisions of a resolution
25 authorizing the issuance of revenue bonds, pledge orders,
26 or other obligations ~~which are~~ or loan agreements or lease
27 contracts payable from the revenues of the port authority which
28 are then outstanding.

29 Sec. 138. Section 427.1, subsection 34, Code 2020, is
30 amended to read as follows:

31 34. *Port authority property.* The property of a port
32 authority created pursuant to **section 28J.2**, when devoted to
33 public use and not held for pecuniary profit, or property
34 purchased by a port authority.

35

EXPLANATION

1 The inclusion of this explanation does not constitute agreement with
2 the explanation's substance by the members of the general assembly.

3 This bill relates to state taxation and related laws of
4 the state, including the administration by the department
5 of revenue (department) of certain tax credits and refunds,
6 income taxes, moneys and credits taxes, sales and use taxes,
7 by modifying provisions relating to reinstatement of business
8 entities and to the assessment and valuation of property, the
9 Iowa reinvestment Act, horse racing, and port authorities. The
10 bill is organized into divisions.

11 DEPARTMENT OF REVENUE ADMINISTRATION AND PENALTY PROVISIONS.
12 The amendment to Code section 421.6 enhances the readability of
13 the Code section by including in the definition of "return" the
14 moneys and credits tax turn administered by the department of
15 revenue under Code section 533.329.

16 The bill enacts new Code section 421.17(36) which permits
17 the director of revenue to enter into Code chapter 28E
18 agreements with the state fair or a county or district fair
19 to collect and remit sales taxes and fees from sellers making
20 retail sales on the grounds owned by the fair or through events
21 conducted by the fair.

22 The amendment to Code section 421.27(1) provides that in
23 the case of a specified business with no tax shown due or
24 required to be shown due that fails to timely file their
25 income tax return or information return shall pay the greater
26 of the following penalty amounts: \$200; or an amount equal
27 to 10 percent of the imputed Iowa liability of the specified
28 business, not to exceed \$25,000.

29 The amendment to Code section 421.27(1) provides that the
30 penalty for individuals or specified businesses that fail to
31 timely file a return may be waived under certain circumstances.
32 The provision applies to tax years beginning on or after
33 January 1, 2022.

34 The amendment to Code section 421.27(4) provides that the
35 penalty for a specified business that willfully fails to file a

1 return with no tax shown due or required to be shown due with
2 the intent to evade such a filing requirement or reporting
3 Iowa-source income, the penalty imposed shall be the greater
4 of \$1,500 or an amount equal to 75 percent of the imputed Iowa
5 liability of the specified business. The provision applies to
6 tax years beginning on or after January 1, 2022.

7 The amendment to Code section 421.27(4) expands penalty
8 provisions by providing that a person who willfully fails to
9 file a return or deposit form with intent to evade a filing
10 requirement shall be subject to a penalty of 75 percent of the
11 tax added to the amount of tax shown due or required to be shown
12 due, in lieu of other penalties. The provision applies to tax
13 years beginning on or after January 1, 2022.

14 The amendment to Code section 421.27(6) makes numerous
15 changes to the criminal offense of fraudulent practice
16 by expanding the criminal offense to include a person who
17 willfully makes a false application for an exemption or benefit
18 with the intent to receive the exemption or benefit to which
19 the person is not entitled.

20 The amendment to Code section 421.27(6) also expands the
21 fraudulent practice criminal offense to include when a person
22 willfully submits any false information, document, or document
23 containing false information in support of an application
24 for a refund, credit, exemption, reimbursement, rebate, or
25 other payment or benefit with the intent to evade taxes;
26 and to include when a person willfully submits any false
27 information, document, or document containing false information
28 in support of an application for a refund, credit, exemption,
29 reimbursement, rebate, or other payment or benefit to which the
30 person is not entitled.

31 A person who commits fraudulent practice under Code section
32 421.76(6), in addition to the criminal penalties, is liable for
33 a penalty equal to 75 percent of the refund, credit, exemption,
34 reimbursement, rebate, or other payment or benefit being
35 fraudulently claimed.

1 The bill enacts new Code section 421.27(8) which defines
2 "imputed Iowa liability" and "specified business". The
3 provision applies to tax years beginning on or after January
4 1, 2022.

5 The bill enacts new Code section 421.27(9) by adding an
6 additional penalty under Code section 421.27 in the amount
7 of \$1,000 if a taxpayer fails to file a tax return within 90
8 days of written notice by the department that the taxpayer is
9 required to file such a return. The provision applies to a
10 return a taxpayer is required to file on or after January 1,
11 2022.

12 The bill enacts new Code section 421.27A by creating a
13 criminal offense for perjury. Currently, a different perjury
14 criminal offense exists in Code section 720.2. A person
15 commits perjury under the following circumstances in the bill:
16 the person makes a document containing false information in
17 support of an application for refund, credit, exemption,
18 reimbursement, rebate, or other payment or benefit with intent
19 to evade tax; the person makes a document containing false
20 information with intent to unlawfully receive a refund, credit,
21 exemption, reimbursement, rebate, or other payment or benefit,
22 to which the person is not entitled; the person knowingly makes
23 any false affidavit; the person knowingly swears or affirms
24 falsely to any matter or thing required by the terms of title X
25 of the Code (financial resources) to be sworn to or affirmed.
26 A person who commits the criminal offense of perjury under new
27 Code section 421.27A commits a class "D" felony. A class "D"
28 felony is punishable by confinement for no more than five years
29 and a fine of at least \$750 but not more than \$7,500.

30 The bill enacts new Code section 421.59 relating to a
31 power of attorney or other authority to act on behalf of the
32 taxpayer. The bill formalizes a process for the following
33 persons to act and receive information on behalf of and
34 exercise all of the rights of a taxpayer, regardless of whether
35 a power of attorney has been filed with the department: a

1 guardian, conservator, or custodian appointed by the court; a
2 receiver appointed pursuant to Code chapter 680; an individual
3 who has been named as an authorized representative on a
4 fiduciary return filed under Code section 422.14 (fiduciary
5 return) or Code chapter 450 (inheritance tax); an individual
6 holding a title or position within a corporation, association,
7 partnership, or other business entity; a licensed attorney
8 who has appeared on behalf of the taxpayer or the taxpayer's
9 estate; and a parent or legal guardian of the taxpayer who has
10 not reached the age of majority.

11 New Code section 421.59 also authorizes the department to
12 enter into a memorandum of understanding with the taxpayer
13 for each employee, officer, or member of a third-party entity
14 engaged with or otherwise hired by a taxpayer to manage
15 the taxpayer's tax matters, in lieu of requiring a power of
16 attorney for each person.

17 The bill enacts new Code section 421.60(11) which allows a
18 taxpayer to elect to receive correspondence electronically from
19 the department rather than by regular mail.

20 The amendments to Code section 421.62 provide that the
21 regulations relating to tax return preparers apply to an
22 income tax return or claim or refund under Code chapter 422
23 (individual, corporate, and franchise taxes), but do not apply
24 to withholding returns under Code section 422.16.

25 The amendment to Code section 421.64 enhances the
26 readability of the Code section.

27 The amendment to Code section 422.20(1) adds an intent
28 element "willfully or recklessly" to the criminal offense
29 related to the unlawful disclosure of tax return information
30 by state personnel or former state personnel. A person who
31 commits a violation under Code section 422.20(1) commits a
32 serious misdemeanor. A serious misdemeanor is punishable by
33 confinement for no more than one year and a fine of at least
34 \$315 but not more than \$1,875.

35 The amendment to Code section 422.20(3) provides that tax

1 return information may be disclosed to authorized individuals
2 pursuant to new Code section 421.59 created in the bill.

3 The bill enacts new Code section 422.20(3A) permitting the
4 director of revenue to disclose the tax return information of
5 a partnership, limited liability company, or S corporation to
6 a person who was a partner, shareholder, or member of such an
7 entity during any part of the period covered by the tax return.

8 The bill enacts new Code section 422.20(3B) specifying the
9 information the department is required to redact prior to
10 the disclosure of the record in an appeal or contested case.
11 The bill specifies the department may also redact other tax
12 information from the record in an appeal or contested case, if
13 the taxpayer proves by clear and convincing evidence that the
14 release of the tax information would disclose a trade secret
15 or be an unwarranted invasion of personal privacy. The bill
16 permits the department to disclose information that is required
17 to be redacted if the department determines such information is
18 necessary to the resolution or decision of the case.

19 The bill enacts new Code section 422.25(1)(c) (income tax)
20 that provides the period of examination and determination is
21 unlimited under title X (financial resources) in any action
22 by the department to recover or rescind a tax expenditure
23 as defined in Code section 2.48, or any other incentive or
24 assistance administered by the economic development authority.
25 The amendment takes effect upon enactment. The bill also
26 provides that it is the intent of the general assembly that the
27 amendment to Code section 422.25(1) is a conforming amendment
28 consistent with current law, and that the amendment does not
29 change the application of current law. This provision takes
30 effect upon enactment.

31 The amendment to Code section 422.69 requires that all
32 fees, taxes, interest, and penalties under Code chapter 422
33 (individual income, corporate, and franchise taxes) shall
34 be paid to the department of revenue rather than the state
35 treasurer.

1 The amendment to Code section 422.72(1)(a) adds the intent
2 element of "willfully or recklessly" to the criminal offense
3 related to the unlawful disclosure by state personnel or
4 former state personnel of the business affairs, operations,
5 or information obtained through a tax-related investigation.
6 A person who unlawfully discloses such information commits a
7 serious misdemeanor under Code section 422.72(4). A serious
8 misdemeanor is punishable by confinement for no more than one
9 year and a fine of at least \$315 but not more than \$1,875.

10 The bill enacts new Code section 422.72(7A), a similar
11 provision to new Code section 422.20(3B) in the bill. New Code
12 section 422.72(7A) specifies the information the department
13 is required to redact prior to the disclosure to the general
14 public of the record in an appeal or contested case. The
15 bill specifies that the department may also redact other tax
16 information from the record in an appeal or contested case, if
17 the taxpayer proves by clear and convincing evidence that the
18 release of the tax information would disclose a trade secret
19 or be an unwarranted invasion of personal privacy. The bill
20 permits the department to disclose information that is required
21 to be redacted if the department determines such information is
22 necessary to the resolution or decision of the case.

23 The bill enacts new Code section 423.37(4) (sales and use
24 tax) that provides the period of examination and determination
25 is unlimited under title X (financial resources) in any action
26 by the department to recover or rescind a tax expenditure
27 as defined in Code section 2.48 or any other incentive or
28 assistance administered by the economic development authority.
29 The amendment takes effect upon enactment. The bill also
30 provides that it is the intent of the general assembly that the
31 amendment to Code section 423.37(4) is a conforming amendment
32 consistent with current law, and that the amendment does not
33 change the application of current law. This provision takes
34 effect upon enactment.

35 The amendment to Code section 428A.1 (real estate

1 transfer tax) provides that a county recorder shall record
2 the declaration of value but is prohibited from charging a
3 recording fee for the filing.

4 The amendment to Code section 441.48 enhances the
5 readability of the Code section by specifying the board of
6 supervisors or city council, as applicable, shall provide
7 the department with notice of intent to protest prior to the
8 expiration of the 10 days' notice to adjust the valuation of
9 any class of property issued by the department.

10 The amendments to Code sections 489.706, 490.1422, 501.813,
11 and 504.1423, remove the role of the department in the
12 application for reinstatement by a limited liability company,
13 corporation, cooperative, or nonprofit corporation after the
14 dissolution of such an entity.

15 The bill enacts new Code section 533.329(03) by specifying
16 that a money and credit tax return prepared by a credit union
17 shall be on a form prepared by the department of revenue, and
18 shall be filed with the department on or before the last day of
19 April.

20 The bill amends Code section 533.329(3) relating to
21 enforcement of the moneys and credits tax paid by credit
22 unions.

23 SALES AND USE TAX. The amendments to Code sections 321G.4
24 (snowmobiles) and 321I.4 (all-terrain vehicles) require the
25 county recorder to collect sales or use tax if an owner of such
26 a vehicle is unable to present satisfactory evidence that the
27 sales or use tax has been paid.

28 The amendment to Code section 423.2(6)(bs) specifies that
29 any services arising from or related to software sold as
30 tangible personal property are subject to the sales tax.

31 The amendment to Code section 423.2(8)(d)(1) specifies that
32 the following is not subject to the sales tax: the retail
33 sale of a specified digital product and a service where the
34 specified digital product is essential and exclusive to the use
35 of the service, and the true object of the transaction is the

1 service.

2 The amendment to Code section 423.3(3A) provides that the
3 sales price from the sale of a commercial recreation service
4 offering the opportunity to hunt a preserve whitetail is
5 exempt from the sales tax if the sale occurred between July
6 1, 2005, and December 31, 2015. This provision takes effect
7 upon enactment and applies retroactively to July 1, 2005. The
8 bill prohibits any refunds resulting from the amendment to Code
9 section 423.3(3A).

10 The amendment to Code section 423.3(31) specifies that
11 the sales price of tangible personal property or specified
12 digital products sold to, or of services furnished to a
13 tribal government as defined in Code section 216A.161, or the
14 instrumentalities of such tribal government are exempt from the
15 sales tax under most circumstances.

16 The bill enacts new Code section 423.3(60A) exempting from
17 the sales tax the sales price from sales of diapers eligible
18 for medical assistance as defined in Code section 249A.2.

19 The amendments to Code section 423.3(80)(b) and (c) specify
20 that services performed pursuant to a written construction
21 contract with a designated exempt entity as defined in Code
22 section 423.3(80)(a)(1) are exempt from the sales tax.
23 Currently, the construction contract is not required to be a
24 written contract and only building materials, supplies, and
25 equipment used in such a contract are exempt from the sales
26 tax. The bill also provides that the building materials,
27 supplies, equipment, and services are exempt from the sales
28 tax only if the property that is subject to the construction
29 project becomes public property or the property of a designated
30 exempt entity, in addition to the requirement that the
31 exempt items be completely consumed in the performance of the
32 construction contract.

33 The amendment to Code section 423.4(1), relating to refunds
34 of sales or use taxes to tax-exempt entities, enhances the
35 readability of the Code section by defining a "designated

1 exempt entity" and thus removing repeated references to each
2 exempt entity in the Code section. The bill also adds a tribal
3 government to the definition of a designated exempt entity.
4 The bill strikes the terms "goods, wares, and merchandise" and
5 uses the terms "building materials, supplies, and equipment"
6 for purposes of claiming the exemption, when a designated
7 exempt entity makes an application to the department for the
8 refund of the sales or use tax upon the sales price of all
9 sales or services related to the performance of a written
10 construction contract. Additionally, if the sales price of
11 all building materials, supplies, equipment, or services
12 related to the performance of a written construction contract
13 are to be exempt from the sales or use tax under the bill,
14 all of the following must apply: the building materials,
15 supplies, equipment, or services are completely consumed in the
16 performance of a construction project; the property that is the
17 subject of the construction project becomes public property or
18 the property of an exempt entity; and the building materials,
19 supplies, equipment, or services furnished are not used in
20 the performance of a construction contract with a designated
21 exempt entity in connection with the construction of certain
22 facilities.

23 The amendments to Code section 423.4(2)(a) and (b) relate
24 to construction contracts for transportation projects by
25 specifying the contractor shall pay sales or use tax for the
26 services related to such contracts, and by making terminology
27 more consistent in the subsection.

28 The amendments to Code sections 423.4(2) and 423.4(6) make
29 the terminology more consistent with other changes in the bill.

30 The amendment to Code section 423.5(1)(b) strikes the
31 imposition of a 6 percent excise tax on the use of manufactured
32 housing, or the purchase price if such housing is sold in the
33 form of tangible personal property, or the installed purchase
34 price if such housing is sold in the form of realty.

35 The amendment to Code section 423.29(1) provides that a

1 retailer maintaining a place of business in this state and
2 making taxable sales shall, at the time of making such sales,
3 collect the sales tax. The bill also provides that it is
4 the intent of the general assembly that the amendment to
5 Code section 423.29(1) is a conforming amendment consistent
6 with current law, and that the amendment does not change the
7 application of current law.

8 The amendment to Code section 423.33(1) enhances the
9 readability of the Code section by specifying that if a
10 purchaser fails to pay sales tax to a retailer required to
11 collect the sales tax, then the purchaser shall pay a use
12 tax directly to the department. The bill specifies that the
13 retailer and purchaser are jointly liable for the failure
14 to pay either the sales or use tax in most circumstances.
15 Additionally, the bill provides that it is the intent of the
16 general assembly that the addition of "joint liability" is a
17 conforming amendment consistent with current law, and that
18 the amendment does not change the application of current law.
19 The bill provides that if the purchaser pays the use tax,
20 the retailer remains liable for any local option sales and
21 services tax under Code chapter 423B that the retailer failed
22 to collect.

23 INCOME TAX. The bill strikes and replaces Code section
24 422.9(3)(c). The bill provides that a taxpayer may elect
25 to waive the entire carryback period with respect to an
26 Iowa net operating loss for any taxable year, in the manner
27 prescribed by the department, and by the due date for filing
28 the taxpayer's return, including extensions of time. After the
29 election is made for any taxable year, the election shall be
30 irrevocable for such taxable year. If an election has been
31 properly made, the bill provides that the Iowa net operating
32 loss shall be carried forward 20 taxable years.

33 The amendment to Code section 422.9(3)(d) modifies the
34 election for an Iowa farming loss, which may be carried back
35 for five taxable years prior to the taxable year of the loss.

1 The bill specifies that a farming business that has an Iowa
2 farming loss may make an election to carry back the loss for
3 five taxable years, in the manner prescribed by the department,
4 and shall be made by the due date for filing the taxpayer's
5 return, including extensions of time. After the election is
6 made for any taxable year, the bill provides the election shall
7 be irrevocable for such taxable year.

8 The division applies to tax years beginning on or after
9 January 1, 2020.

10 SCHOOL TUITION TAX CREDIT — FUNDING. Beginning January
11 1, 2022, the bill allows the total approved school tuition
12 tax credits, currently set at \$15 million for calendar year
13 2020, to increase each calendar year, if the amount of claimed
14 tax credits from the preceding calendar year are equal to or
15 greater than 90 percent of the total approved school tuition
16 tax credits for the calendar year, until reaching a maximum of
17 amount of \$20 million per calendar year.

18 RESEARCH ACTIVITIES TAX CREDIT. The amendments to Code
19 sections 15.335, 422.10, and 422.33 update references to the
20 Internal Revenue Code relating to the alternative simplified
21 credit for increasing research activities.

22 The division takes effect upon enactment and applies
23 retroactively to January 1, 2019, for tax years beginning on
24 or after that date.

25 PARTNERSHIP AND PASS-THROUGH ENTITY AUDITS AND REPORTING
26 OF FEDERAL ADJUSTMENTS. The amendment to Code section
27 421.27(2)(c) specifies that a taxpayer is required to pay
28 a penalty of 5 percent of the tax due, unless the taxpayer
29 provides written notification to the department of a federal
30 audit while it is in progress and voluntarily files an amended
31 return which includes the final disposition of the audit
32 and final federal adjustments to taxes paid within 180 days
33 of the final determination date. The bill defines "final
34 determination date" to generally mean the first day on which no
35 federal adjustments to taxes arising from the audit or other

1 action remain to be finally determined. In cases of a final
2 federal partnership adjustment arising from a partnership
3 level audit, the taxpayer voluntarily and timely complies with
4 reporting and payment requirements under new Code section
5 422.25A(4) and (5) created in the bill.

6 The bill enacts new Code section 422.7(59) providing that
7 any income subtracted from federal taxable income shall be
8 added back in computing net income for state individual income
9 tax purposes when federal adjustments are made to taxes in the
10 adjustment year. The bill defines "adjustment year" to mean
11 the year in which the final determination of the adjustment
12 occurs.

13 The amendment to Code section 422.25 adds definitions to the
14 Code section for "federal adjustment", "federal adjustments
15 report", "final determination date", and "final federal
16 adjustment".

17 The bill enacts new Code section 422.25A which creates a
18 process for audited partnerships and their direct and indirect
19 partners to report final federal partnership adjustments to
20 the department. The bill provides that the state partnership
21 representative for the reviewed year shall have sole authority
22 to act on behalf of the partnership. The bill creates
23 reporting and payment requirements for audited partnerships
24 and their partners subject to final federal adjustments.
25 The bill permits an audited partnership or a tiered partner
26 (partner that is a partnership or pass-through entity) to make
27 irrevocable elections about the payment of any adjustments,
28 and specifies the consequences of making certain elections.
29 The bill permits an audited partnership or tiered partner to
30 enter into an agreement with the department to use alternative
31 reporting and payment methods. The bill permits the department
32 to assess additional Iowa income tax, interest, and penalties
33 arising from a federal partnership adjustments in the same
34 manner as provided in other tax-related provisions.

35 The bill enacts new Code section 422.25B that requires

1 the state partnership representative acting on behalf of the
2 partnership for the reviewed year to be the partnership's
3 federal partnership representative with respect to an action
4 required or permitted to be taken by a state partnership
5 representative, unless the partnership designates in writing in
6 the manner prescribed by the department another person to act
7 as the state partnership representative.

8 The bill enacts new Code section 422.25C relating to
9 partnership or pass-through entity audits and examinations.
10 The bill provides that for tax years beginning on or after
11 January 1, 2020, any adjustments to a partnership's or
12 pass-through entity's taxes or an adjustment allocated to a
13 partner's taxes as a result of a department audit shall be
14 determined at the partnership or pass-through entity level in
15 the same manner as provided by federal law. The bill specifies
16 that the state partnership representative shall have the sole
17 authority to act on behalf of the partnership or pass-through
18 entity with respect to any actions taken due to the audit,
19 including appealing decisions to the director of revenue or
20 seeking judicial review of the director's decision. The
21 provisions of new Code section 422.25C may be applied to tax
22 years beginning before January 1, 2020, if the partnership or
23 pass-through entity and the department agree.

24 The bill enacts new Code section 422.35(26) providing that
25 any income subtracted from federal taxable income shall be
26 added back in computing net income for state corporate income
27 tax purposes when federal adjustments are made to taxes in the
28 adjustment year. The bill defines "adjustment year" to mean
29 the year in which the final determination of the adjustment
30 occurs.

31 The bill amends Code section 422.39 by specifying that Code
32 sections relating to payments of interest, computation of tax,
33 liens, and final reports of fiduciaries apply to not just
34 payments and collections but to reporting, examinations, and
35 assessments with respect to corporations including pass-through

1 entities organized as corporations.

2 The amendment to Code section 422.73 relates to credits
3 against taxes due because of errors. The bill changes the
4 period of limitation (statute of limitations) for a claim for
5 a refund of or a credit against individual income tax by a
6 taxpayer to one year from the final determination date of any
7 final adjustment with respect to the particular tax year to
8 claim an income tax refund or credit. Currently, a claim for
9 a refund of or a credit against the individual income tax by
10 a taxpayer is six months from the final disposition of any
11 income tax matter between the taxpayer and the internal revenue
12 service. The bill makes other changes relating to agreements
13 entered into by the department and the internal revenue
14 service for the transmission of federal income tax reports on
15 individuals who have been involved in an income tax matter with
16 the internal revenue service.

17 The division applies to federal adjustments and federal
18 partnership adjustments that have a final determination date
19 after the effective date of the division.

20 SETOFF PROCEDURES — RULEMAKING — EFFECTIVE DATE. The
21 bill modifies the effective date of either Senate File 2328 or
22 House File 2565 (setoff procedures), by providing that either
23 Senate File 2328 or House File 2565, if enacted, take effect
24 on the later of January 1, 2021, or the effective date of the
25 rules adopted by the department of revenue implementing the
26 bill other than the adopting of transitional rules by the
27 department. This provision takes effect upon enactment, and
28 applies retroactively to the effective date of either Act.

29 BUSINESS INTEREST EXPENSE DEDUCTION. The federal Tax Cuts
30 and Jobs Act (TCJA) created a new limitation on the deduction
31 of business interest expense for tax years beginning on or
32 after January 1, 2018. Currently, the state couples with
33 federal law limiting the deduction of business interest expense
34 for tax years beginning on or after January 1, 2019.

35 The bill decouples, for Iowa individual and corporate income

1 tax purposes, from the federal limitation on deduction of
2 business interest expenses for tax years beginning on or after
3 January 1, 2020.

4 The decoupling from the federal limitation on deduction
5 of business interest expense does not apply during any tax
6 year in which the additional first-year depreciation allowance
7 authorized in section 168(k) of the Internal Revenue Code
8 (bonus depreciation) applies in computing net income for state
9 tax purposes.

10 For any tax year in which a taxpayer is not permitted to
11 deduct any amount of interest expense paid or accrued in a
12 previous taxable year due to the allowance of the additional
13 first-year depreciation, the bill prohibits the deduction of
14 any amount of interest expense paid or accrued in a previous
15 taxable year in the current taxable year by reason of the
16 carryforward of disallowed business interest provisions of
17 section 163(j)(2) of the Internal Revenue Code, if either of
18 the following apply: the interest expense was originally paid
19 or accrued during a tax year in which there was a decoupling
20 from the federal limitation on business expense, or the
21 interest expense was originally paid or accrued during a tax
22 year in which the taxpayer was not required to file an Iowa
23 return.

24 GLOBAL INTANGIBLE LOW-TAXED INCOME (GILTI). Federal
25 law includes in a taxpayer's gross income global intangible
26 low-taxed income (GILTI) as defined in section 951A of the
27 Internal Revenue Code, subject to a deduction equal to 50
28 percent of the corporation's GILTI under section 250(a)(1)(B)
29 of the Internal Revenue Code. The bill enacts new Code section
30 422.35(27) that allows a corporate taxpayer to deduct GILTI
31 under section 951A of the Internal Revenue Code.

32 RESCISSION OF RULES. The division rescinds rules relating
33 to GILTI under section 951A of the Internal Revenue Code.

34 The division takes effect upon enactment, and applies
35 retroactively to January 1, 2019, for tax years beginning on

1 or after that date.

2 IOWA REINVESTMENT ACT. Code chapter 15J, the "Iowa
3 Reinvestment Act", authorizes municipalities (a city or
4 a county) to establish reinvestment districts and receive
5 remittances of specified amounts of state sales tax and state
6 hotel and motel tax revenues collected in those districts
7 for use in undertaking projects in the district. Eligible
8 municipalities must seek approval from the economic development
9 authority board to establish a reinvestment district. Code
10 chapter 15J currently prohibits the board from approving a
11 proposed district plan on or after July 1, 2018, and imposes a
12 \$100 million aggregate limit of state sales tax revenues and
13 state hotel and motel tax revenues that may be approved by the
14 board for remittance to all municipalities.

15 The bill establishes an additional period of time for the
16 board to approve reinvestment districts, beginning July 1,
17 2020, and ending July 1, 2025, and establishes an additional
18 \$100 million aggregate limit of state sales tax revenues and
19 state hotel and motel tax revenues that may be approved by the
20 board for remittance to all municipalities for those districts
21 approved on or after July 1, 2020, but before July 1, 2025.

22 The bill also expands the definition of "municipality"
23 to include a joint board or other legal entity established
24 or designated in an agreement between two or more contiguous
25 cities or counties pursuant to Code chapter 28E. The bill also
26 makes corresponding changes to other provisions of Code chapter
27 15J to reflect such municipalities' authority under the Iowa
28 reinvestment Act.

29 As part of the criteria for establishing a district, current
30 law requires the district to consist of contiguous parcels not
31 to exceed 25 acres in total. For districts approved under the
32 bill on or after July 1, 2020, the area comprising the district
33 may consist of contiguous parcels not to exceed 75 acres in
34 total.

35 Part of the approval criteria for a district includes the

1 requirement that the amount of proposed capital investment
2 within the proposed district related to retail businesses does
3 not exceed 50 percent of the total capital investment for all
4 proposed projects in the proposed district plan, excluding "new
5 lessors", as defined in Code section 15J.2, from the definition
6 of "retail business". The bill adds businesses engaged in an
7 activity subject to the sales tax under Code section 423.2(3)
8 to that exclusion from the definition of "retail business".

9 The bill also modifies the calculation of new state sales
10 tax revenue and new hotel and motel tax revenue that are to be
11 remitted to a reinvestment district established on or after
12 July 1, 2020, to subtract out specified amounts of sales based
13 on sales data from existing businesses classified as "new
14 retail establishments" or "new lessors", within the meaning of
15 Code chapter 15J.

16 Code section 15J.7 prohibits revenues received by a
17 municipality from being used for a project that includes
18 relocation of a commercial or industrial enterprise not
19 presently located within the municipality. "Relocation"
20 is defined in Code section 15J.7 to mean the closure or
21 substantial reduction of an enterprise's existing operations
22 in one area of the state and the initiation of substantially
23 the same operation in the same county or a contiguous county in
24 the state. The bill provides, however, that if the initiation
25 of operations includes an expanded scope or nature of the
26 enterprise's existing operations, the new operation shall not
27 be considered to be "substantially the same operation".

28 Code section 15J.8 provides that as of the date 20 years
29 after the district's commencement date, the department of
30 revenue shall cease to deposit state sales tax revenues and
31 state hotel and motel tax revenues into the district's account
32 within the fund, unless the municipality dissolves the district
33 prior to that date. The bill provides that, upon request of
34 the municipality prior to the dissolution of the district,
35 and following a determination by the economic development

1 authority board that the amounts of new state sales tax revenue
2 and new state hotel and motel tax revenue deposited in the
3 municipality's reinvestment project fund are substantially
4 lower than the amounts established by the board when the
5 district was approved, the board may extend the district's
6 20-year period of time for depositing and receiving revenues by
7 up to five additional years if such an extension is in the best
8 interest of the public.

9 COMPUTER PERIPHERALS. The bill exempts from the sales
10 and use tax certain sales of computer peripherals. The bill
11 exempts computer peripherals in the same manner as computers
12 are exempted from the sales and use tax, and excludes from the
13 exemption certain computer peripheral sales in the same manner
14 as computers are excluded from the exemption.

15 The bill defines "computer peripheral" to mean an ancillary
16 device connected to the computer digitally, by cable, or by
17 other medium, used to put information into or get information
18 out of a computer.

19 The bill also makes changes to Code section 423.3(47) to
20 enhance the readability of the subsection.

21 By operation of Code section 423.6, an item exempt from the
22 imposition of the sales tax is also exempt from the use tax
23 imposed in Code section 423.5.

24 The bill also rescinds rules of the department of
25 revenue relating to the definition of computer in the Iowa
26 administrative code.

27 SCHOOL TUITION ORGANIZATION — CORPORATIONS. Currently,
28 the maximum amount of school tuition organization tax credits
29 that may be approved for corporations in the aggregate, shall
30 not exceed 25 percent of the total amount of school tuition
31 organization tax credits allowable in a calendar year in
32 Code section 422.11S(8). The bill permits corporations in
33 the aggregate to be awarded more than the 25 percent of the
34 allowable school tuition organization tax credits in a calendar
35 year by striking the 25 percent limitation.

1 BROADBAND INFRASTRUCTURE TAXATION. The bill relates to
2 state taxation of broadband grants provided to a communications
3 service provider. Under the bill, a communications service
4 provider given a federal, state, or local broadband grant may
5 exclude from the computation of the individual or corporate
6 state income tax, as applicable, the amount of the grant to the
7 extent the grant is subject to federal individual or corporate
8 income tax under section 118(b)(2) of the Internal Revenue
9 Code, if the grant is used to install broadband infrastructure
10 that facilitates broadband service in targeted service areas
11 at or above the download and upload speeds specified in the
12 definition of targeted service area in Code section 8B.1.

13 The bill defines "broadband infrastructure", "communications
14 service provider", and "targeted service area".

15 The bill permits refunds of taxes, interest, or penalties
16 arising from claims resulting from the enactment of the bill
17 for broadband service grants that were taxable during the tax
18 year beginning January 1, 2019, but before January 1, 2020, and
19 requires such claims to be filed prior to October 1, 2020.

20 The bill takes effect upon enactment and applies
21 retroactively to tax years beginning on or after January 1,
22 2019.

23 LOCAL ASSESSORS. This division of the bill relates to the
24 appointment and duties of local assessors.

25 Code section 441.6 establishes the process for filling the
26 office of county or city assessor. When a vacancy occurs, the
27 examining board requests the director of revenue to forward
28 a register containing the names of all individuals eligible
29 for appointment as assessor. The examining board then makes
30 a written report of the examination and submits the report
31 together with the names of those individuals certified by the
32 director of revenue to the conference board. Upon receipt
33 of the report of the examining board, the conference board
34 appoints an assessor from the register of eligible candidates
35 and gives written notice to the director of revenue of the

1 appointment.

2 Under the bill, the appointee selected by the conference
3 board shall not assume the office of city or county assessor
4 until the appointment is confirmed by the director of revenue.
5 If the director of revenue rejects the appointment, the
6 examining board must conduct a new examination and submit a new
7 report to the conference board.

8 The bill also provides that an assessor or deputy assessor
9 shall not personally assess a property if the person or a
10 member of the person's immediate family owns the property,
11 has a financial interest in the property, or has a financial
12 interest in the entity that owns the property.

13 Code section 441.41 authorizes the conference board to
14 employ special counsel to assist the city legal department or
15 the county attorney in litigation dealing with assessments.
16 The bill provides that such authority is subject to review
17 and prior approval by the city legal department or the county
18 attorney, as applicable.

19 PAYCHECK PROTECTION PROGRAM (PPP). The bill excludes from
20 the calculation of Iowa income tax for certain fiscal filers,
21 such a taxpayer's federal paycheck protection program loan
22 proceeds that were forgiven and excluded from federal gross
23 income. This division takes effect upon enactment.

24 FOOD BANKS — SALES TAX EXEMPTION. The bill exempts from
25 the sales tax the purchase price from the sale or rental of
26 tangible personal property or specified digital products, or
27 services furnished, to a nonprofit food bank if the property
28 or services are to be used by the nonprofit food bank for a
29 charitable purpose. "Nonprofit food bank" is defined in the
30 bill.

31 By operation of Code section 423.6, an item exempt from the
32 imposition of the sales tax is also exempt from the use tax
33 imposed in Code section 423.5.

34 PRO RATA SHARE OF ENTITY-LEVEL INCOME TAX PAID BY
35 SHAREHOLDERS OR BENEFICIARIES. The bill provides that a

1 resident partner of an entity taxed as a partnership, a
2 resident shareholder of an S corporation, or a resident
3 beneficiary of an estate or trust shall be deemed to have paid
4 the resident partner's, resident shareholder's, or resident
5 beneficiary's pro rata share of entity-level income tax paid
6 by the partnership, S corporation, estate, or trust to another
7 state or foreign country on income that is also subject to
8 Iowa personal income tax, but only if the entity provides the
9 resident partner, resident shareholder, or resident beneficiary
10 a statement that documents the resident partner's, resident
11 shareholder's, or resident beneficiary's share of the income
12 derived in the other state or foreign country, the income tax
13 liability of the entity in that state or foreign country, and
14 the income tax paid by the entity to that state or foreign
15 country.

16 The bill also provides that a resident shareholder of a
17 regulated investment company shall be deemed to have paid the
18 shareholder's pro rata share of entity-level income tax paid by
19 the regulated investment company to another state or foreign
20 country and treated as paid by its shareholders pursuant to
21 section 853 of the Internal Revenue Code, but only if the
22 regulated investment company provides the resident shareholder
23 a statement that documents the resident shareholder's share of
24 the income derived in the other state or foreign country, the
25 income tax liability of the regulated investment company in
26 that state or foreign country, and the income tax paid by the
27 regulated investment company to that state or foreign country.

28 HORSE RACING — DISASTER EMERGENCY PROCLAMATION. Code
29 section 99D.7, concerning the powers of the racing and gaming
30 commission, is amended to grant the commission the power to
31 alter requirements relating to live horse racing seasons
32 and purse moneys in the event of a proclamation of disaster
33 emergency by the governor ordering the closure of the licensed
34 racetrack facility that conducts live horse racing.

35 PORT AUTHORITIES. Under Code chapter 28J, the bill modifies

1 the defined terms "authorized purposes", "city", "cost",
2 "facility" or "port authority facility", "governmental agency",
3 "political subdivision", "political subdivisions comprising the
4 port authority", "port authority revenue bonds" or "revenue
5 bonds", and "revenues". The bill creates and defines the terms
6 "net revenues" and "public works project".

7 The bill allows for the creation of a port authority by one
8 or more political subdivisions, rather than by two or more
9 political subdivisions. The bill provides for the creation of
10 a port authority anywhere in this state regardless of proximity
11 to a body of water. The bill also provides that a port
12 authority is an entity separate from the political subdivisions
13 comprising the port authority. The powers granted to the
14 port authority may be exercised whether or not the political
15 subdivisions comprising the port authority may exercise those
16 same powers.

17 The bill provides that the political subdivisions
18 comprising the port authority may make contributions to the
19 port authority, in addition to appropriating or expending
20 public funds as set forth in current law, to finance or
21 subsidize the operation and authorized purposes of the port
22 authority, and pay the costs and expenses incurred by the
23 port authority in carrying out any operations or authorized
24 purposes of the port authority. Under the bill, political
25 subdivisions comprising the port authority are allowed to
26 enter into agreements with each other or the port authority
27 providing for the contributions to the port authority to be
28 made by each of the political subdivisions and providing for
29 the obligations of each of the political subdivisions to pay,
30 finance, or subsidize the costs and expenses incurred by the
31 port authority.

32 The bill makes conforming changes to Code section 28J.5
33 relating to the membership of the board of directors of a port
34 authority created by one political subdivision. The bill
35 further provides that any political subdivisions comprising the

1 port authority may appoint a successor for the remaining term
2 of a removed director.

3 The bill modifies the powers of a port authority as it
4 relates to its property regardless of whatever the property is
5 within or outside the territory of the political subdivisions
6 comprising the port authority if in furtherance of any
7 authorized purpose. The bill further allows a port authority
8 to enter into loan agreements and lease contracts, as provided
9 for in the bill, and to exercise the same powers granted to
10 cities under Code chapters 28F (joint financing of public works
11 and facilities) and 384 (city finance).

12 The bill allows a port authority to use its revenues for
13 principal on borrowed money and payments under lease contracts.
14 The bill further provides that a contract regarding rentals or
15 charges for use of services of a port authority may provide
16 for acquisition of the port authority facility subject to the
17 provisions of any resolution authorizing the issuance of port
18 authority revenue bonds, loan agreements, lease contracts, or
19 any trust agreement securing such bonds, loan agreements, or
20 lease contracts.

21 The bill allows a governmental agency to cooperate with the
22 port authority in the operation of a port authority facility.

23 The bill provides that real property that is purchased by a
24 port authority is not subject to certain property taxes.

25 Under the provisions of the bill, a port authority may enter
26 into certain loan agreements and lease contracts. A port
27 authority may enter into loan agreements to borrow money to
28 pay the costs of any facility, or parts thereof, or to refund
29 other obligations which are payable from the net revenues of
30 the port authority at lower, the same, or higher rates of
31 interests. A port authority may enter into lease contracts
32 for real or personal property comprising a port authority
33 facility, but can only lease property for a term that does not
34 exceed the economic life of the property. The bill details
35 certain provisions similar to those in loan agreements and

1 lease contracts between private parties that a loan agreement
2 or lease contract entered into by a port authority may contain.
3 The bill provides certain conditions for when a loan agreement
4 or lease contract stipulates that a portion of the payments
5 be applied as interest. The board of a port authority can
6 authorize a loan agreement or lease contract, along with
7 prescribing additional terms and provisions, by resolution and
8 such resolution becomes part of the loan agreement or lease
9 contract. A loan agreement or lease contract in which a port
10 authority is a party is an obligation of political subdivisions
11 comprising the port authority. A contract for construction by
12 a private party of property to be leased by a port authority
13 is not a contract for public improvement, except under certain
14 conditions.

15 The bill authorizes loan agreements or lease contracts to be
16 secured by a trust agreement between the port authority and a
17 corporate trustee, and further provides how the trust agreement
18 functions.

19 The bill provides that loan agreements and lease contracts
20 authorized by the bill do not constitute a debt, indebtedness,
21 or a pledge of faith and credit of the port authority or of
22 the state or any political subdivisions of the state nor do
23 any such agreements give rise to pecuniary liability as to
24 these entities or act as a charge against the general credit
25 or taxing power of the port authority. The bill provides that
26 any political subdivisions comprising the port authority, the
27 state, or any political subdivisions of the state, and the
28 holders or owners of obligations owed under a loan agreement
29 or lease contract cannot have taxes levied by the state or
30 by a taxing authority of a governmental agency of the state
31 for the payment of the principal of or interest owed on such
32 obligations.

33 Under the bill, the sole remedy for a breach or default of
34 any port authority loan agreement or lease contract authorized
35 by the bill is a proceeding in law or in equity to enforce and

1 compel performance of required duties and the terms of the
2 resolution authorizing the loan agreement or lease contract,
3 or to obtain the appointment of a receiver to take possession
4 and operate the port authority to perform the required duties
5 and terms. An action cannot be brought after 15 days from the
6 time the loan agreement or lease contract is authorized by the
7 port authority if the action regards the legality of the loan
8 agreement or lease contract, the power of the port authority
9 to authorize the loan agreement or lease contract, or the
10 effectiveness of any proceeding relating to the authorization
11 of the loan agreement or lease contract.

12 The bill makes conforming changes to Code sections 28J.8,
13 28J.11, 28J.15, 28J.17, 28J.25, and 28J.26.