

Senate Study Bill 3115 - Introduced

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

A BILL FOR

1 An Act relating to the administration of state taxation, the
2 lottery, and alcoholic beverages under the purview of the
3 department of revenue, making appropriations, and including
4 effective date and retroactive applicability provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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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 EXPLANATION

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

29 This bill relates to the administration of state taxation,
30 the lottery, and alcoholic beverages under the purview of the
31 department of revenue.

32 DIVISION I — DISCLOSURE OF TAX INFORMATION. The bill
33 specifies and updates the circumstances the department of
34 revenue (department) may disclose state tax return and audit
35 information to law enforcement.

1 The division takes effect upon enactment.

2 DIVISION II — ANNUAL REPORTING. The bill strikes the
3 requirement that the department annually report to the general
4 assembly the areas of recurrent taxpayer noncompliance with the
5 rules of the department including any recommendations relating
6 to the noncompliance.

7 DIVISION III — PROPERTY TAX — EXTENSIONS. Under current
8 law, a claimant may ask the director of the department, the
9 county treasurer, or the director of the department of health
10 and human services for an extension to claim a reimbursement
11 for rent constituting property taxes in case of sickness,
12 absence, or disability. The bill strikes the director of the
13 department from involvement in the extension request by the
14 claimant.

15 DIVISION IV — FARM TENANCY INCOME TAX EXCLUSION.
16 Currently, an eligible individual may exclude income received
17 by the individual pursuant to a farm tenancy covering real
18 property held by the individual for 10 or more years, if the
19 individual materially participated in a farming business for
20 10 or more years. The bill allows the eligible individual to
21 exclude such income under such circumstances, if the individual
22 materially participated in a farming business for 10 or more
23 years in the aggregate. The bill further specifies the term
24 "held" is to be determined by the holding period provisions of
25 section 1223 of the Internal Revenue Code and other federal
26 regulations which is identical to the use of the term "held"
27 under the farming business exclusion in Code section 422.7(13).

28 DIVISION V — PASS-THROUGH ENTITIES. Under current law,
29 the department may issue a notice of adjustment (adjustment of
30 tax) to a partnership or pass-through entity pursuant to Code
31 section 422.25C, and specifies that the notice of adjustment
32 is appealable pursuant to Code sections 422.28 and 422.29.
33 The bill specifies the notice of adjustment is not always
34 appealable under the circumstances provided in Code section
35 422.25.

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

3 DIVISION VI — SALES TAX CHANGES. Under current law, a
4 purchaser, user, and consumer of taxable property or services
5 may be authorized to remit tax owed directly to the department
6 instead of the tax being collected and paid by the seller. The
7 bill specifies that in order to qualify for the direct pay tax
8 permit such a taxpayer must accrue a tax liability of more than
9 \$8,000 on a monthly basis. Currently, such a taxpayer must
10 accrue a tax liability of \$4,000 on a semimonthly basis in
11 order to qualify for the direct pay tax permit.

12 Currently, if the department determines a sales tax return
13 is incorrect, the department may determine the amount of tax
14 due from information or knowledge the department is able to
15 obtain, including using any mutually agreed upon valid and
16 reliable sampling technique. The bill strikes the provision
17 requiring the sampling technique be mutually agreed upon by the
18 taxpayer and the department, and allows the department to use
19 such a sampling technique without mutual agreement from the
20 taxpayer.

21 DIVISION VII — MOTOR FUEL TAXES. Under current law and
22 before July 1, 2026, the department determines the rate of
23 excise tax imposed on each gallon of ethanol blended gasoline
24 based upon the distribution percentage calculated in Code
25 section 452A.3(1)(b), and the excise tax rate imposed on each
26 gallon of biodiesel blended fuel based on the distribution
27 percentage calculated in Code section 453A.3(3)(a)(2). The
28 department determines the distribution percentage based upon
29 data from reports filed pursuant to Code section 452A.33. The
30 bill allows the department to amend the initial distribution
31 percentage due to a mistake, or if there is a late report filed
32 by a retail dealer to the department, or the distribution
33 percentage is not accurate.

34 The bill changes the due date of a biannual tax return
35 relating to electric fuel tax due in January by one day, and

1 modifies the biannual tax period by one day.

2 The bill allows a person who uses electric fuel for a
3 nontaxable purpose to provide an exemption certificate to
4 the license holder selling or dispensing the fuel, if the
5 certificate is produced by the department.

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

10 The bill establishes new criteria triggering distributions
11 from the veterans trust fund when the balance of the fund
12 equals or exceeds \$50 million. Under the bill, if the balance
13 of the veterans trust fund is \$50 million or more on both
14 July 1 of the current fiscal year and July 1 of the preceding
15 fiscal year, the moneys from the veterans trust fund shall
16 be appropriated to the department for distribution to county
17 directors of veteran affairs as provided in current law in Code
18 section 99G.39(3).

19 The bill establishes new setoff program procedures (debt
20 collection) for a debtor's lottery prize payment awarded as
21 cash or cash equivalent. The bill defines "setoff program" to
22 mean the program administered by the department pursuant to
23 Code section 421.65.

24 DIVISION IX — ALCOHOLIC BEVERAGES. The bill defines
25 "operating still" to mean a still that is registered with the
26 federal alcohol and tobacco tax and trade bureau of the United
27 States department of the treasury and is actively used to
28 manufacture spirits. The term "operating still" is used in the
29 definition of "native distillery" in Code section 123.3(35).

30 The bill moves portions of Code section 123.30(4) to new Code
31 section 123.30(5) and allows a person holding a retail alcohol
32 license to permit a customer to carry an open container of beer
33 from the person's licensed premises into another immediately
34 adjacent licensed premises that is covered by a license or
35 permit that authorizes the consumption of beer. Current law

1 allows a person to carry an open container of wine under such
2 circumstances but not beer.

3 The bill allows a person who is the holder of a class
4 "A" native distilled spirits license to be granted a class
5 "C" retail alcohol license for the same premises licensed
6 under the class "A" native distilled spirit license where the
7 manufacturing of native distilled spirits occurs.

8 The bill provides a native brewery may be granted a class "C"
9 retail alcohol license or a special class "C" retail alcohol
10 license for the premises licensed under a class "A" beer permit
11 where the manufacturing of beer occurs. The bill provides
12 that a native brewery may be granted not more than two class
13 "C" retail alcohol licenses or granted two special class "C"
14 alcohol licenses. Under the bill, a native brewery may be
15 issued a class "C" retail alcohol license or a special class
16 "C" alcohol license, regardless of whether the person is a
17 manufacturer of native distilled spirits pursuant to a class
18 "A" native distilled spirits license or a manufacturer of
19 native wine pursuant to a class "A" wine permit.

20 The bill allows a person who is the holder of a class "A"
21 wine permit to be granted a class "C" retail alcohol license
22 or a special class "C" retail native wine license for the same
23 premises licensed under the class "A" wine permit where the
24 manufacturing of native wine occurs.

25 DIVISION X — INHERITANCE TAX — FUTURE CODE CHANGES DUE TO
26 REPEAL. The bill changes numerous Code sections to reflect the
27 future repeal of the inheritance tax beginning for the estates
28 of decedents dying on or after January 1, 2025. However, other
29 provisions of Code chapter 450 relating to the inheritance tax
30 have not been repealed. The division takes effect January 1,
31 2025, and applies to the estates of decedents dying on or after
32 that date.