

**Senate File 2396 - Introduced**

SENATE FILE 2396

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 3115)

**A BILL FOR**

1 An Act relating to state taxation by modifying lottery and  
2 alcoholic beverages provisions under the purview of the  
3 department of revenue, changing the taxation of lump sum  
4 distributions of retirement income, increasing estimated tax  
5 thresholds, making appropriations, and including effective  
6 date and retroactive applicability provisions.  
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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

DIVISION I

DISCLOSURE OF TAX INFORMATION

Section 1. Section 421.19, subsection 2, Code 2024, is amended by striking the subsection and inserting in lieu thereof the following:

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

- a. A person intentionally filed a false claim, affidavit, return, or other information with intent to evade tax or obtain a refund, credit, or other benefit from the department.
- b. A person failed to file a return with intent to evade a tax or filing requirement.
- c. A person failed to pay with the intent to evade tax.
- d. A person committed any act or omission that is a criminal offense under a provision of this title administered by the department.

Sec. 2. Section 421.19, subsection 3, Code 2024, is amended to read as follows:

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

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

DIVISION II

ANNUAL REPORTING

Sec. 4. Section 421.60, subsection 2, paragraph k, Code 2024, is amended by striking the paragraph.

Sec. 5. Section 422.75, Code 2024, is amended to read as follows:

**422.75 Statistics — publication.**

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

8 DIVISION III

9 PROPERTY TAX — EXTENSIONS

10 Sec. 6. Section 425.20, subsection 3, Code 2024, is amended  
11 to read as follows:

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

25 DIVISION IV

26 FARM TENANCY INCOME TAX EXCLUSION

27 Sec. 7. Section 422.7, subsection 14, paragraph a, Code  
28 2024, is amended to read as follows:

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

35 Sec. 8. Section 422.7, subsection 14, paragraph f, Code

1 2024, is amended by adding the following new subparagraph:

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

6 DIVISION V

7 PASS-THROUGH ENTITIES

8 Sec. 9. Section 422.25C, subsection 2, Code 2024, is amended  
9 to read as follows:

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

1 pass-through entity pursuant to [sections 422.28](#) and [422.29](#) and  
2 shall be issued within the time period provided by section  
3 422.25. Once the adjustments to partnership-related or  
4 pass-through entity-related items or reallocations of income,  
5 gains, losses, expenses, credits, and other attributes among  
6 such partners for the reviewed year are finally determined,  
7 the partnership or pass-through entity and any direct partners  
8 or indirect partners shall then be subject to the provisions  
9 of [section 422.25, subsection 1](#), paragraph "e", and section  
10 422.25A in the same manner as if the state partnership audit  
11 were a federal partnership level audit, and as if the final  
12 state partnership audit adjustment were a final federal  
13 partnership adjustment. The penalty exceptions in section  
14 421.27, subsection 2, paragraphs "b" and "c", shall not apply  
15 to a state partnership audit.

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

18 Sec. 11. RETROACTIVE APPLICABILITY. This division of this  
19 Act applies retroactively to January 1, 2024.

20 DIVISION VI

21 SALES TAX CHANGES

22 Sec. 12. Section 423.36, subsection 9, paragraph a, Code  
23 2024, is amended to read as follows:

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

1 the director and then only after issuance by the director of a  
2 direct pay tax permit.

3 Sec. 13. Section 423.37, subsection 1, paragraph a, Code  
4 2024, is amended to read as follows:

5 a. As soon as practicable after a return is filed and  
6 within three years after the return is filed, the department  
7 may examine the return, assess and determine the tax due if  
8 the return is found to be incorrect, and give notice to the  
9 person liable for the tax of the assessment and determination  
10 as provided in paragraph "b". If a return, when filed, is  
11 incorrect or insufficient, the department shall determine  
12 the amount of tax due from information or knowledge the  
13 department is able to obtain. The determination may be made  
14 using any generally recognized valid and reliable sampling  
15 technique, whether or not the person being audited has complete  
16 records, ~~and if mutually agreed upon by the department and~~  
17 ~~the person being audited.~~ The period for the examination and  
18 determination of the correct amount of tax is unlimited in the  
19 case of a false or fraudulent return made with the intent to  
20 evade tax.

21 DIVISION VII

22 MOTOR FUEL TAXES

23 Sec. 14. Section 452A.3, subsection 1, paragraph b,  
24 unnumbered paragraph 1, Code 2024, is amended to read as  
25 follows:

26 On and after July 1, 2026, an excise tax of thirty cents is  
27 imposed on each gallon of ethanol blended gasoline classified  
28 as E-15 or higher. Before July 1, 2026, the rate of the  
29 excise tax on ethanol blended gasoline classified as E-15 or  
30 higher shall be based on the number of gallons of ethanol  
31 blended gasoline classified as E-15 or higher that are  
32 distributed in this state as expressed as a percentage of the  
33 number of gallons of motor fuel distributed in this state,  
34 which is referred to as the distribution percentage. For  
35 purposes of this paragraph, only ethanol blended gasoline and

1 nonblended gasoline, not including aviation gasoline, shall  
2 be used in determining the percentage basis for the excise  
3 tax. The department shall determine the percentage basis  
4 for each determination period beginning January 1 and ending  
5 December 31 based on data from the reports filed pursuant to  
6 section 452A.33. Before June 1, the department may amend the  
7 distribution percentage due to a mistake, if there is a late  
8 report filed by a retail dealer to the department under section  
9 452A.33, subsection 1, or if the distribution percentage is  
10 not accurate. The rate for the excise tax shall apply for the  
11 period beginning July 1 and ending June 30 following the end  
12 of the determination period. Before July 1, 2026, the rate  
13 of the excise tax on each gallon of ethanol blended gasoline  
14 classified as E-15 or higher shall be as follows:

15 Sec. 15. Section 452A.3, subsection 3, paragraph a,  
16 subparagraph (2), unnumbered paragraph 1, Code 2024, is amended  
17 to read as follows:

18 Except as otherwise provided in [this section](#) and in this  
19 subchapter, this subparagraph shall apply to the excise tax  
20 imposed on each gallon of biodiesel blended fuel classified  
21 as B-11 or higher used for any purpose for the privilege of  
22 operating motor vehicles in this state. On and after July 1,  
23 2026, the rate of the excise tax on each gallon of biodiesel  
24 blended fuel classified as B-11 or higher is thirty-two  
25 and five-tenths cents. Before July 1, 2026, the rate of  
26 the excise tax shall be based on the number of gallons of  
27 biodiesel blended fuel classified as B-11 or higher that are  
28 distributed in this state as expressed as a percentage of  
29 the number of gallons of special fuel for diesel engines of  
30 motor vehicles distributed in this state, which is referred  
31 to as the distribution percentage. The department shall  
32 determine the percentage basis for each determination period  
33 beginning January 1 and ending December 31 based on data from  
34 the reports filed pursuant to [section 452A.33](#). Before June  
35 1, the department may amend the distribution percentage due

1 to a mistake, if there is a late report filed by a retail  
2 dealer to the department under section 452A.33, subsection 1,  
3 or the distribution percentage is not accurate. The rate of  
4 the excise tax shall apply for the period beginning July 1 and  
5 ending June 30 following the end of the determination period.  
6 Before July 1, 2026, the rate of the excise tax on each gallon  
7 of biodiesel blended fuel classified as B-11 or higher shall  
8 be as follows:

9 Sec. 16. Section 452A.15, subsection 5, Code 2024, is  
10 amended to read as follows:

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

17 Sec. 17. Section 452A.33, subsection 2, unnumbered  
18 paragraph 1, Code 2024, is amended to read as follows:

19 On or before April 1 the department shall deliver a report  
20 to the governor and the legislative services agency. Before  
21 June 1, the department may amend the report due to a mistake,  
22 if there is a late report by a retail dealer under subsection  
23 1, or if the report is not accurate. The report shall compile  
24 information reported by retail dealers to the department as  
25 provided in this section and shall at least include all of the  
26 following:

27 Sec. 18. Section 452A.41, subsection 5, paragraph a, Code  
28 2024, is amended to read as follows:

29 a. For the purpose of determining the amount of liability  
30 for the electric fuel tax, each dealer and user shall file with  
31 the department not later than July 31 for the period beginning  
32 January 1 and ending June 30, and not later than January ~~30~~  
33 31 for the period beginning July 1 and ending December ~~30~~ 31,  
34 a biannual tax return certified under penalties for false  
35 certification. The return shall show, with reference to each



1 location at which fuel is delivered or placed by the dealer or  
2 user into the battery or other energy storage device of any  
3 electric motor vehicle during the next preceding six calendar  
4 months, information as required by the department. On and  
5 after January 1, 2026, the department may require by rule that  
6 such tax returns be filed quarterly.

7 Sec. 19. Section 452A.44, Code 2024, is amended by adding  
8 the following new subsection:

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

13 DIVISION VIII

14 VETERANS TRUST FUND AND LOTTERY

15 Sec. 20. Section 99G.3, Code 2024, is amended by adding the  
16 following new subsection:

17 NEW SUBSECTION. 17A. "*Setoff program*" means the program  
18 administered pursuant to section 421.65.

19 Sec. 21. Section 99G.7, subsection 1, paragraph e, Code  
20 2024, is amended by striking the paragraph.

21 Sec. 22. Section 99G.39, subsection 3, Code 2024, is amended  
22 to read as follows:

23 3. Two million five hundred thousand dollars in lottery  
24 revenues shall be transferred each fiscal year to the veterans  
25 trust fund established pursuant to [section 35A.13](#) prior to  
26 deposit of the lottery revenues in the general fund pursuant  
27 to [section 99G.40](#). However, if the balance of the veterans  
28 trust fund is fifty million dollars or more on both July 1 of  
29 the current fiscal year and July 1 of the preceding fiscal  
30 year, the moneys shall be appropriated to the department for  
31 distribution to county directors of veteran affairs, with fifty  
32 percent of the moneys to be distributed equally to each county  
33 and fifty percent of the moneys to be distributed to each  
34 county based upon the population of veterans in the county,  
35 so long as the moneys distributed to a county do not supplant

1 moneys appropriated by that county for the county director of  
2 veteran affairs.

3 Sec. 23. Section 99G.41, subsections 1, 2, 3, and 4, Code  
4 2024, are amended to read as follows:

5 1. ~~Any claimant agency may submit to the department a~~  
6 ~~list of the names of all persons indebted to such claimant~~  
7 ~~agency or to persons on whose behalf the claimant agency is~~  
8 ~~acting. The~~ A lottery prize payment awarded as cash or cash  
9 equivalents is subject to the setoff program. Additionally, a  
10 debtor and the full amount of the debt shall be compiled in a  
11 list, and collectible from any lottery winnings prize payment  
12 awarded as cash or cash equivalents due the debtor without  
13 regard to limitations on the amounts that may be collectible in  
14 increments through garnishment or other proceedings. Such list  
15 shall constitute a valid lien upon and claim of lien against  
16 the lottery ~~winnings~~ prize payment of any debtor named in such  
17 list. The list shall contain the names of the debtors, their  
18 social security numbers if available, and any other information  
19 that assists the department in identifying the debtors named in  
20 the list. The list shall be treated the same as setoff program  
21 information under section 421.65, subsection 2, paragraph "a".

22 2. The department is authorized and directed to withhold  
23 any winnings paid out directly by the department subject to the  
24 lien created by this section, and send notice to the winner or  
25 send notice as directed by the setoff program. However, if the  
26 winner appears and claims winnings in person, the department  
27 shall notify the winner at that time by hand delivery of such  
28 action. The department shall pay the funds ~~over to the agency~~  
29 ~~administering the offset~~ to the setoff program.

30 3. Notwithstanding the provisions of section 99G.34 which  
31 prohibit disclosure by the department of certain portions  
32 of the contents of prize winner records or information,  
33 and notwithstanding any other confidentiality statute,  
34 the department may provide to a ~~claimant agency~~ the setoff  
35 program and public agency, as defined in section 421.65, all

1 information necessary to accomplish and effectuate the intent  
2 of [this section](#).

3 4. The information obtained by ~~a claimant agency~~ from the  
4 department in accordance with [this section](#) shall retain its  
5 confidentiality and shall only be used by a claimant agency  
6 in the pursuit of its debt collection duties and practices.  
7 Any employee or prior employee of any claimant agency who  
8 unlawfully discloses any such information for any other  
9 purpose, except as otherwise specifically authorized by law,  
10 shall be subject to the same penalties specified by law for  
11 unauthorized disclosure of confidential information by an agent  
12 or employee of the department under [this chapter](#).

13 DIVISION IX

14 ALCOHOLIC BEVERAGES

15 Sec. 24. Section 123.3, Code 2024, is amended by adding the  
16 following new subsection:

17 NEW SUBSECTION. 36A. *“Operating still”* means a still that  
18 is registered with the federal alcohol and tobacco tax and  
19 trade bureau of the United States department of the treasury  
20 and is actively used to manufacture spirits.

21 Sec. 25. Section 123.30, subsection 4, Code 2024, is amended  
22 to read as follows:

23 4. Notwithstanding any provision of [this chapter](#) to the  
24 contrary, a person holding a retail alcohol license to sell  
25 alcoholic beverages for consumption on the licensed premises  
26 may permit a customer to remove one unsealed bottle of wine  
27 for consumption off the premises if the customer has purchased  
28 and consumed a portion of the bottle of wine on the licensed  
29 premises. The licensee or the licensee’s agent shall securely  
30 reseal such bottle in a bag designed so that it is visibly  
31 apparent that the resealed bottle of wine has not been tampered  
32 with and provide a dated receipt for the resealed bottle of  
33 wine to the customer. A wine bottle resealed pursuant to the  
34 requirements of [this subsection](#) is subject to the requirements  
35 of [sections 321.284](#) and [321.284A](#). ~~A person holding a retail~~

~~1 alcohol license to sell alcoholic beverages for consumption on  
2 the licensed premises may permit a customer to carry an open  
3 container of wine from the person's licensed premises into  
4 another immediately adjacent licensed premises that is covered  
5 by a license or permit that authorizes the consumption of wine,  
6 a temporarily closed public right-of-way, or a private place.~~

7 Sec. 26. Section 123.30, Code 2024, is amended by adding the  
8 following new subsection:

9 NEW SUBSECTION. 5. A person holding a retail alcohol  
10 license to sell alcoholic beverages for consumption on the  
11 licensed premises may permit a customer to carry an open  
12 container of wine or beer from the person's licensed premises  
13 to one of the following immediately adjacent locations:

14 a. Another licensed premises that authorizes the consumption  
15 of beer or wine.

16 b. A temporarily closed public right-of-way.

17 c. A private place.

18 Sec. 27. Section 123.43A, subsection 6, Code 2024, is  
19 amended to read as follows:

20 6. Notwithstanding any provision of [this chapter](#) to the  
21 contrary or the fact that a person is the holder of a class  
22 "A" native distilled spirits license, a native distillery may  
23 be granted a class "C" retail alcohol license as defined in  
24 section 123.30 for the same premises licensed under a class "A"  
25 native distilled spirits license where the manufacturing of  
26 native distilled spirits occurs. A native distillery may be  
27 granted not more than two class "C" retail alcohol licenses.  
28 ~~A manufacturer of native distilled spirits distillery~~ may be  
29 issued a class "C" retail alcohol license regardless of whether  
30 the manufacturer is also a manufacturer of beer pursuant to a  
31 class "A" beer permit or a manufacturer of native wine pursuant  
32 to a class "A" wine permit.

33 Sec. 28. Section 123.45, subsection 3, Code 2024, is amended  
34 to read as follows:

35 3. A person engaged in the wholesaling of beer or wine

1 may sell only disposable glassware, which is constructed of  
2 paper, paper laminated, or plastic materials and designed  
3 primarily for personal consumption on a one-time usage  
4 basis, to retailers for use within the premises of licensed  
5 establishments, for an amount which is greater than or equal  
6 to an amount which represents the greater of either the amount  
7 paid for the disposable glassware by the supplier or the amount  
8 paid for the disposable glassware by the wholesaler. Also,  
9 notwithstanding any other provision of this chapter or the  
10 fact that a person is the holder of a class "A" beer permit,  
11 a native brewery may be granted ~~not more than two~~ a class "C"  
12 retail alcohol licenses license or ~~not more than two~~ a special  
13 class "C" retail alcohol licenses license, both as defined in  
14 section 123.30, for the same premises licensed under a class  
15 "A" beer permit where the manufacturing of beer occurs. A  
16 native brewery may be granted not more than two class "C"  
17 retail alcohol licenses or two special class "C" retail alcohol  
18 licenses. A native brewery may be issued a class "C" retail  
19 alcohol license or a special class "C" retail alcohol license,  
20 regardless of whether that person is also a manufacturer  
21 of native distilled spirits pursuant to a class "A" native  
22 distilled spirits license or a manufacturer of native wine  
23 pursuant to a class "A" wine permit.

24 Sec. 29. Section 123.176, subsection 5, Code 2024, is  
25 amended to read as follows:

26 5. Notwithstanding any other provision of this chapter  
27 or the fact that a person is the holder of a class "A" wine  
28 permit, a person engaged in the business of manufacturing  
29 native wine may be granted a class "C" retail alcohol license  
30 or special class "C" retail native wine license as defined in  
31 section 123.30, for the same premises licensed under a class  
32 "A" wine permit where the manufacturing of native wine occurs.  
33 A manufacturer of native wine may be granted not more than  
34 two class "C" retail alcohol licenses or special class "C"  
35 retail native wine licenses. A manufacturer of native wine

1 may be issued a class "C" retail alcohol license or special  
2 class "C" retail native wine license regardless of whether the  
3 manufacturer is also a manufacturer of beer pursuant to a class  
4 "A" beer permit or a manufacturer of native distilled spirits  
5 pursuant to a class "A" native distilled spirits license.

6 DIVISION X

7 INHERITANCE TAX — FUTURE CODE CHANGES DUE TO REPEAL

8 Sec. 30. Section 12D.9, subsection 3, Code 2024, is amended  
9 to read as follows:

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

15 Sec. 31. Section 12I.8, subsection 3, Code 2024, is amended  
16 to read as follows:

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

20 Sec. 32. Section 12I.10, subsection 3, Code 2024, is amended  
21 to read as follows:

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

26 Sec. 33. Section 16.177, subsection 8, Code 2024, is amended  
27 to read as follows:

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

33 Sec. 34. Section 321.47, subsection 2, paragraph a, Code  
34 2024, is amended to read as follows:

35 a. The persons entitled under the laws of descent and

1 distribution to the possession and ownership of a vehicle owned  
2 in whole or in part by a decedent who died intestate, upon  
3 filing an affidavit stating the name and date of death of the  
4 decedent, the right to possession and ownership of the persons  
5 filing the affidavit, and that there has been no administration  
6 of the decedent's estate, which instrument must also contain  
7 an agreement by the affiant to indemnify creditors of the  
8 decedent who would be entitled to levy execution upon the motor  
9 vehicle to the extent of the value of the motor vehicle, shall,  
10 upon complying with the other title transfer requirements of  
11 this chapter, be issued a registration card for the decedent's  
12 interest in the vehicle and a certificate of title to the  
13 vehicle. If a decedent died testate, and either the will is  
14 not probated or is admitted to probate without administration,  
15 the persons entitled to the possession and ownership of  
16 a vehicle owned in whole or in part by the decedent may  
17 file an affidavit and, upon complying with the other title  
18 transfer requirements of [this chapter](#), shall be issued a  
19 registration card for the decedent's interest in the vehicle  
20 and a certificate of title to the vehicle. The affidavit  
21 must contain the same information and indemnity agreement  
22 as is required in cases of intestacy under [this subsection](#).  
23 ~~Chapter 450 is not~~ For a death occurring before January 1,  
24 2025, a requirement of chapter 450 shall not be considered  
25 satisfied by the filing of the affidavit provided for in this  
26 subsection. If, from the records in the office of the county  
27 treasurer, there appear to be any liens on the vehicle, the  
28 certificate of title must contain a statement of the liens  
29 unless the application is accompanied by proper evidence of  
30 the satisfaction or extinction of such liens. Evidence of  
31 extinction includes but is not limited to an affidavit of the  
32 applicant stating that a security interest was foreclosed as  
33 provided in [chapter 554, article 9, part 6](#). The department  
34 shall waive the certificate of title fee and surcharge required  
35 under [sections 321.20, 321.20A, 321.23, 321.46, 321.52, and](#)

1 321.52A if the person entitled to possession and ownership of  
2 a vehicle, as provided in [this subsection](#), is the surviving  
3 spouse of a decedent.

4 Sec. 35. Section 331.602, subsection 23, Code 2024, is  
5 amended to read as follows:

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

11 Sec. 36. Section 331.756, subsection 57, Code 2024, is  
12 amended to read as follows:

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

17 Sec. 37. Section 421.27, subsection 1, paragraph d,  
18 subparagraph (13), Code 2024, is amended to read as follows:

19 (13) ~~That~~ For a death occurring before January 1, 2025,  
20 that an Iowa inheritance tax return is filed for an estate  
21 within the later of nine months from the date of death or sixty  
22 days from the filing of a disclaimer by the beneficiary of the  
23 estate refusing to take the property or right or interest in  
24 the property.

25 Sec. 38. Section 421.60, subsection 2, paragraph c,  
26 subparagraph (1), Code 2024, is amended to read as follows:

27 (1) If the notice of assessment or denial of a claim for  
28 refund relates to a tax return filed pursuant to section  
29 [422.14](#), or pursuant to [chapter 450](#) for a death occurring before  
30 January 1, 2025, by the taxpayer which designates an individual  
31 as an authorized representative of the taxpayer with respect to  
32 that return, or if a power of attorney has been filed with the  
33 department by the taxpayer which designates an individual as  
34 an authorized representative of the taxpayer with respect to  
35 any tax that is included in the notice of assessment or denial



1 of a claim for refund, a copy of the notice together with any  
2 additional information required to be sent to the taxpayer  
3 shall be sent to the authorized representative as well.

4 Sec. 39. Section 422.27, subsection 1, Code 2024, is amended  
5 to read as follows:

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

20 Sec. 40. Section 455G.6, subsection 14, Code 2024, is  
21 amended to read as follows:

22 14. Bonds issued under the provisions of **this section** are  
23 declared to be issued for an essential public and governmental  
24 purpose and all bonds issued under **this subchapter** shall be  
25 exempt from taxation by the state of Iowa and the interest on  
26 the bonds shall be exempt from the state income tax and ~~the~~ any  
27 state inheritance tax.

28 Sec. 41. Section 496C.14, subsection 6, paragraph h, Code  
29 2024, is amended to read as follows:

30 *h.* Notwithstanding the provisions of **this section**,  
31 payment of any part of the purchase price for shares of a  
32 deceased shareholder shall not be required until the executor  
33 or administrator of the deceased shareholder provides  
34 any indemnity, release, or other document from any taxing  
35 authority, which is reasonably necessary to protect the

1 corporation against liability for any estate, inheritance, and  
2 death taxes tax, or any inheritance tax for a death occurring  
3 before January 1, 2025.

4 Sec. 42. Section 524.805, subsection 8, Code 2024, is  
5 amended to read as follows:

6 8. A state bank may receive deposits from one or more  
7 persons with the provision that upon the death of the  
8 depositors the deposit account shall be the property of the  
9 person or persons designated by the deceased depositors as  
10 shown on the deposit account records of the state bank. After  
11 payment by the state bank, the proceeds shall remain subject  
12 to ~~the~~ any debts of the decedent and ~~the~~ any payment of Iowa  
13 inheritance tax, ~~if any~~ for a death occurring prior to January  
14 1, 2025. A state bank paying the person or persons designated  
15 shall not be liable as a result of that action for any debts  
16 of the decedent or for any estate, inheritance, or succession  
17 taxes which may be due this state.

18 Sec. 43. Section 541A.2, subsection 6, unnumbered paragraph  
19 1, Code 2024, is amended to read as follows:

20 An individual development account closed in accordance  
21 with this subsection is not subject to the limitations and  
22 benefits provided by this chapter but is subject to state tax  
23 in accordance with the provisions of section 422.7, subsection  
24 17, and in accordance with the provisions of section 450.4,  
25 subsection 6, for a death occurring before January 1, 2025. An  
26 individual development account may be closed for any of the  
27 following reasons:

28 Sec. 44. Section 602.8102, subsection 63, Code 2024, is  
29 amended to read as follows:

30 63. Carry out duties relating to the inheritance tax as  
31 provided in chapter 450 for deaths occurring before January 1,  
32 2025.

33 Sec. 45. Section 633.21, Code 2024, is amended to read as  
34 follows:

35 **633.21 Appraisers' fees and referees' fees fixed by rule.**

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

6 Sec. 46. Section 633.31, subsection 2, paragraph a, Code  
7 2024, is amended to read as follows:

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

11 Sec. 47. Section 633.356, subsection 1, unnumbered  
12 paragraph 1, Code 2024, is amended to read as follows:

13 When the gross value of the decedent's personal property  
14 that would otherwise be distributed by will or intestate  
15 succession is or has been, at any time since the decedent's  
16 death, fifty thousand dollars or less and there is no real  
17 property, or for deaths occurring before January 1, 2025, the  
18 real property passes to persons exempt from inheritance tax  
19 as joint tenants with full rights of survivorship pursuant to  
20 chapter 450, and if forty days have elapsed since the death of  
21 the decedent, a successor as defined in subsection 2 may, by  
22 furnishing an affidavit prepared pursuant to subsection 3 or  
23 8, and without procuring letters of appointment, do any of the  
24 following with respect to one or more items of such personal  
25 property:

26 Sec. 48. Section 633.356, subsection 3, paragraph a,  
27 subparagraph (3), Code 2024, is amended to read as follows:

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

1     Sec. 49. Section 633.356, subsection 3, paragraph a,  
2 subparagraph (10), Code 2024, is amended to read as follows:

3     (10) That no inheritance or other taxes are owed to the  
4 department of revenue for a death occurring prior to January 1,  
5 2025, or if taxes are owed, that the taxes will be paid to the  
6 extent of funds received pursuant to the affidavit.

7     Sec. 50. Section 633.356, subsection 9, Code 2024, is  
8 amended to read as follows:

9     9. Upon receipt of an affidavit under **subsection 3** and  
10 reasonable proof under **subsection 5** of the identity of each  
11 successor seeking distribution by virtue of the affidavit,  
12 the holder of the property shall disclose to the affiant  
13 whether the value of the property held by the holder is, or has  
14 been at any time since the decedent's death, fifty thousand  
15 dollars or less. An affidavit furnished for the purpose of  
16 determining whether the value of the property is, or has  
17 been at any time since the decedent's death, fifty thousand  
18 dollars or less need not contain the language required under  
19 subsection 3, paragraph "a", subparagraph (3), but shall state  
20 that the affiant reasonably believes that the gross value  
21 of the decedent's personal property that would otherwise be  
22 distributed by will or intestate succession is, or has been at  
23 any time since the decedent's death, fifty thousand dollars  
24 or less and there is no real property or for deaths occurring  
25 before January 1, 2025, the real property passes to persons  
26 exempt from inheritance tax as joint tenants with full rights  
27 of survivorship pursuant to chapter 450.

28     Sec. 51. Section 633.361, subsection 12, Code 2024, is  
29 amended to read as follows:

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

33     Sec. 52. Section 633.365, Code 2024, is amended to read as  
34 follows:

35     **633.365 Appraisement.**

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

5 Sec. 53. Section 633.399, Code 2024, is amended to read as  
6 follows:

7 **633.399 Report for approval.**

8 After making any such sale, mortgage, exchange or lease  
9 of real property, the personal representative shall make  
10 a verified report thereof to the court. The court shall  
11 examine said report, and if satisfied that the sale, mortgage,  
12 exchange, or lease has been at a price and upon terms  
13 advantageous to the estate, and, in all respects, made in  
14 conformity with law, and that it ought to be confirmed, shall  
15 confirm the same and order the personal representative to  
16 deliver a deed, mortgage, lease or other proper instruments  
17 to the persons entitled thereto; provided, however, that in  
18 the event said real property has been sold at private sale  
19 without an appraisal for inheritance tax purposes for a death  
20 occurring before January 1, 2025, or for purpose of such sale,  
21 or, if it has been so appraised and has been sold at private  
22 sale for less than the appraised value thereof, then, upon the  
23 filing of such report, the court may enter an order fixing a  
24 time and place for hearing thereon and prescribe a notice of  
25 such hearing to be served upon all interested persons, any one  
26 of whom, prior to the time fixed for such hearing, may file  
27 written objections to the entry of an order approving said  
28 sale. If not satisfied that the sale, mortgage, exchange, or  
29 lease has been made in conformity with law and that it is to the  
30 best interests of the estate, the court may reject the sale,  
31 mortgage, exchange, or lease, and enter such orders as the  
32 court may deem advisable.

33 Sec. 54. Section 633.477, subsection 10, Code 2024, is  
34 amended to read as follows:

35 10. A statement as to whether or not all statutory

1 requirements pertaining to taxes have been complied with  
2 including whether the federal estate tax due has been paid,  
3 whether a lien continues to exist for any federal estate tax,  
4 and whether inheritance tax was paid or a return was filed in  
5 this state for a death occurring before January 1, 2025.

6 Sec. 55. Section 633.479, subsection 2, paragraph a,  
7 subparagraph (5), Code 2024, is amended to read as follows:

8 (5) Compliance with sections section 422.27, and section  
9 450.58 for deaths occurring before January 1, 2025, have been  
10 fulfilled.

11 Sec. 56. Section 633.481, Code 2024, is amended to read as  
12 follows:

13 **633.481 Certificate to county recorder for tax purposes**  
14 **without administration.**

15 When an inventory or report is filed under section 450.22 for  
16 deaths occurring before January 1, 2025, without administration  
17 of the estate of the decedent, the heir or heir's attorney  
18 shall prepare and deliver to the county recorder of the county  
19 in which the real estate is situated a certificate pertaining  
20 to each parcel of real estate described in the inventory or  
21 report. Any fees for certificates or recording fees required  
22 by this section or section 633.480 shall be assessed as costs  
23 of administration. The fees for recording and indexing the  
24 instrument shall be as provided in section 331.604. The county  
25 recorder shall deliver the certificates to the county auditor  
26 as provided in section 558.58.

27 Sec. 57. Section 635.7, subsection 1, Code 2024, is amended  
28 to read as follows:

29 1. The personal representative is required to file the  
30 report and inventory for which provision is made in section  
31 633.361, including all probate and nonprobate assets. This  
32 chapter does not exempt the personal representative from  
33 complying with the requirements of section 422.27, ~~450.22,~~  
34 ~~450.58,~~ 633.480, or 633.481, and the administration of an  
35 estate whether converted to or from a small estate shall be

1 considered one proceeding pursuant to section 633.330. For  
2 a death occurring before January 1, 2025, this chapter does  
3 not exempt the personal representative from complying with the  
4 requirements of section 450.22 or 450.58.

5 Sec. 58. Section 635.8, subsection 1, paragraph e, Code  
6 2024, is amended to read as follows:

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

13 Sec. 59. Section 654.16, subsection 2, Code 2024, is amended  
14 to read as follows:

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

22 Sec. 60. EFFECTIVE DATE. This division of this Act takes  
23 effect January 1, 2025.

24 Sec. 61. APPLICABILITY. This division of this Act applies  
25 to the estates of decedents dying on or after January 1, 2025.

26 DIVISION XI

27 LUMP SUM DISTRIBUTION OF RETIREMENT INCOME

28 Sec. 62. Section 422.5, subsection 8, Code 2024, is amended  
29 to read as follows:

30 8. a. In addition to the other taxes imposed by this  
31 section, a tax is imposed, except under paragraph "b", on the  
32 amount of a lump sum distribution for which the taxpayer has  
33 elected under section 402(e) of the Internal Revenue Code to  
34 be separately taxed for federal income tax purposes for the  
35 tax year. The rate of tax is equal to twenty-five percent of

1 the separate federal tax imposed on the amount of the lump  
2 sum distribution. A nonresident is liable for this tax only  
3 on that portion of the lump sum distribution allocable to  
4 Iowa. The total amount of the lump sum distribution subject  
5 to separate federal tax shall be included in net income for  
6 purposes of determining eligibility under subsections 2 and 3,  
7 as applicable, except the amount of the lump sum distribution  
8 exempt from state tax in paragraph "b" shall not be included.

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

22 Sec. 63. EFFECTIVE DATE. This division of this Act, being  
23 deemed of immediate importance, takes effect upon enactment.

24 Sec. 64. RETROACTIVE APPLICABILITY. This division of this  
25 Act applies retroactively to January 1, 2024, for tax years  
26 beginning on or after that date.

27 DIVISION XII

28 ESTIMATED TAX THRESHOLD

29 Sec. 65. Section 422.16, subsection 12, paragraph a,  
30 subparagraph (1), Code 2024, is amended to read as follows:

31 (1) Taxpayers filing a return shall make estimated tax  
32 payments if their Iowa income tax liability can reasonably be  
33 expected to amount to ~~two hundred~~ one thousand dollars or more  
34 for the year.

35 Sec. 66. EFFECTIVE DATE. This division of this Act takes



1 effect January 1, 2025.

2 Sec. 67. APPLICABILITY. This division of this Act applies  
3 to tax years beginning on or after January 1, 2025.

4 EXPLANATION

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

7 This bill relates to the administration of state taxation,  
8 the lottery, and alcoholic beverages under the purview of the  
9 department of revenue.

10 DIVISION I — DISCLOSURE OF TAX INFORMATION. The bill  
11 specifies and updates the circumstances the department of  
12 revenue (department) may disclose state tax return and audit  
13 information to law enforcement.

14 The division takes effect upon enactment.

15 DIVISION II — ANNUAL REPORTING. The bill strikes the  
16 requirement that the department annually report to the general  
17 assembly the areas of recurrent taxpayer noncompliance with the  
18 rules of the department including any recommendations relating  
19 to the noncompliance.

20 DIVISION III — PROPERTY TAX — EXTENSIONS. Under current  
21 law, a claimant may ask the director of the department, the  
22 county treasurer, or the director of the department of health  
23 and human services for an extension to claim a reimbursement  
24 for rent constituting property taxes in case of sickness,  
25 absence, or disability. The bill strikes the director of the  
26 department from involvement in the extension request by the  
27 claimant.

28 DIVISION IV — FARM TENANCY INCOME TAX EXCLUSION.

29 Currently, an eligible individual may exclude income received  
30 by the individual pursuant to a farm tenancy covering real  
31 property held by the individual for 10 or more years, if the  
32 individual materially participated in a farming business for  
33 10 or more years. The bill allows the eligible individual to  
34 exclude such income under such circumstances, if the individual  
35 materially participated in a farming business for 10 or more

1 years in the aggregate. The bill further specifies the term  
2 "held" is to be determined by the holding period provisions of  
3 section 1223 of the Internal Revenue Code and other federal  
4 regulations which is identical to the use of the term "held"  
5 under the farming business exclusion in Code section 422.7(13).

6 DIVISION V — PASS-THROUGH ENTITIES. Under current law,  
7 the department may issue a notice of adjustment (adjustment of  
8 tax) to a partnership or pass-through entity pursuant to Code  
9 section 422.25C, and specifies that the notice of adjustment  
10 is appealable pursuant to Code sections 422.28 and 422.29.  
11 The bill specifies the notice of adjustment is not always  
12 appealable under the circumstances provided in Code section  
13 422.25.

14 The division takes effect upon enactment and applies  
15 retroactively to January 1, 2024.

16 DIVISION VI — SALES TAX CHANGES. Under current law, a  
17 purchaser, user, and consumer of taxable property or services  
18 may be authorized to remit tax owed directly to the department  
19 instead of the tax being collected and paid by the seller. The  
20 bill specifies that in order to qualify for the direct pay tax  
21 permit such a taxpayer must accrue a tax liability of more than  
22 \$8,000 on a monthly basis. Currently, such a taxpayer must  
23 accrue a tax liability of \$4,000 on a semimonthly basis in  
24 order to qualify for the direct pay tax permit.

25 Currently, if the department determines a sales tax return  
26 is incorrect, the department may determine the amount of tax  
27 due from information or knowledge the department is able to  
28 obtain, including using any mutually agreed upon valid and  
29 reliable sampling technique. The bill strikes the provision  
30 requiring the sampling technique be mutually agreed upon by the  
31 taxpayer and the department, and allows the department to use  
32 such a sampling technique without mutual agreement from the  
33 taxpayer.

34 DIVISION VII — MOTOR FUEL TAXES. Under current law and  
35 before July 1, 2026, the department determines the rate of

1 excise tax imposed on each gallon of ethanol blended gasoline  
2 based upon the distribution percentage calculated in Code  
3 section 452A.3(1)(b), and the excise tax rate imposed on each  
4 gallon of biodiesel blended fuel based on the distribution  
5 percentage calculated in Code section 453A.3(3)(a)(2). The  
6 department determines the distribution percentage based upon  
7 data from reports filed pursuant to Code section 452A.33. The  
8 bill allows the department to amend the initial distribution  
9 percentage due to a mistake, or if there is a late report filed  
10 by a retail dealer to the department, or the distribution  
11 percentage is not accurate.

12 The bill changes the due date of a biannual tax return  
13 relating to electric fuel tax due in January by one day, and  
14 modifies the biannual tax period by one day.

15 The bill allows a person who uses electric fuel for a  
16 nontaxable purpose to provide an exemption certificate to  
17 the license holder selling or dispensing the fuel, if the  
18 certificate is produced by the department.

19 DIVISION VIII — VETERANS TRUST FUND AND LOTTERY. The bill  
20 strikes the requirement that the department report semiannually  
21 to the general assembly's standing committees on government  
22 oversight regarding the operations of the lottery.

23 The bill establishes new criteria triggering distributions  
24 from the veterans trust fund when the balance of the fund  
25 equals or exceeds \$50 million. Under the bill, if the balance  
26 of the veterans trust fund is \$50 million or more on both  
27 July 1 of the current fiscal year and July 1 of the preceding  
28 fiscal year, the moneys from the veterans trust fund shall  
29 be appropriated to the department for distribution to county  
30 directors of veteran affairs as provided in current law in Code  
31 section 99G.39(3).

32 The bill establishes new setoff program procedures (debt  
33 collection) for a debtor's lottery prize payment awarded as  
34 cash or cash equivalent. The bill defines "setoff program" to  
35 mean the program administered by the department pursuant to

1 Code section 421.65.

2 DIVISION IX — ALCOHOLIC BEVERAGES. The bill defines  
3 "operating still" to mean a still that is registered with the  
4 federal alcohol and tobacco tax and trade bureau of the United  
5 States department of the treasury and is actively used to  
6 manufacture spirits. The term "operating still" is used in the  
7 definition of "native distillery" in Code section 123.3(35).

8 The bill moves portions of Code section 123.30(4) to new Code  
9 section 123.30(5) and allows a person holding a retail alcohol  
10 license to permit a customer to carry an open container of beer  
11 from the person's licensed premises into another immediately  
12 adjacent licensed premises that is covered by a license or  
13 permit that authorizes the consumption of beer. Current law  
14 allows a person to carry an open container of wine under such  
15 circumstances but not beer.

16 The bill allows a person who is the holder of a class  
17 "A" native distilled spirits license to be granted a class  
18 "C" retail alcohol license for the same premises licensed  
19 under the class "A" native distilled spirit license where the  
20 manufacturing of native distilled spirits occurs.

21 The bill provides a native brewery may be granted a class "C"  
22 retail alcohol license or a special class "C" retail alcohol  
23 license for the premises licensed under a class "A" beer permit  
24 where the manufacturing of beer occurs. The bill provides  
25 that a native brewery may be granted not more than two class  
26 "C" retail alcohol licenses or granted two special class "C"  
27 alcohol licenses. Under the bill, a native brewery may be  
28 issued a class "C" retail alcohol license or a special class  
29 "C" alcohol license, regardless of whether the person is a  
30 manufacturer of native distilled spirits pursuant to a class  
31 "A" native distilled spirits license or a manufacturer of  
32 native wine pursuant to a class "A" wine permit.

33 The bill allows a person who is the holder of a class "A"  
34 wine permit to be granted a class "C" retail alcohol license  
35 or a special class "C" retail native wine license for the same

1 premises licensed under the class "A" wine permit where the  
2 manufacturing of native wine occurs.

3 DIVISION X — INHERITANCE TAX — FUTURE CODE CHANGES DUE TO  
4 REPEAL. The bill changes numerous Code sections to reflect the  
5 future repeal of the inheritance tax beginning for the estates  
6 of decedents dying on or after January 1, 2025. However, other  
7 provisions of Code chapter 450 relating to the inheritance tax  
8 have not been repealed. The division takes effect January 1,  
9 2025, and applies to the estates of decedents dying on or after  
10 that date.

11 DIVISION XI — LUMP SUM DISTRIBUTION OF RETIREMENT INCOME.  
12 Under current law, commencing with tax years beginning on or  
13 after January 1, 2023, retirement income is not subject to  
14 Iowa individual income tax. However, under current law a lump  
15 sum distribution from a retirement account is subject to Iowa  
16 income tax under Code section 422.5(8) at a rate of 25 percent  
17 of the federal tax rate imposed on the amount of the lump sum  
18 distribution.

19 The bill provides that the taxation of a lump sum  
20 distribution from a retirement account is also exempt from  
21 state taxation by exempting the lump sum distribution for a  
22 person who is disabled, or 55 years of age or older, or who is  
23 the surviving spouse of an individual or is a survivor having  
24 an insurable interest in an individual who would have qualified  
25 for the exemption for the tax year.

26 The bill excludes the lump sum distribution exempt from  
27 state taxation from being included in calculating the  
28 individual income tax filing thresholds in Code section  
29 422.5(2) and (3).

30 The division takes effect upon enactment and applies  
31 retroactively to tax years beginning on or after January 1,  
32 2024.

33 DIVISION XII — ESTIMATED TAX THRESHOLD. Under the bill,  
34 a taxpayer filing a return is required to make estimated  
35 tax payments if Iowa income tax liability can reasonably be

S.F. 2396

1 expected to exceed \$1,000 or more. Under current law, such  
2 a taxpayer filing a return is required to make estimated  
3 tax payments if Iowa income tax liability can reasonably be  
4 expected to exceed \$200 or more.

5 The division takes effect January 1, 2025, and applies to tax  
6 years beginning on or after that date.