

House Study Bill 543 - Introduced

SENATE/HOUSE FILE _____
BY (PROPOSED GOVERNOR BILL)

A BILL FOR

1 An Act relating to state taxation and appropriations by
2 combining special purpose funds, modifying individual income
3 tax rates, placing assessment limitations for property tax
4 purposes on commercial child care facilities, and modifying
5 unemployment benefits, and including effective date and
6 retroactive applicability provisions.

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

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DIVISION I

SPECIAL PURPOSE FUNDS

Section 1. Section 7D.29, subsection 1, paragraphs a and b, Code 2024, are amended to read as follows:

a. From the appropriation made from the ~~Iowa economic emergency cash reserve~~ fund in ~~section 8.55~~ 8.56 for purposes of paying such expenses.

b. To the extent the appropriation from the ~~Iowa economic emergency cash reserve~~ fund described in paragraph "a" is insufficient to pay such expenses, there is appropriated from moneys in the general fund of the state not otherwise appropriated the amount necessary to fund that deficiency.

Sec. 2. Section 8.22A, subsection 2, Code 2024, is amended to read as follows:

2. The conference shall meet as often as deemed necessary, but shall meet at least three times per year with at least one meeting taking place each year in March. The conference may use sources of information deemed appropriate. At each meeting, the conference shall agree to estimates for the current fiscal year and the following fiscal year for the general fund of the state, lottery revenues to be available for disbursement, and from gambling revenues and from interest earned on the cash reserve fund ~~and the economic emergency fund~~ to be deposited in the rebuild Iowa infrastructure fund. At the meeting taking place each year in March, in addition to agreeing to estimates for the current fiscal year and the following fiscal year, the conference shall agree to estimates for the fiscal year beginning July 1 of the following calendar year. Only an estimate for the following fiscal year agreed to by the conference pursuant to subsection 3, 4, or 5, shall be used for purposes of calculating the state general fund expenditure limitation under section 8.54, and any other estimate agreed to shall be considered a preliminary estimate that shall not be used for purposes of calculating the state general fund expenditure limitation.

1 Sec. 3. Section 8.22A, subsection 5, paragraph b, Code 2024,
2 is amended to read as follows:

3 b. The amount of revenue for the following fiscal year from
4 gambling revenues and from interest earned on the cash reserve
5 fund ~~and the economic emergency fund~~ to be deposited in the
6 rebuild Iowa infrastructure fund under section 8.56 and section
7 8.57, subsection 5, paragraph ~~"e"~~ "f".

8 Sec. 4. Section 8.54, subsection 1, unnumbered paragraph 1,
9 Code 2024, is amended to read as follows:

10 For the purposes of section 8.22A, this section, and
11 ~~sections 8.55 through 8.56 and 8.57:~~

12 Sec. 5. Section 8.54, subsection 5, paragraph a, Code 2024,
13 is amended to read as follows:

14 a. For fiscal years in which it is anticipated that the
15 distribution of moneys ~~from the Iowa economic emergency fund~~
16 in accordance with section 8.55 8.57, subsection 2, paragraph
17 "c", will result in moneys being transferred to the general
18 fund of the state, the original state general fund expenditure
19 limitation amount provided for in subsection 3 shall be
20 readjusted to include the amount of moneys anticipated to be
21 so transferred.

22 Sec. 6. Section 8.56, subsections 1 and 3, Code 2024, are
23 amended to read as follows:

24 1. A cash reserve fund is created in the state treasury.
25 The cash reserve fund shall be separate from the general fund
26 of the state and shall not be considered part of the general
27 fund of the state except in determining the cash position of
28 the state as provided in subsection 3. The moneys in the cash
29 reserve fund are not subject to section 8.33 and shall not
30 be transferred, used, obligated, appropriated, or otherwise
31 encumbered except as provided in this section. Notwithstanding
32 section 12C.7, subsection 2, interest or earnings on moneys
33 deposited in the cash reserve fund shall be credited to the
34 rebuild Iowa infrastructure fund created in section 8.57.
35 ~~Moneys in the cash reserve fund may be used for cash flow~~

~~1 purposes during a fiscal year provided that any moneys so
2 allocated are returned to the cash reserve fund by the end of
3 that fiscal year.~~

4 3. a. The moneys in the cash reserve fund shall only be
5 used pursuant to an appropriation made by the general assembly
6 or as provided in this section. An appropriation shall be
7 made in accordance with subsection 4 only for the fiscal year
8 in which the appropriation is made. The moneys shall only be
9 appropriated by the general assembly for nonrecurring emergency
10 expenditures and shall not be appropriated for payment of
11 any collective bargaining agreement or arbitrator's decision
12 negotiated or awarded under chapter 20. Except as provided
13 in section 8.58, the cash reserve fund shall be considered a
14 special account for the purposes of section 8.53 in determining
15 the cash position of the general fund of the state for the
16 payment of state obligations.

17 b. Moneys in the cash reserve fund may be used for cash
18 flow purposes during a fiscal year provided that any moneys so
19 allocated are returned to the cash reserve fund by the end of
20 that fiscal year.

21 c. There is appropriated from the cash reserve fund to the
22 executive council an amount sufficient to pay the expenses
23 authorized by the executive council, as specified in section
24 7D.29.

25 d. There is appropriated from the cash reserve fund to the
26 general fund of the state for the fiscal year in which moneys
27 in the fund were used for cash flow purposes, for the purposes
28 of reducing or preventing any overdraft on or deficit in the
29 general fund of the state, the amount from the cash reserve
30 fund that was used for cash flow purposes pursuant to paragraph
31 "b" and that was not returned to the cash reserve fund by June
32 30 of the fiscal year. The appropriation in this paragraph
33 shall not exceed one percent of the adjusted revenue estimate
34 for the fiscal year for which the appropriation is made and is
35 contingent upon all of the following having occurred:

1 (1) Prior to an appropriation being made pursuant to this
2 paragraph, the balance of the general fund of the state at the
3 end of the fiscal year for which the appropriation is made is
4 negative.

5 (2) The governor issues an official proclamation and
6 notifies the legislative fiscal committee and the legislative
7 services agency that the balance of the general fund is
8 negative and that an appropriation made pursuant to this
9 paragraph brings the general fund of the state into balance.

10 e. If an appropriation is made pursuant to paragraph "d"
11 for a fiscal year, there is appropriated from the general fund
12 of the state to the cash reserve fund for the following fiscal
13 year the amount of the appropriation made pursuant to paragraph
14 "d".

15 Sec. 7. Section 8.56, subsection 4, paragraph a, unnumbered
16 paragraph 1, Code 2024, is amended to read as follows:

17 Except as provided in [subsection 3](#), an appropriation shall
18 not be made from the cash reserve fund unless the appropriation
19 is in accordance with all of the following:

20 Sec. 8. Section 8.57, subsection 1, paragraph a, Code 2024,
21 is amended to read as follows:

22 a. The "cash reserve goal percentage" for fiscal years
23 beginning on or after July 1, 2004 2024, is ~~seven~~ twelve and
24 one-half percent of the adjusted revenue estimate. For each
25 fiscal year in which the appropriation of the surplus existing
26 in the general fund of the state at the conclusion of the prior
27 fiscal year pursuant to paragraph "b" was not sufficient for the
28 cash reserve fund to reach the cash reserve goal percentage for
29 the current fiscal year, there is appropriated from the general
30 fund of the state an amount to be determined as follows:

31 (1) If the balance of the cash reserve fund in the current
32 fiscal year is not more than ~~six~~ eleven and one-half percent of
33 the adjusted revenue estimate for the current fiscal year, the
34 amount of the appropriation under this lettered paragraph is
35 one percent of the adjusted revenue estimate for the current

1 fiscal year.

2 (2) If the balance of the cash reserve fund in the current
3 fiscal year is more than ~~six~~ eleven and one-half percent but
4 less than ~~seven~~ twelve and one-half percent of the adjusted
5 revenue estimate for that fiscal year, the amount of the
6 appropriation under this lettered paragraph is the amount
7 necessary for the cash reserve fund to reach ~~seven~~ twelve and
8 one-half percent of the adjusted revenue estimate for the
9 current fiscal year.

10 (3) The moneys appropriated under this lettered paragraph
11 shall be credited in equal and proportionate amounts in each
12 quarter of the current fiscal year.

13 Sec. 9. Section 8.57, subsections 2 and 3, Code 2024, are
14 amended to read as follows:

15 2. a. Moneys appropriated under subsection 1 shall be first
16 credited to the cash reserve fund. To the extent that moneys
17 appropriated under subsection 1 would make the moneys in the
18 cash reserve fund exceed the cash reserve goal percentage of
19 the adjusted revenue estimate for the fiscal year, the moneys
20 are appropriated to the department of management to be spent
21 for the purpose of eliminating Iowa's GAAP deficit, including
22 the payment of items budgeted in a subsequent fiscal year
23 which under generally accepted accounting principles should be
24 budgeted in the current fiscal year. These moneys shall be
25 deposited into a GAAP deficit reduction account established
26 within the department of management.

27 b. The department of management shall annually file
28 with both houses of the general assembly at the time of the
29 submission of the governor's budget, a schedule of the items
30 for which moneys appropriated under this subsection for the
31 purpose of eliminating Iowa's GAAP deficit, including the
32 payment of items budgeted in a subsequent fiscal year which
33 under generally accepted accounting principles should be
34 budgeted in the current fiscal year, shall be spent. The
35 schedule shall indicate the fiscal year in which the spending

1 for an item is to take place and shall incorporate the items
2 detailed in 1994 Iowa Acts, ch. 1181, §17. The schedule
3 shall list each item of expenditure and the estimated dollar
4 amount of moneys to be spent on that item for the fiscal
5 year. The department of management may submit during a
6 regular legislative session an amended schedule for legislative
7 consideration. If moneys appropriated under this subsection
8 are not enough to pay for all listed expenditures, the
9 department of management shall distribute the payments among
10 the listed expenditure items. Moneys appropriated to the
11 department of management under this subsection shall not be
12 spent on items other than those included in the filed schedule.

13 c. On September 1 following the close of a fiscal year,
14 moneys in the GAAP deficit reduction account which remain
15 unexpended for items on the filed schedule for the previous
16 fiscal year shall be credited ~~to the Iowa economic emergency~~
17 ~~fund~~ as follows:

18 (1) The difference between the actual net revenue for the
19 general fund of the state for the fiscal year and the adjusted
20 revenue estimate for the fiscal year shall be transferred to
21 the taxpayer relief fund created in section 8.57E.

22 (2) The remainder of the excess, if any, shall be
23 transferred to the general fund of the state.

24 3. To the extent that moneys appropriated under ~~subsection~~
25 subsections 1 and 2 exceed the amounts necessary for the
26 cash reserve fund to reach its maximum balance and the
27 amounts necessary to eliminate Iowa's GAAP deficit, including
28 elimination of the making of any appropriation in an incorrect
29 fiscal year, the moneys shall be ~~appropriated to the Iowa~~
30 ~~economic emergency fund~~ transferred pursuant to subsection 2,
31 paragraph "c".

32 Sec. 10. Section 8.57, subsection 5, paragraph d, Code 2024,
33 is amended to read as follows:

34 d. The general assembly may provide that all or part of the
35 moneys deposited in the GAAP deficit reduction account created

1 in [this section](#) shall be transferred to the rebuild Iowa
2 infrastructure fund in lieu of appropriation of the moneys to
3 ~~the Iowa economic emergency fund~~ under subsection 2, paragraph
4 "c".

5 Sec. 11. Section 8.57E, subsection 2, paragraph b,
6 subparagraph (1), Code 2024, is amended to read as follows:

7 (1) For the fiscal year beginning July 1, 2023, and for
8 each fiscal year thereafter, if the actual net revenue for the
9 general fund of the state for the fiscal year plus the amount
10 transferred to the general fund of the state under section ~~8.55~~
11 8.57, subsection 2, paragraph ~~"b"~~ "c", for the fiscal year, if
12 any, is less than one hundred three and one-half percent of
13 the actual net revenue for the general fund of the state for
14 the prior fiscal year, there is transferred from the taxpayer
15 relief fund to the general fund of the state an amount equal to
16 the difference or the remaining balance of the taxpayer relief
17 fund, whichever is lower, subject to subparagraph (2).

18 Sec. 12. Section 8.58, Code 2024, is amended to read as
19 follows:

20 **8.58 Exemption from automatic application.**

21 1. To the extent that moneys appropriated under [section 8.57](#)
22 do not result in moneys being credited to the general fund of
23 the state under [section 8.55 8.57](#), [subsection 2](#), [paragraph "c"](#),
24 moneys appropriated under [section 8.57](#) and moneys contained
25 in the cash reserve fund, rebuild Iowa infrastructure fund,
26 environment first fund, ~~Iowa economic emergency fund~~, taxpayer
27 relief fund, state bond repayment fund, Iowa coronavirus fiscal
28 recovery fund, and Iowa coronavirus capital projects fund
29 shall not be considered in the application of any formula,
30 index, or other statutory triggering mechanism which would
31 affect appropriations, payments, or taxation rates, contrary
32 provisions of the Code notwithstanding.

33 2. To the extent that moneys appropriated under [section 8.57](#)
34 do not result in moneys being credited to the general fund of
35 the state under [section 8.55 8.57](#), [subsection 2](#), [paragraph "c"](#),

1 moneys appropriated under [section 8.57](#) and moneys contained
2 in the cash reserve fund, rebuild Iowa infrastructure fund,
3 environment first fund, ~~Iowa economic emergency fund~~, taxpayer
4 relief fund, state bond repayment fund, Iowa coronavirus fiscal
5 recovery fund, and Iowa coronavirus capital projects fund shall
6 not be considered by an arbitrator or in negotiations under
7 chapter 20.

8 Sec. 13. REPEAL. Section 8.55, Code 2024, is repealed.

9 Sec. 14. TRANSFER OF MONEYS. On the effective date of this
10 division of this Act, moneys remaining in the Iowa economic
11 emergency fund created in section 8.55, Code 2024, shall be
12 transferred as follows:

13 1. To the cash reserve fund created in section 8.56 up to
14 the maximum balance of the cash reserve fund as described in
15 sections 8.56 and 8.57, as amended by this division of this
16 Act.

17 2. If moneys remain after the transfer under subsection 1,
18 to the general fund of the state.

19 DIVISION II

20 INDIVIDUAL INCOME TAXES — FUTURE INCOME TAX RATES — ALTERNATE
21 TAX RATES — WITHHOLDING

22 Sec. 15. Section 421.27, subsection 9, paragraph a,
23 subparagraph (3), Code 2024, is amended to read as follows:

24 (3) In the case of all other entities, including
25 corporations described in [section 422.36, subsection 5](#), and all
26 other entities required to file an information return under
27 section 422.15, subsection 2, the entity's Iowa net income
28 after the application of the Iowa business activity ratio,
29 if applicable, multiplied by the ~~top~~ income tax rate imposed
30 under [section 422.5A 422.5](#) for the tax year, less any Iowa tax
31 credits available to the entity.

32 Sec. 16. Section 422.5, subsection 1, paragraph a, Code
33 2024, is amended to read as follows:

34 a. A tax is imposed upon every resident and nonresident
35 of the state which tax shall be levied, collected, and paid

1 annually upon and with respect to the entire taxable income
2 as defined in [this subchapter](#) at ~~rates as provided in section~~
3 ~~422.5A.~~ the following rates:

4 (1) For the tax year beginning on or after January 1, 2024,
5 but before January 1, 2025, a rate of 3.65 percent.

6 (2) For the tax years beginning on or after January 1, 2025,
7 a rate of 3.50 percent.

8 Sec. 17. Section 422.5, subsection 2, paragraph b, Code
9 2024, is amended by striking the paragraph.

10 Sec. 18. Section 422.5, subsection 3, paragraph b, Code
11 2024, is amended by striking the paragraph.

12 Sec. 19. Section 422.5, subsection 6, Code 2024, is amended
13 by striking the subsection.

14 Sec. 20. Section 422.16, subsection 2, paragraph e, Code
15 2024, is amended to read as follows:

16 e. For the purposes of [this subsection](#), state income tax
17 shall be withheld at the ~~highest~~ rate for the applicable tax
18 year described in [section 422.5A 422.5](#) from supplemental wages
19 of an employee in those circumstances in which the employer
20 treats the supplemental wages as wholly separate from regular
21 wages for purposes of withholding and federal income tax is
22 withheld from the supplemental wages under section 3402(g) of
23 the Internal Revenue Code.

24 Sec. 21. Section 422.16B, subsection 2, paragraph a, Code
25 2024, is amended to read as follows:

26 a. (1) A pass-through entity shall file a composite return
27 on behalf of all nonresident members and shall report and pay
28 the income or franchise tax imposed under [this chapter](#) at the
29 maximum state income or franchise tax rate applicable to the
30 member under [section 422.5A 422.5](#), [422.33](#), or [422.63](#) on the
31 nonresident members' distributive shares of the income from the
32 pass-through entity.

33 (2) The tax rate applicable to a tiered pass-through entity
34 shall be the ~~maximum~~ state income tax rate under ~~section 422.5A~~
35 422.5.

1 Sec. 22. Section 422.16C, subsection 4, paragraph a, Code
2 2024, is amended to read as follows:

3 a. A taxpayer making an election under [this section](#) shall
4 be subject to tax in an amount equal to the ~~maximum~~ rate for
5 the applicable tax year under [section 422.5A 422.5](#), imposed
6 against the taxable income of the taxpayer for the taxable
7 year properly determined under [this chapter](#) and allocated
8 and apportioned to the state under the rules adopted by the
9 department. The tax shall be due with the taxpayer's return
10 required under [this chapter](#).

11 Sec. 23. Section 422.16C, subsection 5, paragraph a,
12 subparagraph (2), Code 2024, is amended to read as follows:

13 (2) The difference between one hundred percent and the
14 ~~highest~~ individual income tax rate in effect for the tax year.

15 Sec. 24. Section 422.21, subsection 5, Code 2024, is amended
16 to read as follows:

17 5. The director shall determine for the 2023 calendar year
18 and each subsequent calendar year the annual and cumulative
19 inflation factors for each calendar year to be applied to tax
20 years beginning on or after January 1 of that calendar year.
21 ~~The director shall compute the new dollar amounts as specified~~
22 ~~to be adjusted in [section 422.5](#) by the latest cumulative~~
23 ~~inflation factor and round off the result to the nearest one~~
24 ~~dollar.~~ The annual and cumulative inflation factors determined
25 by the director are not rules as defined in section 17A.2,
26 subsection 11.

27 Sec. 25. Section 422.25A, subsection 5, paragraph c,
28 subparagraphs (3), (4), and (5), Code 2024, are amended to read
29 as follows:

30 (3) Determine the total distributive share of all final
31 federal partnership adjustments and positive reallocation
32 adjustments as modified by [this title](#) that are reported to
33 nonresident individual partners and nonresident fiduciary
34 partners and allocate and apportion such adjustments as
35 provided in [section 422.33](#) at the partnership or tiered partner

1 level, and multiply the resulting amount by the ~~maximum~~ highest
2 individual income tax rate pursuant to ~~section 422.5A~~ for the
3 reviewed year.

4 (4) For the total distributive share of all final federal
5 partnership adjustments and positive reallocation adjustments
6 as modified by [this title](#) that are reported to tiered partners:

7 (a) Determine the amount of such adjustments which are of a
8 type that would be subject to sourcing to Iowa under section
9 422.8, subsection 2, paragraph "a", as a nonresident, and then
10 determine the portion of this amount that would be sourced to
11 Iowa under those provisions as if the tiered partner were a
12 nonresident.

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

16 (c) Determine the portion of the amount in subparagraph
17 division (b) that can be established, as prescribed by the
18 department by rule, to be properly allocable to indirect
19 partners that are nonresident partners or other partners not
20 subject to tax on the adjustments.

21 (d) Multiply the total of the amounts determined in
22 subparagraph divisions (a) and (b), reduced by any amount
23 determined in subparagraph division (c), by the highest
24 individual income tax rate pursuant to ~~section 422.5A~~ for the
25 reviewed year.

26 (5) For the total distributive share of all final federal
27 partnership adjustments and positive reallocation adjustments
28 as modified by [this title](#) that are reported to resident
29 individual partners and resident fiduciary partners, multiply
30 that amount by the highest individual income tax rate pursuant
31 to ~~section 422.5A~~ for the reviewed year.

32 Sec. 26. REPEAL. 2022 Iowa Acts, chapter 1002, sections 19,
33 20, 21, 22, 23, and 24, are repealed.

34 Sec. 27. REPEAL. 2023 Iowa Acts, chapter 115, sections 20
35 and 21, are repealed.

1 Sec. 28. REPEAL. Section 422.5A, Code 2024, is repealed.

2 Sec. 29. RATE OF WITHHOLDING. Notwithstanding any other
3 provision of law to the contrary, for tax years beginning on
4 or after January 1, 2024, any required rate of withholding
5 shall not be higher than the rate for the applicable tax year
6 pursuant to section 422.5 as amended by this division of this
7 Act.

8 Sec. 30. EFFECTIVE DATE. This division of this Act, being
9 deemed of immediate importance, takes effect upon enactment.

10 Sec. 31. RETROACTIVE APPLICABILITY. This division of this
11 Act applies retroactively to January 1, 2024, for tax years
12 beginning on or after that date.

13 DIVISION III

14 PENALTY FOR OVERWITHHOLDING

15 Sec. 32. Section 422.16, Code 2024, is amended by adding the
16 following new subsection:

17 NEW SUBSECTION. 16. *a.* A withholding agent required to
18 deduct and withhold individual income tax under this section
19 shall adjust the rate of withholding for each payee to the
20 individual income tax rate applicable to the payee within sixty
21 days of a change to the individual income tax rate in section
22 422.5.

23 *b.* Any withholding agent that is in violation of paragraph
24 "a" shall pay a penalty of one hundred dollars for each payee's
25 withholding that is not adjusted per payroll period.

26 *c.* The penalty shall not apply if the overwithholding
27 resulted from one or more of the following circumstances:

28 (1) A payee has requested additional withholding above the
29 individual income tax rate pursuant to section 422.5.

30 (2) A withholding agent is overwithholding to correct
31 erroneous underwithholding within the same calendar year.

32 (3) A withholding agent makes a clerical or mathematical
33 error that results in the amount of withholding for a payee
34 being within one percent or twenty dollars of the correct
35 amount of withholding, whichever is greater.

1 exempt from state tax in paragraph "b" shall not be included.

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

15 Sec. 38. EFFECTIVE DATE. This division of this Act, being
16 deemed of immediate importance, takes effect upon enactment.

17 Sec. 39. RETROACTIVE APPLICABILITY. This division of this
18 Act applies retroactively to January 1, 2024, for tax years
19 beginning on or after that date.

20 DIVISION VI

21 CHILD CARE FACILITY PROPERTY TAX ASSESSMENT LIMITATION

22 Sec. 40. Section 441.21, subsection 5, paragraph b,
23 subparagraph (2), unnumbered paragraph 1, Code 2024, is amended
24 to read as follows:

25 ~~For~~ Except as prescribed for property subject to
26 subparagraph (3), for valuations established for the assessment
27 year beginning January 1, 2022, and each assessment year
28 thereafter, the portion of actual value at which each property
29 unit of commercial property shall be assessed shall be the sum
30 of the following:

31 Sec. 41. Section 441.21, subsection 5, paragraph b, Code
32 2024, is amended by adding the following new subparagraph:

33 NEW SUBPARAGRAPH. (3) (a) For valuations established
34 for the assessment year beginning January 1, 2024, and each
35 assessment year thereafter, the portion of actual value at

1 which each portion of a property unit of commercial property
2 that is primarily used as a child care facility as defined
3 in section 237A.1, and for which an application has been
4 allowed under this subparagraph, shall be assessed at an amount
5 equal to the product of the assessment limitation percentage
6 applicable to residential property under subsection 4 for that
7 assessment year multiplied by the actual value of the property.

8 (b) Applications to qualify a child care facility for the
9 assessment limitation allowed under this subparagraph shall be
10 filed with the assessor not later than July 1 of the assessment
11 year for which the person is requesting the assessment
12 limitation. The application shall be on forms prescribed by
13 the department of revenue and must include all of the following
14 information:

15 (i) A description of the property, including the property's
16 location.

17 (ii) A copy of the license to operate as a child care
18 facility issued by the department of health and human services,
19 or other proof of eligibility as set forth by the department
20 of revenue by rule.

21 (iii) Any other information as required by the department
22 of revenue.

23 (c) Upon allowance of the application, the assessment
24 limitation shall be applied on the portion of the property
25 unit of commercial property that is primarily used as a child
26 care facility for successive years without further filing as
27 long as the property continues to be classified as commercial
28 property and is used for the purposes specified in the original
29 application for assessment limitation.

30 (d) No later than July 6 of each year, the assessor shall
31 remit the applications for assessment limitation to the county
32 auditor with the assessor's recommendation for allowance or
33 disallowance of the assessment limitation. If the assessor
34 recommends disallowance, the assessor shall submit the reasons
35 for the recommendation in writing to the county auditor.

1 (e) No later than July 15 of each year, the county auditor
2 shall forward the applications for assessment limitation to
3 the board of supervisors. The board shall determine the
4 eligibility for each application on or before September 1 of
5 each year.

6 (i) If the board disallows a claim, the board shall send
7 written notice by mail to the applicant at the applicant's
8 last-known address. The notice shall state the reasons for
9 disallowing the application and shall state the applicant's
10 right to appeal the board's action to the district court. An
11 applicant may appeal the board's decision to the district court
12 of the county in which the property is located within thirty
13 days of the date of the notice of disallowance.

14 (ii) No later than October 1 of each year, the board of
15 supervisors shall certify all allowed assessment limitations
16 received for that year with the county auditor.

17 (f) If a property that has been granted an assessment
18 limitation ceases to be used as a child care facility, the
19 owner of the child care facility shall give written notice to
20 the assessor by the July 1 following the date the property
21 ceased to be used as a child care facility.

22 (g) (i) If the board determines at any time within
23 thirty-six months of allowing an assessment limitation that the
24 assessment limitation was allowed in error, the board shall
25 notify the property owner by mail and conduct a hearing on the
26 matter.

27 (ii) If, after a hearing required by subparagraph
28 subdivision (i), the board determines the assessment limitation
29 was allowed in error and the assessment limitation should be
30 disallowed, the treasurer shall collect from the property owner
31 the amount of tax that would have been assessed on the property
32 if there had been no allowance of the assessment limitation
33 under this subparagraph (3). The amount due shall become a
34 lien on the property that received the assessment limitation
35 and shall be collected by the county treasurer in the same

1 manner as other taxes.

2 (h) The assessor shall retain a permanent file of properties
3 that have approved assessment limitations pursuant to this
4 subparagraph. If the assessor receives notice of a title
5 transfer pursuant to subparagraph division (i), then the
6 assessor shall file a notice of transfer of property.

7 (i) The county recorder shall give notice to the assessor
8 of each transfer of title filed in the recorder's office for a
9 property which has an allowed assessment limitation pursuant to
10 this subparagraph. The notice from the county recorder shall
11 describe the property transferred, the name of the person who
12 transferred title, and the name of the person to whom title is
13 transferred.

14 (j) The department of revenue shall adopt rules to implement
15 and administer this subparagraph.

16 Sec. 42. Section 441.21, subsection 5, paragraph e,
17 subparagraphs (1) and (3), Code 2024, are amended to read as
18 follows:

19 (1) For the fiscal year beginning July 1, 2023, there
20 is appropriated from the general fund of the state to the
21 department of revenue the sum of one hundred twenty-two million
22 three hundred fifty thousand dollars to be used for payments
23 under this paragraph calculated as a result of the assessment
24 limitations imposed under paragraph "b", subparagraph (2),
25 subparagraph division (a), and paragraph "c", subparagraph (2),
26 subparagraph division (a). For each fiscal year beginning on
27 or after July 1, 2024, there is appropriated from the general
28 fund of the state to the department of revenue the sum of one
29 hundred twenty-five million dollars to be used for payments
30 under this paragraph calculated as a result of the assessment
31 limitations imposed under paragraph "b", subparagraph (2),
32 subparagraph division (a), and paragraph "c", subparagraph (2),
33 subparagraph division (a), and paragraph "b", subparagraph (3),
34 for the portion of the actual value of the property unit equal
35 to or less than one hundred fifty thousand dollars.

1 (3) On or before July 1 of each fiscal year, the assessor
2 shall report to the county auditor that portion of the total
3 actual value of all commercial property and industrial property
4 in the county that is subject to the assessment limitations
5 imposed under paragraph "b", subparagraph (2), subparagraph
6 division (a), ~~and~~ paragraph "c", subparagraph (2), subparagraph
7 division (a), and paragraph "b", subparagraph (3), for the
8 portion of the actual value of the property unit equal to
9 or less than one hundred fifty thousand dollars, for the
10 assessment year used to calculate the taxes due and payable in
11 that fiscal year.

12 Sec. 43. Section 441.21, subsection 5, paragraph e,
13 subparagraph (4), subparagraph division (a), Code 2024, is
14 amended to read as follows:

15 (a) The product of the portion of the total actual value
16 of all commercial property, industrial property, and property
17 valued by the department under [chapter 434](#) in the county
18 that is subject to the assessment limitations imposed under
19 paragraph "b", subparagraph (2), subparagraph division (a);
20 ~~and~~ paragraph "c", subparagraph (2), subparagraph division
21 (a); and paragraph "b", subparagraph (3), for the portion of
22 the actual value of the property unit equal to or less than one
23 hundred fifty thousand dollars, for the applicable assessment
24 year used to calculate taxes which are due and payable in the
25 applicable fiscal year multiplied by the difference, stated
26 as a percentage, between ninety percent and the assessment
27 limitation percentage applicable to residential property under
28 subsection 4 for the applicable assessment year.

29 Sec. 44. RETROACTIVE APPLICABILITY. The following apply
30 retroactively to assessment years beginning on or after January
31 1, 2024:

32 1. The section of this division of this Act amending
33 section 441.21, subsection 5, paragraph "b", subparagraph (2),
34 unnumbered paragraph 1.

35 2. The section of this division of this Act enacting section

1 441.21, subsection 5, paragraph "b", subparagraph (3).

2 Sec. 45. APPLICABILITY. The following apply to fiscal years
3 beginning on or after July 1, 2025, for payments pursuant to
4 section 441.21, subsection 5, paragraph "e":

5 1. The section of this division of this Act amending section
6 441.21, subsection 5, paragraph "e", subparagraphs (1) and (3).

7 2. The section of this division of this Act amending
8 section 441.21, subsection 5, paragraph "e", subparagraph (4),
9 subparagraph division (a).

10 Sec. 46. EFFECTIVE DATE. This division of this Act, being
11 deemed of immediate importance, takes effect upon enactment.

12 DIVISION VII

13 UNEMPLOYMENT BENEFITS

14 Sec. 47. Section 96.1A, subsection 36, Code 2024, is amended
15 to read as follows:

16 36. "*Taxable wages*" means an amount of wages upon which an
17 employer is required to contribute based upon wages which have
18 been paid in this state during a calendar year to an individual
19 by an employer or the employer's predecessor, ~~in this state or~~
20 ~~another state which extends a like comity to this state, with~~
21 ~~respect to employment~~, upon which the employer is required to
22 contribute, which equals the greater of the following:

23 a. ~~Sixty-six and two-thirds~~ Thirty-three and one-third
24 percent of the statewide average weekly wage which was used
25 during the previous calendar year to determine maximum weekly
26 benefit amounts, multiplied by fifty-two and rounded to the
27 next highest multiple of one hundred dollars.

28 b. That portion of wages subject to a tax under a federal
29 law imposing a tax against which credit may be taken for
30 contributions required to be paid into a state unemployment
31 compensation fund.

32 Sec. 48. Section 96.7, subsection 2, paragraph c,
33 subparagraphs (1) and (2), Code 2024, are amended to read as
34 follows:

35 (1) A nonconstruction contributory employer newly subject

1 to **this chapter** shall pay contributions at the rate specified
2 in the ~~twelfth~~ fourth benefit ratio rank but not less than
3 one percent until the end of the calendar year in which the
4 employer's account has been chargeable with benefits for
5 twelve consecutive calendar quarters immediately preceding the
6 computation date.

7 (2) A construction or landscaping contributory employer,
8 as defined under rules adopted by the department pursuant to
9 chapter 17A, which is newly subject to **this chapter** shall pay
10 contributions at the rate specified in the ~~twenty-first~~ ninth
11 benefit ratio rank until the end of the calendar year in which
12 the employer's account has been chargeable with benefits for
13 twelve consecutive calendar quarters.

14 Sec. 49. Section 96.7, subsection 2, paragraph d,
15 subparagraph (1), Code 2024, is amended to read as follows:

16 (1) The current reserve fund ratio is computed by dividing
17 the total funds available for payment of benefits, on the
18 computation date or on August 15 following the computation
19 date if the total funds available for payment of benefits is a
20 higher amount on August 15, by the total wages paid in covered
21 employment excluding reimbursable employment wages during the
22 ~~first four calendar quarters of the five calendar quarters~~
23 year immediately preceding the computation date. ~~However,~~
24 ~~in computing the current reserve fund ratio, beginning July~~
25 ~~1, 2007, one hundred fifty million dollars shall be added to~~
26 ~~the total funds available for payment of benefits on each~~
27 ~~computation date.~~

28 Sec. 50. Section 96.7, subsection 2, paragraph d,
29 subparagraph (2), subparagraph division (a), Code 2024, is
30 amended by striking the subparagraph division.

31 Sec. 51. Section 96.7, subsection 2, paragraph d,
32 subparagraph (2), subparagraph division (b), Code 2024, is
33 amended by striking the subparagraph division and inserting in
34 lieu thereof the following:

35 (b) If the current reserve fund ratio:

1 Equals or	But is	The contribution rate
2 exceeds	less than	table in effect shall be
4 —	0.50	A
5 0.50	0.90	B
6 0.90	1.30	C
7 1.30	—	D

8 Sec. 52. Section 96.7, subsection 2, paragraph d,
 9 subparagraph (2), subparagraph division (d), Code 2024, is
 10 amended by striking the subparagraph division and inserting in
 11 lieu thereof the following:

12 (d) Each employer qualified for an experience rating
 13 shall be assigned a contribution rate for each rate year
 14 that corresponds to the employer's benefit ratio rank in the
 15 contribution rate table effective for the rate year from the
 16 following contribution rate tables. Each employer's benefit
 17 ratio rank shall be computed by listing all the employers by
 18 increasing benefit ratios, from the lowest benefit ratio to the
 19 highest benefit ratio and grouping the employers so listed into
 20 nine separate ranks containing as nearly as possible fourteen
 21 and twenty-nine hundredths percent of the total taxable wages,
 22 excluding reimbursable employment wages, in the first six
 23 ranks, and four and seventy-six hundredths percent of the total
 24 taxable wages, excluding reimbursable employment wages, in
 25 ranks seven, eight, and nine, paid in covered employment during
 26 the four completed calendar quarters immediately preceding the
 27 computation date. If an employer's taxable wages qualify the
 28 employer for two separate benefit ratio ranks the employer
 29 shall be afforded the benefit ratio rank assigned the lower
 30 contribution rate. Employers with identical benefit ratios
 31 shall be assigned to the same benefit ratio rank.

32	Approximate	Contribution Rate Tables			
33 Benefit	Cumulative				
34 Ratio	Taxable				
35 Rank	Payroll Limit	A	B	C	D

1						
2	1	14.29%	0.00	0.00	0.00	0.00
3	2	28.58%	0.40	0.30	0.10	0.10
4	3	42.87%	1.20	0.80	0.40	0.20
5	4	57.16%	2.10	1.40	0.60	0.30
6	5	71.45%	3.60	2.40	1.10	0.50
7	6	85.74%	5.40	4.10	1.90	0.90
8	7	90.50%	5.40	5.40	4.20	2.00
9	8	95.26%	5.40	5.40	5.40	2.80
10	9	100.00%	5.40	5.40	5.40	5.40

EXPLANATION

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

This bill relates to state taxation and appropriations by combining special purpose funds, modifying individual income tax rates, placing assessment limitations for property taxation purposes on commercial child care facilities, and modifying unemployment benefits.

DIVISION I — SPECIAL PURPOSE FUNDS. The bill combines the Iowa economic emergency fund (EEF) and the cash reserve fund (CRF) by (1) eliminating the EEF, (2) increasing the maximum balance of the CRF from 7.5 percent of the adjusted revenue estimate to 12.5 percent of the adjusted revenue estimate, and (3) authorizing moneys in the CRF to be used for purposes previously authorized for moneys in the EEF. These authorizations include (1) support of the executive council, (2) appropriations to the general fund of the state (GF) under emergency circumstances when the balance of the GF is negative, and (3) transfers of a budget surplus to the taxpayer relief fund and to the GF, as applicable. Upon the elimination of the EEF, remaining EEF moneys are transferred to the taxpayer relief fund and then remainder of the excess, if any, to the GF.

DIVISION II — INDIVIDUAL INCOME TAXES — FUTURE TAX RATES — ALTERNATE TAX RATES.

1 FUTURE INDIVIDUAL INCOME TAX RATES. The bill strikes the
2 graduated individual income tax rates that go into effect in
3 tax years 2024 and 2025, and establishes new individual income
4 tax flat rates beginning in tax years on or after January 1,
5 2024.

6 The bill establishes the individual income tax flat rate for
7 the tax year beginning January 1, 2024, but before January 1,
8 2025, at 3.65 percent.

9 The bill establishes the individual income tax flat rate for
10 the tax years beginning on or after January 1, 2025, at 3.50
11 percent. Under current law, the individual income tax flat
12 rate of 3.90 percent goes into effect for tax years beginning
13 on or after January 1, 2026.

14 The bill strikes references to calculating the latest
15 cumulative inflation factor in Code section 422.5(6) and Code
16 section 422.21(5) due to removing income tax brackets and
17 establishing the individual income tax flat rate commencing
18 with tax years beginning on or after January 1, 2024.

19 ALTERNATE INDIVIDUAL INCOME TAX RATES. The bill repeals the
20 alternate individual income tax rates. The alternate income
21 tax rate is available for a taxpayer whose income marginally
22 exceeds the individual income tax filing thresholds in Code
23 sections 422.5(2) and (3), and is used to calculate income tax
24 owed.

25 EFFECTIVE DATE AND APPLICABILITY. The division takes effect
26 upon enactment and applies retroactively to tax years beginning
27 on or after January 1, 2024.

28 DIVISION III — PENALTY FOR OVERWITHHOLDING. The bill
29 requires a withholding agent to adjust the rate of withholding
30 for each payee (taxpayer) to the individual income tax rate
31 applicable to the payee within 60 days of a change to the
32 individual income tax rate. The term "withholding agent" is
33 defined in Code section 422.16(1).

34 A withholding agent who knowingly does not adjust the rate
35 of withholding to the individual income tax rate applicable to

1 the payee within 60 days of a change to the individual income
2 tax rate is required to pay a penalty of \$100 for each payee's
3 withholding that is not adjusted per payroll period.

4 The overwithholding penalty does not apply if the
5 overwithholding resulted because a payee has requested
6 additional withholding above the individual income tax rate;
7 the withholding agent is overwithholding to correct erroneous
8 underwithholding; or the withholding agent makes a clerical or
9 mathematical error in the amount of withholding that is within
10 1 percent or \$20 of the correct amount, whichever is greater.

11 The overwithholding penalty imposed pursuant to the bill is
12 not subject to waiver.

13 The division takes effect upon enactment.

14 DIVISION IV — ESTIMATED TAX THRESHOLD. Under the bill,
15 a taxpayer filing a return is required to make estimated
16 tax payments if Iowa income tax liability can reasonably be
17 expected to exceed \$1,000 or more. Under current law, such
18 a taxpayer filing a return is required to make estimated
19 tax payments if Iowa income tax liability can reasonably be
20 expected to exceed \$200 or more.

21 The division takes effect January 1, 2025, and applies to tax
22 years on or after that date.

23 DIVISION V — LUMP SUM DISTRIBUTION OF RETIREMENT INCOME.
24 Under current law, commencing with tax years beginning on or
25 after January 1, 2023, retirement income is not subject to
26 Iowa individual income tax. However, under current law a lump
27 sum distribution from a retirement account is subject to Iowa
28 income tax under Code section 422.5(8) at a rate of 25 percent
29 of the federal tax rate imposed on the amount of the lump sum
30 distribution.

31 The bill provides that the taxation of a lump sum
32 distribution from a retirement account is also exempt from
33 state taxation by exempting the lump sum distribution for a
34 person who is disabled, or 55 years of age or older, or who is
35 the surviving spouse of an individual or is a survivor having

1 an insurable interest in an individual who would have qualified
2 for the exemption for the tax year.

3 The bill excludes the lump sum distribution exempt from
4 state taxation from being included in calculating the
5 individual income tax filing thresholds in Code section
6 422.5(2) and (3).

7 The division takes effect upon enactment and applies
8 retroactively to tax years beginning on or after January 1,
9 2024.

10 DIVISION VI — CHILD CARE FACILITY PROPERTY TAX ASSESSMENT
11 LIMITATION. This division of the bill relates to assessment
12 limitations for property taxation purposes for commercial child
13 care facilities, and includes applicability and effective date
14 provisions.

15 Code section 441.21(5) determines the amount of actual value
16 of commercial property that is subject to property tax. The
17 amount is the sum of the residential assessment limitation
18 to the portion of the property's value that does not exceed
19 \$150,000 plus 90 percent of the property's value in excess of
20 \$150,000.

21 The bill division excludes property that is primarily used
22 as a child care facility from the calculation of the actual
23 value of the property. The bill instead specifies that for
24 assessment years beginning on or after January 1, 2024, the
25 amount of actual value used as child care facilities that
26 is subject to tax is equal to the product of the assessment
27 limitation percentage applicable to residential property
28 multiplied by the actual value of the property provided that
29 the property owner has applied for the assessment limitation
30 and the county board of supervisors has allowed such an
31 assessment limitation.

32 The division establishes application procedures, approval
33 procedures, and recordkeeping procedures for the assessment
34 limitation.

35 The division makes conforming changes to reflect the child

1 care facility assessment limitation.

2 The division applies retroactively to assessment years
3 beginning on or after January 1, 2024, and applies to payments
4 to local governments for fiscal years beginning on or after
5 July 1, 2025.

6 The division takes effect upon enactment.

7 DIVISION VII — UNEMPLOYMENT BENEFITS. The bill modifies
8 the definition of "taxable wages" by eliminating the wages
9 paid to an employee from another state from the calculation
10 of wages upon which an employer is required to contribute to
11 the unemployment compensation fund (fund) when the other state
12 extends a like comity (reciprocity) to Iowa for employment
13 purposes.

14 Under current law, the calculation of taxable wages upon
15 which an employer is required to contribute to the fund is
16 the greater amount of the two amounts calculated pursuant to
17 paragraphs "a" and "b" under Code section 96.1A(36). The bill
18 changes the calculation of one these amounts under paragraph
19 "a" by reducing the percentage of statewide average weekly wage
20 used in the calculation from 66.66 percent to 33.33 percent
21 of the statewide average weekly wage used during the previous
22 calendar year which is then multiplied by 52 and rounded to the
23 nearest \$100 to determine maximum weekly benefit amounts.

24 The amount in paragraph "a" as calculated under the bill
25 would be the amount used to calculate taxable wages upon which
26 an employer is required to contribute to the fund if that
27 amount exceeds the amount in paragraph "b" under Code section
28 96.1A(36).

29 The calculation of the unemployment contribution rate each
30 year is a dynamic calculation dependent upon the calculation
31 of the current reserve ratio, the benefit ratio rank, and
32 the contribution rate table in effect for the rate year.
33 The bill changes the current reserve ratio calculation, the
34 number of benefit ratio ranks, the contribution rates, and the
35 contribution rate table.

1 The current reserve ratio (calculation of available benefit
2 amount in fund) determines the contribution rate table in
3 effect for the rate year following the computation date. The
4 bill changes the computation of the current reserve fund
5 ratio in Code section 96.7(2)(d)(1) by basing the calculation
6 of the ratio on the preceding year rather than the previous
7 five calendar quarters, and strikes the requirement that \$150
8 million be added on the reserve ratio computation date to the
9 total funds available for benefits. The bill also strikes the
10 computation of the highest cost-benefit ratio and removes the
11 ratio from the computation of the current reserve ratio.

12 The bill modifies the contribution rate table by reducing
13 the number of possible rate tables that could be in effect
14 for the rate year from eight contribution rate tables to four
15 contribution rate tables. Under the bill and current law, only
16 one contribution rate table may be in effect per rate year. In
17 reducing the number of possible contribution rates tables from
18 eight to four, the bill also changes the numbered contribution
19 rate designations to lettered contribution rate designations.

20 Under current law, there are 21 benefit ratio ranks in the
21 contribution table. The benefit ratio is a calculation based
22 upon the average number of unemployment benefits charged to
23 an employer over previous calendar quarters. The higher the
24 benefits charged to an employer, the higher the benefit ratio
25 rank the employer receives. The bill reduces the number of
26 benefit ratio ranks from 21 to 9.

27 Under current law, each of the 21 benefit ratio rank
28 constitutes 4.76 percent of total taxable wages. The bill
29 groups the benefit ratio ranks differently by separating each
30 of the first six benefit ratio ranks by 14.29 percent of total
31 taxable wages, and separates the last three benefit ratio ranks
32 by 4.76 percent of total taxable wages.

33 Under current law, the highest contribution rate that
34 corresponds with the highest benefit ratio rank is 9.0 percent.
35 Under the bill, the highest contribution rate that corresponds

1 with the highest benefit ratio rank is 5.40 percent.

2 As a result of the bill, each employer will be assigned one
3 of the nine new benefit ratio ranks that corresponds with one
4 of the four new lettered contribution rate designations in
5 effect for the rate year to determine the contribution rate for
6 the year.