

**Senate File 487 - Introduced**

SENATE FILE 487  
BY COMMITTEE ON WORKFORCE

(SUCCESSOR TO SSB 1165)

**A BILL FOR**

- 1 An Act relating to employer recordkeeping and auditing
- 2 requirements for purposes of unemployment insurance and
- 3 including applicability provisions.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 96.11, subsection 6, paragraph a, Code  
2 2025, is amended to read as follows:

3 a. An employing unit shall keep true and accurate work  
4 records, containing information required by the department. The  
5 records shall be open to inspection and copying by an authorized  
6 representative of the department at any reasonable time and as  
7 often as necessary. For each employee, the employing unit shall  
8 keep such records for three years after a calendar year in  
9 which remuneration that the records relate to was paid to the  
10 employee. If the employing unit did not pay remuneration, but  
11 remuneration was due, the employer shall keep such records for  
12 three years after the calendar year in which remuneration was  
13 due. An authorized representative of the department may require  
14 from an employing unit a sworn or unsworn report, with respect to  
15 individuals employed by the employing unit, which the department  
16 deems necessary for the effective administration of this chapter.

17 Sec. 2. NEW SECTION. **96.22 Employer field audits.**

18 1. The department shall conduct field audits of employers  
19 by examining employer records to determine compliance with this  
20 chapter. Such audits shall be carried out by employer field  
21 auditors employed by the department. Procedures for such audits  
22 shall be in accordance with this section. The department  
23 may establish additional procedures for employer field audits  
24 consistent with this section by rule.

25 2. Prior to an employer field audit, the department shall  
26 give the employer reasonable notice of the intent to audit and  
27 conduct an in-person preaudit interview with the employer or a  
28 designated representative of the employer at the employer's place  
29 of business or an alternative location mutually agreed upon by  
30 the employer and the department. The employer and the department  
31 may mutually agree to conduct the preaudit interview through  
32 alternative means, including but not limited to telephone,  
33 facsimile, electronic mail, or video conference.

34 3. Employer records subject to an employer field audit,  
35 if such records are maintained by the employer, may include

1 individual pay records, federal internal revenue service forms  
2 W-2 and 1099, cash disbursement journals and check registers or  
3 the electronic equivalent thereof, federal and state tax returns,  
4 and other records required by this section.

5 4. To verify the correct business entity is listed in  
6 department files, the employer field auditor may examine business  
7 licenses of the employer or legal documents related to the  
8 initial establishment of the business entity or to any employee  
9 to whom the applicability of this chapter is in question.

10 5. To verify proper compliance by the employer with reporting  
11 requirements of the department, an employer field auditor shall  
12 conduct and document a detailed audit of check stubs, weekly  
13 time cards, the electronic equivalent of such documents, or other  
14 maintained source documents for at least one employee for at  
15 least one quarter. The detailed audit may be more comprehensive  
16 than provided in this subsection if the employer field auditor  
17 finds discrepancies in such records.

18 6. The department shall establish procedures for an employer  
19 to contest an employer field auditor's decision regarding the  
20 applicability of this chapter to an employee. In any disputed  
21 case, the employer field auditor may, at the discretion of the  
22 presiding officer, be granted access to records to determine the  
23 remuneration paid for any calendar quarter at issue occurring  
24 within three years prior to the department's issuance to the  
25 employer of a notice of intent to audit.

26 Sec. 3. APPLICABILITY. The section of this Act enacting  
27 section 96.22 applies to audits conducted by the department of  
28 workforce development pursuant to chapter 96 commencing on or  
29 after the effective date of this Act.

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#### EXPLANATION

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The inclusion of this explanation does not constitute agreement with

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the explanation's substance by the members of the general assembly.

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This bill relates to employer recordkeeping and auditing  
34 requirements for purposes of unemployment insurance under Code  
35 chapter 96. Current requirements for these matters are largely

1 set out in rules of the department of workforce development.

2 The bill requires that an employing unit keep records  
3 regarding an employee that are required for purposes of  
4 unemployment compensation for three years after a calendar year  
5 in which remuneration that the records relate to was paid to the  
6 employee. If the employing unit did not pay remuneration, but  
7 remuneration was due, the employer shall keep records regarding  
8 an employee that are required for purposes of unemployment  
9 compensation for three years after the calendar year in which  
10 remuneration was due.

11 The bill requires the department to conduct field audits of  
12 employers by examining employer records to determine compliance  
13 with Code chapter 96 and establishes procedures for such audits.  
14 Such audits shall be carried out by employer field auditors  
15 employed by the department. The bill authorizes the department  
16 to establish additional procedures for employer field audits by  
17 rule.

18 The bill requires the department to give the employer  
19 reasonable notice of the intent to audit and provides procedures  
20 for a preaudit interview with the employer.

21 The bill provides that records that may be subject to  
22 audit include individual pay records, W-2 and 1099 forms, cash  
23 disbursement journals and check registers or the electronic  
24 equivalent thereof, federal and state tax returns, business  
25 licenses of the employer, and legal documents related to the  
26 initial establishment of the business entity or to any employee  
27 to whom the applicability of Code chapter 96 is in question.

28 The bill requires an employer field auditor to conduct and  
29 document a detailed audit of check stubs, weekly time cards,  
30 the electronic equivalent of such documents, or other maintained  
31 source documents for at least one employee for at least one  
32 quarter. The detailed audit may be more comprehensive if the  
33 employer field auditor finds discrepancies in such records.

34 The bill requires the department to establish procedures for  
35 an employer to contest an employer field auditor's decision

1 regarding the applicability of Code chapter 96 to an employee.  
2 The bill provides that in any disputed case, the employer field  
3 auditor may, at the discretion of the presiding officer, be  
4 granted access to records to determine the remuneration paid for  
5 any calendar quarter at issue occurring within three years prior  
6 to the department's issuance to the employer of a notice of  
7 intent to audit.

8 The provision of the bill relating to audits applies to audits  
9 conducted by the department of workforce development pursuant to  
10 Code chapter 96 commencing on or after the effective date of the  
11 bill.

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