

House Study Bill 696 - Introduced

SENATE/HOUSE FILE _____
BY (PROPOSED DEPARTMENT OF
REVENUE BILL)

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,
7 the assessment and valuation of property, and providing
8 penalties, and including effective date and retroactive
9 applicability provisions.
10 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

ADMINISTRATION AND PENALTY PROVISIONS

1
2 Section 1. Section 331.603, subsection 5, Code 2020, is
3 amended to read as follows:

4
5 5. a. The governing board of the county land record
6 information system may enter into an agreement, including but
7 not limited to an agreement pursuant to chapter 28E, with a
8 public agency, as defined in section 28E.2, to provide access
9 to electronic documents or records on a batch basis. Access to
10 electronic documents or records may be provided for a fee if
11 permitted in the agreement between the governing board and the
12 public agency.

13 b. The governing board of the county land record information
14 system shall not enter into an agreement other than as provided
15 in paragraph "a" to provide access to electronic documents or
16 records on a batch basis. The county recorder may collect
17 reasonable fees for access to electronic documents and records
18 pursuant to an agreement. The fees shall not exceed the
19 actual cost of providing access to the electronic documents
20 and records. "Actual cost" means only those expenses directly
21 attributable to providing access to electronic documents
22 and records. "Actual cost" shall not include costs such as
23 employment benefits, depreciation, maintenance, electricity,
24 or insurance associated with the administration of the office
25 of the county recorder or the county land record information
26 system.

27 ~~b.~~ c. Electronic documents and records made available
28 under this subsection shall not include personally identifiable
29 information and shall be subjected to a redaction process prior
30 to the transfer of the electronic documents or records to
31 another person pursuant to an agreement under paragraph "a".

32 Sec. 2. Section 421.6, Code 2020, is amended to read as
33 follows:

34 **421.6 Definition of return.**

35 For purposes of this title, unless the context otherwise

1 requires, "return" means any tax or information return, amended
2 return, declaration of estimated tax, or claim for refund
3 that is required by, provided for, or permitted under, the
4 provisions of this title or section 533.329, and which is filed
5 with the department by, on behalf of, or with respect to any
6 person. "Return" includes any amendment or supplement to these
7 items, including supporting schedules, attachments, or lists
8 which are supplemental to or part of the filed return.

9 Sec. 3. Section 421.17, Code 2020, is amended by adding the
10 following new subsection:

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

17 Sec. 4. Section 421.27, subsection 1, Code 2020, is amended
18 to read as follows:

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

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

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

28 (1) Two hundred dollars.

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

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

35 a- (1) At An amount of tax greater than zero is required to

1 be shown due and at least ninety percent of the tax required to
2 be shown due has been paid by the due date of the tax.

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

8 ~~c.~~ (3) The death of a taxpayer, death of a member of
9 the immediate family of the taxpayer, or death of the person
10 directly responsible for filing the return and paying the tax,
11 when the death interferes with timely filing.

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

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

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

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

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

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

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

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

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

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

28 ~~n.~~ (14) That an Iowa inheritance tax return is filed for
29 an estate within the later of nine months from the date of
30 death or sixty days from the filing of a disclaimer by the
31 beneficiary of the estate refusing to take the property or
32 right or interest in the property.

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

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

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

8 (2) In case of a willful failure by a specified business to
9 file an income return with no tax shown due or required to be
10 shown due with intent to evade a filing requirement, or in case
11 of willfully filing a false income return with no tax shown due
12 or required to be shown due with the intent to evade reporting
13 of Iowa-source income, the penalty imposed shall be the greater
14 of the following amounts:

15 (a) One thousand five hundred dollars.

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

18 (3) If penalties are applicable for failure to file a
19 return or deposit form and failure to pay the tax shown due or
20 required to be shown due on the return or deposit form, the
21 penalty provision for failure to file shall be in lieu of the
22 penalty provisions for failure to pay the tax shown due or
23 required to be shown due on the return or deposit form, except
24 in the case of willful failure to file a return or deposit form
25 or willfully filing a false return or deposit form with intent
26 to evade tax.

27 b. The penalties imposed under this subsection are not
28 subject to waiver.

29 6. ~~Improper receipt of payments~~ Liability — fraudulent
30 practice. A person who makes an erroneous application for
31 refund, credit, reimbursement, rebate, or other payment shall
32 be liable for any overpayment received or tax liability reduced
33 plus interest at the rate in effect under section 421.7.

34 a. In addition, a person who willfully commits a fraudulent
35 practice and is liable for a penalty equal to seventy-five

1 percent of the refund, credit, exemption, reimbursement,
2 rebate, or other payment or benefit being claimed if the person
3 does any of the following:

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

12 (2) Willfully submits any false information, document,
13 or document containing false information in support of an
14 application for refund, credit, exemption, reimbursement,
15 rebate, or other payment or benefit with the intent to evade
16 tax.

17 (3) Willfully submits with any false information, document,
18 or document containing false information in support of an
19 application for refund with the intent to receive a refund,
20 credit, exemption, reimbursement, rebate, or other payment
21 benefit, to which the person is not entitled.

22 b. Payments, penalties, and interest due under this
23 subsection may be collected and enforced in the same manner as
24 the tax imposed.

25 Sec. 6. Section 421.27, Code 2020, is amended by adding the
26 following new subsections:

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

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

29 (1) In the case of corporations doing business in Iowa
30 other than corporations described in section 422.34 or section
31 422.36, subsection 5, the corporation's Iowa net income after
32 the application of the Iowa business activity ration, if
33 applicable, multiplied by the top income tax rate imposed under
34 section 422.33 for the tax year.

35 (2) In the case of financial institutions as defined

1 in section 422.61 doing business in Iowa, the financial
2 institution's Iowa net income after the application of the
3 Iowa business activity ratio, if applicable, multiplied by the
4 franchise tax rate imposed under section 422.63 for the tax
5 year.

6 (3) In the case of all other entities doing business in
7 Iowa or deriving income from sources within Iowa, including
8 corporations described in section 422.36, subsection 5, and all
9 other entities required to file an information return under
10 section 422.15, subsection 2, the entity's Iowa net income
11 after the application of the Iowa business activity ratio, if
12 applicable, multiplied by the top income tax rate imposed under
13 section 422.5A for the tax year.

14 *b. "Income return"* means an income tax return or information
15 return required under section 422.15, subsection 2, or section
16 422.36, 422.37, or 422.62.

17 *c. "Specified business"* means a partnership or other entity
18 required to file an information return under section 422.15,
19 subsection 2, a corporation required to file a return under
20 section 422.36 or 422.37, or a financial institution required
21 to file a return under section 422.62.

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

28 **Sec. 7. NEW SECTION. 421.27A Perjury.**

29 1. For purposes of this title, a form, application, or any
30 other documentation required or requested by the department
31 shall be required to be certified under penalty of perjury that
32 the information contained in the form, application, or other
33 documentation is true and correct.

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

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

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

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

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

13 Sec. 8. NEW SECTION. 421.59 Power of attorney — authority
14 to act on behalf of taxpayer.

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

18 *b.* A taxpayer may at any time revoke a power of attorney
19 filed with the department pursuant to subsection 1. Upon
20 processing of the taxpayer's revocation of a power of attorney,
21 the department shall cease honoring the power of attorney.

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

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

31 (1) Upon request, a guardian, conservator, or custodian of
32 a taxpayer shall submit to the department a copy of the court
33 order appointing the guardian, conservator, or custodian.

34 (2) The department may petition the court that appointed the
35 guardian, conservator, or custodian to verify the appointment

1 or to determine the scope of the appointment.

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

5 (1) Upon the request of the department, a receiver shall
6 submit to the department a copy of the court order appointing
7 the receiver.

8 (2) The department may petition the court that appointed the
9 receiver to verify the appointment or to determine the scope
10 of the appointment.

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

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

17 (a) A president or chief executive officer, or any other
18 officer of the corporation or association if the president or
19 chief executive officer certifies that the officer has the
20 authority to legally bind the corporation or association.

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

23 (c) A person authorized to act on behalf of a limited
24 liability company in tax matters pursuant to a valid statement
25 of authority.

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

33 *e.* A licensed attorney who has appeared on behalf of the
34 taxpayer or the taxpayer's estate in a court proceeding.

35 Authorization under this paragraph is limited to those matters

1 within the scope of the representation.

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

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

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

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

27 4. The department shall adopt rules pursuant to chapter 17A
28 to administer this section.

29 Sec. 9. Section 421.60, subsection 2, paragraph a,
30 subparagraph (2), Code 2020, is amended to read as follows:

31 (2) The statement prepared in accordance with this
32 paragraph shall be available on the department's internet site.
33 The internet site for this information shall be distributed by
34 the department to all taxpayers at the first contact by the
35 department with respect to the determination or collection of

1 any tax, except in the case of simply providing tax forms.

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

4 NEW SUBSECTION. 11. *Electronic communication.*

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

12 Sec. 11. Section 421.62, subsection 1, Code 2020, is amended
13 by adding the following new paragraph:

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

17 Sec. 12. Section 421.62, subsection 1, paragraph c,
18 subparagraph (1), Code 2020, is amended to read as follows:

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

26 Sec. 13. Section 421.62, subsection 2, paragraph a, Code
27 2020, is amended to read as follows:

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

33 Sec. 14. Section 421.64, subsection 1, Code 2020, is amended
34 to read as follows:

35 1. For purposes of this section, "tax return preparer" means

1 the same as defined in [section ~~421.61~~ 421.62](#).

2 Sec. 15. Section 422.20, subsections 1 and 2, Code 2020, are
3 amended to read as follows:

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

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

1 any manner not provided by law any such return or return
2 information. A person violating this provision is guilty of
3 a serious misdemeanor.

4 Sec. 16. Section 422.20, subsection 3, paragraph a, Code
5 2020, is amended to read as follows:

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

17 Sec. 17. Section 422.20, Code 2020, is amended by adding the
18 following new subsections:

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

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

- 30 (1) A financial account number.
31 (2) An account number generated by the department to
32 identify an audit or examination.
33 (3) A social security number.
34 (4) A federal employer identification number.
35 (5) The name of a minor.

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

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

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

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

19 Sec. 18. Section 422.25, subsection 1, Code 2020, is amended
20 by adding the following new paragraph:

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

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

30 (1) It is unlawful for the director, or any person having
31 an administrative duty under [this chapter](#), or any present or
32 former officer or other employee of the state authorized by the
33 director to examine returns, to willfully or recklessly divulge
34 in any manner whatever, the business affairs, operations, or
35 information obtained by an investigation under [this chapter](#) of

1 records and equipment of any person visited or examined in the
2 discharge of official duty, or the amount or source of income,
3 profits, losses, expenditures or any particular thereof, set
4 forth or disclosed in any return, or to willfully or recklessly
5 permit any return or copy of a return or any book containing
6 any abstract or particulars thereof to be seen or examined by
7 any person except as provided by law.

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

10 NEW SUBSECTION. 7A. *a.* Prior to being made available for
11 public inspection, the department shall redact from the record
12 in an appeal or contested case the following information from
13 any pleading, exhibit, attachment, motion, written evidence,
14 final order, decision, or opinion:

15 (1) A financial account number.

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

18 (3) A social security number.

19 (4) A federal employer identification number.

20 (5) The name of a minor.

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

22 *b.* Upon a motion filed by the taxpayer, the department
23 may redact from the record in an appeal or contested case any
24 other information from a pleading, exhibit, attachment, motion,
25 or written evidence, if the taxpayer proves by clear and
26 convincing evidence that the release of such information would
27 disclose a trade secret or be a clear, unwarranted invasion of
28 personal privacy.

29 *c.* Notwithstanding paragraph "a", when making final orders,
30 decisions, or opinions available for public inspection, the
31 department may disclose the items in paragraph "a" if the
32 department determines such information is necessary to the
33 resolution or decision of the appeal or case.

34 *d.* Except as described in paragraphs "a" and "b", all
35 information contained in a pleading, exhibit, attachment,

1 motion, written evidence, final order, decision, opinion,
2 and the record in an appeal or contested case is subject to
3 examination to the extent provided by chapter 22.

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

6 NEW SUBSECTION. 4. The period of limitation on examination
7 and determination is unlimited under this title in the case
8 of any action by the department to recover or rescind any tax
9 expenditure as defined by section 2.48, subsection 1, or any
10 other incentive or assistance, due to a failure to meet or
11 maintain the requirements of a program administered by the
12 economic development authority.

13 Sec. 22. Section 428A.1, subsections 2 and 3, Code 2020, are
14 amended to read as follows:

15 2. When each deed, instrument, or writing by which any real
16 property in this state is granted, assigned, transferred, or
17 otherwise conveyed is presented for recording to the county
18 recorder, a declaration of value signed by at least one of the
19 sellers or one of the buyers or their agents shall be submitted
20 to the county recorder. However, if the deed, instrument, or
21 writing contains multiple parcels some of which are located
22 in more than one county, separate declarations of value
23 shall be submitted on the parcels located in each county and
24 submitted to the county recorder of that county when paying
25 the tax as provided in [section 428A.5](#). A declaration of value
26 is not required for those instruments described in section
27 428A.2, subsections ~~2 to 5, 7 to 13, and 16 to through~~ 21, or
28 ~~described in [section 428A.2, subsection 6](#)~~, except in the case
29 of a federal agency or instrumentality, or if a transfer is
30 the result of acquisition of lands, whether by contract or
31 condemnation, for public purposes through an exercise of the
32 power of eminent domain.

33 3. The declaration of value shall state the full
34 consideration paid for the real property transferred. If
35 agricultural land, as defined in [section 9H.1](#), is purchased by

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

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

29 **441.48 Notice of adjustment.**

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

1 2. If the county or assessing jurisdiction intends to
2 protest the proposed adjustment, the board of supervisors or
3 city council, as applicable, shall provide the department with
4 notice of intent to protest prior to expiration of the ten
5 days' notice.

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

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

14 5. After written protest is received, or an oral protest
15 is heard, the final action may be taken in reference to the
16 proposed adjustment.

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

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

30 Sec. 25. Section 490.1422, subsection 2, paragraph a, Code
31 2020, is amended to read as follows:

32 a. The secretary of state shall refer the federal tax
33 identification number contained in the application for
34 reinstatement to the ~~departments~~ department of revenue and
35 workforce development. The ~~departments~~ department of revenue

1 ~~and~~ workforce development shall report to the secretary
2 of state the tax status of the corporation. If ~~either the~~ the
3 department reports to the secretary of state that a filing
4 delinquency or liability exists against the corporation,
5 the secretary of state shall not cancel the certificate of
6 dissolution until the filing delinquency or liability is
7 satisfied.

8 Sec. 26. Section 501.813, subsection 2, paragraph a, Code
9 2020, is amended to read as follows:

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

21 Sec. 27. Section 504.1423, subsection 2, paragraph a, Code
22 2020, is amended to read as follows:

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

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

1 NEW SUBSECTION. 03. Returns shall be in the form the
2 director of revenue prescribes, and shall be filed with the
3 department of revenue on or before the last day of the fourth
4 month after the expiration of the tax year. The moneys and
5 credits tax is due and payable on the last day of the fourth
6 month after the expiration of the tax year.

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

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

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

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

25 1. The section of this division of this Act amending section
26 422.25.

27 2. The section of this division of this Act amending section
28 423.37.

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

31 The sections of this division of this Act amending section
32 421.27.

33 DIVISION II

34 SALES AND USE TAX

35 Sec. 33. Section 321G.4, subsection 2, Code 2020, is amended

1 to read as follows:

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

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

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

29 2. a. The owner of the all-terrain vehicle shall file an
30 application for registration with the department through the
31 county recorder of the county of residence, or in the case
32 of a nonresident owner, in the county of primary use, in the
33 manner established by the commission. The application shall
34 be completed by the owner and shall be accompanied by a fee
35 of fifteen dollars and a writing fee as provided in section

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

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

20 Sec. 35. Section 423.2, subsection 6, paragraph bs, Code
21 2020, is amended to read as follows:

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

26 Sec. 36. Section 423.2, subsection 8, paragraph d,
27 subparagraph (1), Code 2020, is amended to read as follows:

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

34 Sec. 37. Section 423.3, subsection 3A, Code 2020, is amended
35 to read as follows:

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

5 Sec. 38. Section 423.3, subsection 31, unnumbered paragraph
6 1, Code 2020, is amended to read as follows:

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

23 Sec. 39. Section 423.3, Code 2020, is amended by adding the
24 following new subsection:

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

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

29 b. Subject to the limitations in paragraph "c", if a
30 contractor, subcontractor, or builder is to use building
31 materials, supplies, and equipment, or services in the
32 performance of a written construction contract with a
33 designated exempt entity, the person shall purchase such
34 items of tangible personal property or services without
35 liability for the tax if such property or services will be

1 used in the performance of the written construction contract
2 and a purchasing agent authorization letter and an exemption
3 certificate, issued by the designated exempt entity, are
4 presented to the retailer.

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

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

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

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

29 (1) A private nonprofit educational institution in this
30 state.

31 (2) A nonprofit Iowa affiliate of a nonprofit international
32 organization whose primary activity is the promotion of the
33 construction, remodeling, or rehabilitation of one-family or
34 two-family dwellings for low-income families.

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

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

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

8 (6) The state of Iowa.

9 (7) Any political subdivision of the state.

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

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

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

35 (1) The building materials, supplies, equipment, or

1 services are completely consumed in the performance of a
2 construction project with the designated entity.

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

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

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

32 b. d. Such governmental unit, educational institution,
33 nonprofit Iowa affiliate, or nonprofit private museum A
34 designated exempt entity shall, not more than one year after
35 the final settlement has been made, make application apply

1 to the department for any refund of the amount of the sales
2 or use tax which shall have been paid upon any ~~goods, wares,~~
3 ~~or merchandise~~ building materials, supplies, equipment,
4 or services furnished, the application to be made in the
5 manner and upon forms to be provided by the department,
6 and the department shall forthwith audit the claim and, if
7 approved, issue a warrant to the ~~governmental unit, educational~~
8 ~~institution, nonprofit Iowa affiliate, or nonprofit private~~
9 ~~museum~~ designated exempt entity in the amount of the sales or
10 use tax which has been paid to the state of Iowa under the
11 contract.

12 ~~e.~~ e. Refunds authorized under this subsection shall accrue
13 interest in accordance with section 421.60, subsection 2,
14 paragraph "e".

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

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

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

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

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

34 (1) The owner of a collaborative educational facility
35 in this state may make application to the department for the

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

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

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

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

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

34 Sec. 45. Section 423.5, subsection 1, paragraph b, Code
35 2020, is amended by striking the paragraph.

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

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

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

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

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

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

33 c. If the retailer fails to collect sales tax at the time
34 of the transaction, the retailer shall thereafter remit the
35 applicable sales tax, or the purchaser thereafter shall remit

1 the applicable use tax. If the purchaser remits all applicable
2 use tax, the retailer remains liable for any local sales and
3 services tax under chapter 423B that the retailer failed to
4 collect.

5 Sec. 48. REFUNDS RELATED TO PRESERVE WHITETAIL DEER
6 HUNTING. Refunds of taxes, interest, or penalties that arise
7 from claims resulting from the amendment of section 423.3,
8 subsection 3A, for sales occurring between July 1, 2005,
9 and the effective date of the amendment to section 423.3,
10 subsection 3A, shall not be allowed, notwithstanding any other
11 law to the contrary.

12 Sec. 49. LEGISLATIVE INTENT.

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

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

26 Sec. 50. EFFECTIVE DATE. The following, being deemed of
27 immediate importance, take effect upon enactment:

28 1. The section of this division of this Act amending section
29 423.3A.

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

33 Sec. 51. RETROACTIVE APPLICABILITY. The following applies
34 retroactively to July 1, 2005:

35 The section of this division of this Act amending section

1 423.3A.

2

DIVISION III

3

INCOME TAX

4 Sec. 52. Section 422.9, subsection 3, paragraph c, Code
5 2020, is amended by striking the paragraph and inserting in
6 lieu thereof the following:

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

17 Sec. 53. Section 422.9, subsection 3, paragraph d, Code
18 2020, is amended to read as follows:

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

33 Sec. 54. APPLICABILITY. This division of this Act applies
34 to tax years beginning on or after January 1, 2020.

35

DIVISION IV

1 RESEARCH ACTIVITIES CREDIT

2 Sec. 55. Section 15.335, subsection 4, paragraph a, Code
3 2020, is amended to read as follows:

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

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

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

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

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

33 d. For purposes of the alternate credit computation
34 method in paragraph "c", the credit percentages applicable to
35 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. 58. 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. 59. EFFECTIVE DATE. This division of this Act, being
25 deemed of immediate importance, takes effect upon enactment.

26 Sec. 60. 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 V

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

32 Sec. 61. 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 within sixty days of the final ~~disposition~~ determination date
6 of the federal government's audit. For purposes of this
7 subparagraph, "final determination date" means the same as
8 defined in section 422.25.

9 (2) (a) In the case of a final federal partnership
10 adjustment arising from a partnership level audit, all of the
11 following conditions are satisfied:

12 (i) The audited partnership provides written notification
13 to the department of the partnership level audit while it is
14 in progress.

15 (ii) With respect to the audited partnership or a direct
16 partner or indirect partner of the audited partnership, the
17 audited partnership, direct partner, or indirect partner
18 voluntarily and timely complies with its reporting and payment
19 requirements under section 422.25A, subsection 4 or 5.

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

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

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

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

33 1. a. For purposes of this subsection:

34 (1) *"Federal adjustment"* means a change to an item or amount
35 required to be determined under the Internal Revenue Code and

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

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

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

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

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

1 arising from that audit or other action remain to be finally
2 determined, as described in subparagraph division (a), for the
3 entire group.

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

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

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

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

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

34 e. (1) In addition to the applicable period of limitation
35 for examination and determination in paragraph "b", "c", or "d",

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

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

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

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

1 taxpayer and, if applicable, to the taxpayer's authorized
2 representative of the total, which shall be computed as a sum
3 certain, with interest computed to the last day of the month
4 in which the notice is dated.

5 *b.* In addition to the tax or additional tax determined
6 by the department under subsection 1, the taxpayer shall pay
7 interest on the tax or additional tax at the rate in effect
8 under section 421.7 for each month counting each fraction of
9 a month as an entire month, computed from the date the return
10 was required to be filed. In addition to the tax or additional
11 tax, the taxpayer shall pay a penalty as provided in section
12 421.27.

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

15 1. *Definitions.* As used in this section and sections
16 422.25B and 422.25C, unless the context otherwise requires:

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

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

22 *c.* "C corporation" means an entity that elects to be taxed
23 as a corporation under title 26, chapter 1, subchapter A, part
24 2, of the Internal Revenue Code.

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

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

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

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

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

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

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

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

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

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

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

35 *l. "Final federal partnership adjustment"* means a federal

1 partnership adjustment after the final determination date for
2 that federal partnership adjustment has passed.

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

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

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

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

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

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

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

33 *t. "Reallocation adjustment"* means a final federal
34 partnership adjustment that changes the shares of items of
35 partnership income, gain, loss, expense, or credit allocated

1 to a partner that holds an interest directly in a partnership
2 or pass-through entity. A positive reallocation adjustment
3 means the portion of a reallocation adjustment that would
4 increase Iowa taxable income for such partners, and a negative
5 reallocation adjustment means the portion of a reallocation
6 adjustment that would decrease Iowa taxable income for such
7 partners.

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

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

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

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

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

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

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

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

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

33 3. *State partnership representative.* Notwithstanding any
34 other law to the contrary, the state partnership representative
35 for the reviewed year shall have the sole authority to act on

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

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

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

16 (1) File a completed federal adjustments report.

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

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

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

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

1 (2) If the direct partner is a tiered partner, notify all
2 partners that hold an interest directly in the tiered partner
3 of such partner's distributive share of the adjustments in the
4 manner and form prescribed by the department by rule.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 tiered partner and the partner of the tiered partner, as
2 established by section 6226 of the Internal Revenue Code and
3 the regulations thereunder.

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

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

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

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

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

35 (a) Determine the amount of such adjustments which are of a

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

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

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

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

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

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

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

1 adjustment request.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 4. The department may adopt any rules pursuant to chapter
2 17A to implement this section.

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

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

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

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

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

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

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

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

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

35 Sec. 68. Section 422.39, Code 2020, is amended by striking

1 the section and inserting in lieu thereof the following:

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

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

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

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

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

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

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

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

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

28 EXPLANATION

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

31 This bill relates to state taxation and related laws of
32 the state, including the administration by the department of
33 revenue (department) of certain tax credits and refunds, income
34 taxes, moneys and credits taxes, sales and use taxes, and by
35 modifying provisions relating to reinstatement of business

1 entities and to the assessment and valuation of property. The
2 bill is organized into divisions.

3 DIVISION I — ADMINISTRATION AND PENALTY PROVISIONS.

4 The amendment to Code section 336.603(5) provides that the
5 governing board of a county land record information system may
6 enter into an agreement with a public agency to provide access
7 to electronic documents or records on a batch basis. The bill
8 allows access to electronic documents to be provided for a fee.
9 The bill prohibits any other types of agreements between the
10 board and the public agency except as otherwise provided in the
11 bill.

12 The amendment to Code section 421.6 enhances the readability
13 of the Code section by including in the definition of "return"
14 the moneys and credits tax turn administered by the department
15 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 amendment to Code section 421.27(4) provides that the
33 penalty for a specified business that willfully fails to file a
34 return with no tax shown due or required to be shown due with
35 the intent to evade such a filing requirement or reporting

1 Iowa-source income, the penalty imposed shall be the greater
2 of \$1,500 or an amount equal to 75 percent of the imputed Iowa
3 liability of the specified business.

4 The amendment to Code section 421.27(4) expands penalty
5 provisions by providing that a person who willfully fails to
6 file a return or deposit form with intent to evade a filing
7 requirement shall be subject to a penalty of 75 percent of the
8 tax added to the amount of tax shown due or required to be shown
9 due, in lieu of other penalties.

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

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

27 The sections of this division amending Code section 421.27
28 apply to tax years beginning on or after January 1, 2022.

29 A person who commits fraudulent practice under Code section
30 421.76(6), in addition to the criminal penalties, is liable for
31 a penalty equal to 75 percent of the refund, credit, exemption,
32 reimbursement, rebate, or other payment or benefit being
33 fraudulently claimed.

34 The bill enacts new Code section 421.27(8) which defines
35 "imputed Iowa liability" and "specified business".

1 The bill enacts new Code section 421.27(9) by adding an
2 additional penalty under Code section 421.27 in the amount
3 of \$1,000 if a taxpayer fails to file a tax return within 90
4 days of written notice by the department that the taxpayer is
5 required to file such a return.

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

24 The bill enacts new Code section 421.59 relating to a
25 power of attorney or other authority to act on behalf of the
26 taxpayer. The bill formalizes a process for the following
27 persons to act and receive information on behalf of and
28 exercise all of the rights of a taxpayer, regardless of whether
29 a power of attorney has been filed with the department: a
30 guardian, conservator, or custodian appointed by the court; a
31 receiver appointed pursuant to Code chapter 680; an individual
32 who has been named as an authorized representative on a
33 fiduciary return filed under Code section 422.14 (fiduciary
34 return) or Code chapter 450 (inheritance tax); an individual
35 holding a title or position within a corporation, association,

1 partnership, or other business entity; a licensed attorney
2 who has appeared on behalf of the taxpayer or the taxpayer's
3 estate; and a parent or legal guardian of the taxpayer who has
4 not reached the age of majority.

5 New Code section 421.59 also authorizes the department to
6 enter into a memorandum of understanding with the taxpayer
7 for each employee, officer, or member of a third-party entity
8 engaged with or otherwise hired by a taxpayer to manage
9 the taxpayer's tax matters, in lieu of requiring a power of
10 attorney for each person.

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

14 The amendments to Code section 421.62 provide that the
15 regulations relating to tax return preparers apply to an
16 income tax return or claim or refund under Code chapter 422
17 (individual, corporate, and franchise taxes), but do not apply
18 to withholding returns under Code section 422.16.

19 The amendment to Code section 421.64 enhances the
20 readability of the Code section.

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

29 The amendment to Code section 422.20(3) provides that tax
30 return information may be disclosed to authorized individuals
31 pursuant to new Code section 421.59 created in the bill.

32 The bill enacts new Code section 422.20(3A) permitting the
33 director of revenue to disclose the tax return information of
34 a partnership, limited liability company, or S corporation to
35 a person who was a partner, shareholder, or member of such an

1 entity during any part of the period covered by the tax return.

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

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

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

34 The bill enacts new Code section 422.72(7A), a similar
35 provision to new Code section 422.20(3B) in the bill. New Code

1 section 422.72(7A) specifies the information the department
2 is required to redact prior to the disclosure to the general
3 public of the record in an appeal or contested case. The
4 bill specifies that the department may also redact other tax
5 information from the record in an appeal or contested case, if
6 the taxpayer proves by clear and convincing evidence that the
7 release of the tax information would disclose a trade secret
8 or be an unwarranted invasion of personal privacy. The bill
9 permits the department to disclose information that is required
10 to be redacted if the department determines such information is
11 necessary to the resolution or decision of the case.

12 The bill enacts new Code section 423.37(4) (sales and use
13 tax) that provides the period of examination and determination
14 is unlimited under title X (financial resources) in any action
15 by the department to recover or rescind a tax expenditure
16 as defined in Code section 2.48 or any other incentive or
17 assistance administered by the economic development authority.
18 The amendment takes effect upon enactment. The bill also
19 provides that it is the intent of the general assembly that the
20 amendment to Code section 423.37(4) is a conforming amendment
21 consistent with current law, and that the amendment does not
22 change the application of current law. This provision takes
23 effect upon enactment.

24 The amendment to Code section 428A.1 (real estate
25 transfer tax) provides that a county recorder shall record
26 the declaration of value but is prohibited from charging a
27 recording fee for the filing.

28 The amendment to Code section 441.48 enhances the
29 readability of the Code section by specifying the board of
30 supervisors or city council, as applicable, shall provide
31 the department with notice of intent to protest prior to the
32 expiration of the 10 days' notice to adjust the valuation of
33 any class of property issued by the department.

34 The amendments to Code sections 489.706, 490.1422, 501.813,
35 and 504.1423, remove the role of the department in the

1 application for reinstatement by a limited liability company,
2 corporation, cooperative, or nonprofit corporation after the
3 dissolution of such an entity.

4 The bill enacts new Code section 533.329(03) by specifying
5 that a money and credit tax return prepared by a credit union
6 shall be on a form prepared by the department of revenue, and
7 shall be filed with the department on or before the last day of
8 April.

9 The bill amends Code section 533.329(3) relating to
10 enforcement of the moneys and credits tax paid by credit
11 unions.

12 DIVISION II — SALES AND USE TAX. The amendments to Code
13 sections 321G.4 (snowmobiles) and 321I.4 (all-terrain vehicles)
14 require the county recorder to collect sales or use tax if
15 an owner of such a vehicle is unable to present satisfactory
16 evidence that the sales or use tax has been paid.

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

20 The amendment to Code section 423.2(8)(d)(1) specifies that
21 the following is not subject to the sales tax: the retail
22 sale of a specified digital product and a service where the
23 specified digital product is essential and exclusive to the use
24 of the service, and the true object of the transaction is the
25 service.

26 The amendment to Code section 423.3(3A) provides that the
27 sales price from the sale of a commercial recreation service
28 offering the opportunity to hunt a preserve whitetail is
29 exempt from the sales tax if the sale occurred between July
30 1, 2005, and December 31, 2015. This provision takes effect
31 upon enactment and applies retroactively to July 1, 2005. The
32 bill prohibits any refunds resulting from the amendment to Code
33 section 423.3(3A).

34 The amendment to Code section 423.3(31) specifies that
35 the sales price of tangible personal property or specified

1 digital products sold to, or of services furnished to a
2 tribal government as defined in Code section 216A.161, or the
3 instrumentalities of such tribal government are exempt from the
4 sales tax under most circumstances.

5 The amendments to Code section 423.3(80)(b) and (c) specify
6 that services performed pursuant to a written construction
7 contract with a designated exempt entity as defined in Code
8 section 423.3(80)(a)(1) are exempt from the sales tax.

9 Currently, the construction contract is not required to be a
10 written contract and only building materials, supplies, and
11 equipment used in such a contract are exempt from the sales
12 tax. The bill also provides that the building materials,
13 supplies, equipment, and services are exempt from the sales
14 tax only if the property that is subject to the construction
15 project becomes public property or the property of a designated
16 exempt entity, in addition to the requirement that the
17 exempt items be completely consumed in the performance of the
18 construction contract.

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

22 The amendment to Code section 423.4(1), relating to refunds
23 of sales or use taxes to tax-exempt entities, enhances the
24 readability of the Code section by defining a "designated
25 exempt entity" and thus removing repeated references to each
26 exempt entity in the Code section. The bill also adds a tribal
27 government to the definition of a designated exempt entity.
28 The bill strikes the terms "goods, wares, and merchandise" and
29 uses the terms "building materials, supplies, and equipment"
30 for purposes of claiming the exemption, when a designated
31 exempt entity makes an application to the department for the
32 refund of the sales or use tax upon the sales price of all
33 sales or services related to the performance of a written
34 construction contract. Additionally, if the sales price of
35 all building materials, supplies, equipment, or services

1 related to the performance of a written construction contract
2 are to be exempt from the sales or use tax under the bill,
3 all of the following must apply: the building materials,
4 supplies, equipment, or services are completely consumed in the
5 performance of a construction project; the property that is the
6 subject of the construction project becomes public property or
7 the property of an exempt entity; and the building materials,
8 supplies, equipment, or services furnished are not used in
9 the performance of a construction contract with a designated
10 exempt entity in connection with the construction of certain
11 facilities.

12 The amendments to Code section 423.4(2)(a) and (b) relate
13 to construction contracts for transportation projects by
14 specifying the contractor shall pay sales or use tax for the
15 services related to such contracts, and by making terminology
16 more consistent in the subsection.

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

19 The amendment to Code section 423.5(1)(b) strikes the
20 imposition of a 6 percent excise tax on the use of manufactured
21 housing, or the purchase price if such housing is sold in the
22 form of tangible personal property, or the installed purchase
23 price if such housing is sold in the form of realty.

24 The amendment to Code section 423.29(1) provides that a
25 retailer maintaining a place of business in this state and
26 making taxable sales shall, at the time of making such sales,
27 collect the sales tax. The bill also provides that it is
28 the intent of the general assembly that the amendment to
29 Code section 423.29(1) is a conforming amendment consistent
30 with current law, and that the amendment does not change the
31 application of current law.

32 The amendment to Code section 423.33(1) enhances the
33 readability of the Code section by specifying that if a
34 purchaser fails to pay sales tax to a retailer required to
35 collect the sales tax, then the purchaser shall pay a use

1 tax directly to the department. The bill specifies that the
2 retailer and purchaser are jointly liable for the failure
3 to pay either the sales or use tax in most circumstances.
4 Additionally, the bill provides that it is the intent of the
5 general assembly that the addition of "joint liability" is a
6 conforming amendment consistent with current law, and that
7 the amendment does not change the application of current law.
8 The bill provides that if the purchaser pays the use tax,
9 the retailer remains liable for any local option sales and
10 services tax under Code chapter 423B that the retailer failed
11 to collect.

12 DIVISION III — INCOME TAX. The bill strikes and replaces
13 Code section 422.9(3)(c). The bill provides that a taxpayer
14 may elect to waive the entire carryback period with respect to
15 an Iowa net operating loss for any taxable year, in the manner
16 prescribed by the department, and by the due date for filing
17 the taxpayer's return, including extensions of time. After the
18 election is made for any taxable year, the election shall be
19 irrevocable for such taxable year. If an election has been
20 properly made, the bill provides that the Iowa net operating
21 loss shall be carried forward 20 taxable years.

22 The amendment to Code section 422.9(3)(d) modifies the
23 election for an Iowa farming loss, which may be carried back
24 for five taxable years prior to the taxable year of the loss.
25 The bill specifies that a farming business that has an Iowa
26 farming loss may make an election to carry back the loss for
27 five taxable years, in the manner prescribed by the department,
28 and shall be made by the due date for filing the taxpayer's
29 return, including extensions of time. After the election is
30 made for any taxable year, the bill provides the election shall
31 be irrevocable for such taxable year.

32 The division applies to tax years beginning on or after
33 January 1, 2020.

34 DIVISION IV — RESEARCH ACTIVITIES TAX CREDIT. The
35 amendments to Code sections 15.335, 422.10, and 422.33

1 update references to the Internal Revenue Code relating to
2 the alternative simplified credit for increasing research
3 activities.

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

7 DIVISION V — PARTNERSHIP AND PASS-THROUGH ENTITY AUDITS
8 AND REPORTING OF FEDERAL ADJUSTMENTS. The amendment to Code
9 section 421.27(2)(c) specifies that a taxpayer is required
10 to pay a penalty of 5 percent of the tax due, unless the
11 taxpayer provides written notification to the department of a
12 federal audit while it is in progress and voluntarily files
13 an amended return which includes the final disposition of the
14 audit and final federal adjustments to taxes paid within 60
15 days of the final determination date. The bill defines "final
16 determination date" to generally mean the first day on which no
17 federal adjustments to taxes arising from the audit or other
18 action remain to be finally determined. In cases of a final
19 federal partnership adjustment arising from a partnership
20 level audit, the taxpayer is required to pay a penalty of 5
21 percent of the tax due, unless the taxpayer provides written
22 notification to the department of the partnership level audit
23 while it is in progress, or timely complies with reporting and
24 payment requirements.

25 The bill enacts new Code section 422.7(59) providing that
26 any income subtracted from federal taxable income shall be
27 added back in computing net income for state individual income
28 tax purposes when federal adjustments are made to taxes in the
29 adjustment year. The bill defines "adjustment year" to mean
30 the year in which the final determination of the adjustment
31 occurs.

32 The amendment to Code section 422.25 adds definitions to the
33 Code section for "federal adjustment", "federal adjustments
34 report", "final determination date", and "final federal
35 adjustment".

1 The bill enacts new Code section 422.25A which creates a
2 process for audited partnerships and their direct and indirect
3 partners to report final federal partnership adjustments to
4 the department. The bill provides that the state partnership
5 representative for the reviewed year shall have sole authority
6 to act on behalf of the partnership. The bill creates
7 reporting and payment requirements for audited partnerships
8 and their partners subject to final federal adjustments.
9 The bill permits an audited partnership or a tiered partner
10 (partner that is a partnership or pass-through entity) to make
11 irrevocable elections about the payment of any adjustments,
12 and specifies the consequences of making certain elections.
13 The bill permits an audited partnership or tiered partner to
14 enter into an agreement with the department to use alternative
15 reporting and payment methods. The bill permits the department
16 to assess additional Iowa income tax, interest, and penalties
17 arising from a federal partnership adjustments in the same
18 manner as provided in other tax-related provisions.
19 The bill enacts new Code section 422.25B that requires
20 the state partnership representative acting on behalf of the
21 partnership for the reviewed year to be the partnership's
22 federal partnership representative with respect to an action
23 required or permitted to be taken by a state partnership
24 representative, unless the partnership designates in writing in
25 the manner prescribed by the department another person to act
26 as the state partnership representative.
27 The bill enacts new Code section 422.25C relating to
28 partnership or pass-through entity audits and examinations.
29 The bill provides that for tax years beginning on or after
30 January 1, 2020, any adjustments to a partnership's or
31 pass-through entity's taxes or an adjustment allocated to a
32 partner's taxes as a result of a department audit shall be
33 determined at the partnership or pass-through entity level in
34 the same manner as provided by federal law. The bill specifies
35 that the state partnership representative shall have the sole

1 authority to act on behalf of the partnership or pass-through
2 entity with respect to any actions taken due to the audit,
3 including appealing decisions to the director of revenue or
4 seeking judicial review of the director's decision. The
5 provisions of new Code section 422.25C may be applied to tax
6 years beginning before January 1, 2020, if the partnership or
7 pass-through entity and the department agree.

8 The bill enacts new Code section 422.35(26) providing that
9 any income subtracted from federal taxable income shall be
10 added back in computing net income for state corporate income
11 tax purposes when federal adjustments are made to taxes in the
12 adjustment year. The bill defines "adjustment year" to mean
13 the year in which the final determination of the adjustment
14 occurs.

15 The bill amends Code section 422.39 by specifying that Code
16 sections relating to payments of interest, computation of tax,
17 liens, and final reports of fiduciaries apply to not just
18 payments and collections but to reporting, examinations, and
19 assessments with respect to corporations including pass-through
20 entities organized as corporations.

21 The amendment to Code section 422.73 relates to credits
22 against taxes due because of errors. The bill changes the
23 period of limitation (statute of limitations) for a claim for
24 a refund of or a credit against individual income tax by a
25 taxpayer to one year from the final determination date of any
26 final adjustment with respect to the particular tax year to
27 claim an income tax refund or credit. Currently, a claim for
28 a refund of or a credit against the individual income tax by
29 a taxpayer is six months from the final disposition of any
30 income tax matter between the taxpayer and the internal revenue
31 service. The bill makes other changes relating to agreements
32 entered into by the department and the internal revenue
33 service for the transmission of federal income tax reports on
34 individuals who have been involved in an income tax matter with
35 the internal revenue service.

S.F. _____ H.F. _____

1 The division applies to federal adjustments and federal
2 partnership adjustments that have a final determination date
3 after the effective date of this division of this Act.