

Senate Study Bill 1156 - Introduced

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

A BILL FOR

1 An Act relating to the administration of the tax by the
2 department of revenue by modifying provisions related to
3 personal income, property, sales and use, motor fuel,
4 and inheritance taxes, changing tax expenditure reviews,
5 and including effective date and retroactive applicability
6 provisions.

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

unofficial

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DIVISION I

DISCLOSURE OF TAX INFORMATION

Section 1. Section 421.19, subsection 2, Code 2025, 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 2025, 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. Section 422.20, subsection 3, paragraph a, Code 2025, is amended to read as follows:

a. Unless otherwise expressly permitted by section 8G.4, section 11.41, section 96.11, subsection 6, section 421.17, subsections 22, 23, and 26, section 421.17, subsection 27, paragraph "k", section 421.17, subsection 31, section 252B.9, section 321.40, subsection 6, sections 321.120, 421.19, 421.28, 421.59, 421.65, 422.72, ~~and~~ 452A.63, and 556.19, subsection 2, this section, or another provision of law, a tax return, return

1 information, or investigative or audit information shall not be
2 divulged to any person or entity, other than the taxpayer, the
3 department, or internal revenue service for use in a matter
4 unrelated to tax administration.

5 Sec. 4. Section 422.72, subsection 3, paragraph a, Code 2025,
6 is amended to read as follows:

7 a. Unless otherwise expressly permitted by section 8G.4,
8 section 11.41, section 96.11, subsection 6, section 421.17,
9 subsections 22, 23, and 26, section 421.17, subsection 27,
10 paragraph "k", section 421.17, subsection 31, section 252B.9,
11 section 321.40, subsection 6, sections 321.120, 421.19, 421.28,
12 421.65, 422.20, and 452A.63, and section 556.19, subsection 2,
13 this section, or another provision of law, a tax return, return
14 information, or investigative or audit information shall not be
15 divulged to any person or entity, other than the taxpayer, the
16 department, or internal revenue service for use in a matter
17 unrelated to tax administration.

18 Sec. 5. EFFECTIVE DATE. This division of this Act, being
19 deemed of immediate importance, takes effect upon enactment.

20 DIVISION II

21 ANNUAL REPORTING

22 Sec. 6. Section 421.60, subsection 2, paragraph k, Code 2025,
23 is amended by striking the paragraph.

24 Sec. 7. Section 422.75, Code 2025, is amended to read as
25 follows:

26 **422.75 Statistics — publication.**

27 The department shall prepare and publish an annual report
28 which shall include statistics reasonably available, with respect
29 to the operation of this chapter, including amounts collected,
30 classification of taxpayers, and such other facts as are deemed
31 pertinent and valuable. ~~The annual report shall also include~~
32 ~~the reports and information required pursuant to section 421.60,~~
33 ~~subsection 2, paragraph "k".~~

34 DIVISION III

35 PROPERTY TAX — CHANGES

1 Sec. 8. Section 425.20, subsection 3, Code 2025, is amended
2 to read as follows:

3 3. In case of sickness, absence, or other disability of the
4 claimant or if, in the judgment of the ~~director of revenue or~~
5 ~~the director of health and human services, as applicable,~~ good
6 cause exists and the claimant requests an extension, the director
7 of health and human services may extend the time for filing a
8 claim for reimbursement ~~and the director of revenue may extend~~
9 ~~the time for filing a claim for credit.~~ However, any further
10 time granted shall not extend beyond December 31 of the year
11 following the year in which the claim was required to be filed.
12 Claims filed as a result of this subsection shall be filed with
13 the director of health and human services ~~or the director of~~
14 ~~revenue, as applicable,~~ who shall provide for the reimbursement
15 of the claim to the claimant.

16 Sec. 9. Section 445.60, Code 2025, is amended to read as
17 follows:

18 **445.60 Refunding erroneous tax.**

19 The board of supervisors shall direct the county treasurer
20 to refund to the taxpayer any tax or portion of a tax found
21 to have been erroneously or illegally paid, with all interest,
22 fees, and costs actually paid. A refund shall not be ordered or
23 made unless a claim for refund is presented to the board within
24 two years of the date the tax was due, or if appealed to the
25 board of review, the property assessment appeal board, director
26 of revenue, or district court, within two years of the final
27 decision.

28 Sec. 10. EFFECTIVE DATE. The following, being deemed of
29 immediate importance, takes effect upon enactment:

30 The section of this division of this Act amending section
31 445.60.

32 DIVISION IV

33 FARM TENANCY INCOME TAX EXCLUSION

34 Sec. 11. Section 422.7, subsection 14, paragraph a, Code
35 2025, is amended to read as follows:

1 tax attributes of the partnership or pass-through entity as
2 determined pursuant to this chapter for the reviewed year. The
3 department shall issue a notice of adjustment to the partnership
4 or pass-through entity. Such notice shall be treated as an
5 assessment for the purposes of section 422.25, and the notice
6 shall be appealable, except as provided in section 422.25, by the
7 partnership or pass-through entity pursuant to sections 422.28
8 and 422.29 and shall be issued within the time period provided
9 by section 422.25. Once the adjustments to partnership-related
10 or pass-through entity-related items or reallocations of income,
11 gains, losses, expenses, credits, and other attributes among
12 such partners for the reviewed year are finally determined, the
13 partnership or pass-through entity and any direct partners or
14 indirect partners shall then be subject to the provisions of
15 section 422.25, subsection 1, paragraph "e", and section 422.25A
16 in the same manner as if the state partnership audit were a
17 federal partnership level audit, and as if the final state
18 partnership audit adjustment were a final federal partnership
19 adjustment. The penalty exceptions in section 421.27, subsection
20 2, paragraphs "b" and "c", shall not apply to a state partnership
21 audit.

22 Sec. 14. EFFECTIVE DATE. This division of this Act, being
23 deemed of immediate importance, takes effect upon enactment.

24 Sec. 15. RETROACTIVE APPLICABILITY. This division of this
25 Act applies retroactively to January 1, 2024.

26 DIVISION VI

27 SALES TAX CHANGES

28 Sec. 16. Section 423.2, subsection 1, paragraph b, Code 2025,
29 is amended to read as follows:

30 b. (1) Sales of building materials, supplies, and equipment
31 to owners, ~~contractors, subcontractors, or builders for the~~
32 ~~erection of buildings or the alteration, repair, or improvement~~
33 ~~of real property~~ are retail sales of tangible personal property
34 ~~in whatever quantity sold. Where the owner, contractor,~~
35 ~~subcontractor, or builder is also a retailer holding a sales~~

~~1 or use tax permit and transacting retail sales of building
2 materials, supplies, and equipment, the person shall purchase
3 such items of tangible personal property without liability for
4 the tax if such property will be subject to the tax at the
5 time of resale or at the time it is withdrawn from inventory
6 for construction purposes. The sales tax shall be due in the
7 reporting period when the materials, supplies, and equipment
8 are withdrawn from inventory for construction purposes or when
9 sold at retail. The tax shall not be due when materials are
10 withdrawn from inventory for use in construction outside of
11 Iowa and the tax shall not apply to tangible personal property
12 purchased and consumed by the manufacturer as building materials
13 in the performance by the manufacturer or its subcontractor of
14 construction outside of Iowa. The sale of carpeting is not a
15 sale of building materials. The sale of carpeting to owners,
16 contractors, subcontractors, or builders shall be treated as
17 the sale of ordinary tangible personal property and subject to
18 the tax imposed under this subsection and the use tax Sales of
19 building materials and supplies to contractors, subcontractors,
20 or builders for the erection of buildings and other structures
21 or for the reconstruction, alteration, expansion, or remodeling
22 of buildings and other structures are retail sales of tangible
23 personal property. Sales of building materials and supplies to
24 contractors, subcontractors, or builders for use in repairs to
25 or for installation in existing buildings and other structures
26 are purchases for resale. Sales of building equipment to
27 contractors, subcontractors, or builders are retail sales of
28 tangible personal property.~~

29 (2) Where the owner, contractor, subcontractor, or builder
30 is also a retailer holding a sales and use tax permit and
31 transacting retail sales of building materials, supplies, and
32 equipment, the person shall purchase such items of tangible
33 personal property without liability for the tax if such property
34 will be subject to sales tax at the time of resale or subject
35 to use tax at the time the retailer withdraws such property

1 from inventory for use by the retailer in erecting buildings and
2 other structures or for reconstruction, alteration, expansion,
3 or remodeling of buildings and other structures. The tax shall
4 be due in the reporting period when the materials, supplies,
5 or equipment are withdrawn from inventory or when sold at
6 retail. The tax shall not be due when materials and supplies are
7 withdrawn from inventory for use in construction outside of Iowa.

8 (3) The sale of carpeting is not a sale of building
9 materials. Sales of carpeting to owners, contractors,
10 subcontractors, or builders are retail sales of tangible personal
11 property and subject to tax.

12 Sec. 17. Section 423.36, subsection 9, paragraph a, Code
13 2025, is amended to read as follows:

14 a. Except as provided in paragraph "b", purchasers, users,
15 and consumers of tangible personal property, specified digital
16 products, or enumerated services taxed pursuant to subchapter
17 II or III of this chapter or chapter 423B may be authorized,
18 pursuant to rules adopted by the director, to remit tax owed
19 directly to the department instead of the tax being collected and
20 paid by the seller. To qualify for a direct pay tax permit, the
21 purchaser, user, or consumer must accrue a tax liability of more
22 than ~~four~~ eight thousand dollars in tax under subchapters II and
23 III in a ~~semimonthly~~ monthly period and make deposits and file
24 returns pursuant to section 423.31. This authority shall not
25 be granted or exercised except upon application to the director
26 and then only after issuance by the director of a direct pay tax
27 permit.

28 DIVISION VII

29 MOTOR FUEL TAXES

30 Sec. 18. Section 452A.3, subsection 1, paragraph b,
31 unnumbered paragraph 1, Code 2025, is amended to read as follows:

32 On and after July 1, 2030, an excise tax of thirty cents is
33 imposed on each gallon of ethanol blended gasoline classified as
34 E-15 or higher. Before July 1, 2030, the rate of the excise
35 tax on ethanol blended gasoline classified as E-15 or higher

1 shall be based on the number of gallons of ethanol blended
2 gasoline classified as E-15 or higher that are distributed in
3 this state as expressed as a percentage of the number of gallons
4 of motor fuel distributed in this state, which is referred to
5 as the distribution percentage. For purposes of this paragraph
6 "b", only ethanol blended gasoline and nonblended gasoline, not
7 including aviation gasoline, shall be used in determining the
8 percentage basis for the excise tax. The department shall
9 determine the percentage basis for each determination period
10 beginning January 1 and ending December 31 based on information
11 from reports submitted to the department for filing pursuant to
12 section 452A.33. Before June 1, the department may amend the
13 distribution percentage due to a mistake, if there is a late
14 report filed by a retail dealer to the department under section
15 452A.33, subsection 1, or if the distribution percentage is not
16 accurate. The rate for the excise tax shall apply for the period
17 beginning July 1 and ending June 30 following the end of the
18 determination period. Before July 1, 2030, the rate of the
19 excise tax on each gallon of ethanol blended gasoline classified
20 as E-15 or higher shall be as follows:

21 Sec. 19. Section 452A.3, subsection 3, paragraph a,
22 subparagraph (2), unnumbered paragraph 1, Code 2025, is amended
23 to read as follows:

24 Except as otherwise provided in this section and in this
25 subchapter, this subparagraph shall apply to the excise tax
26 imposed on each gallon of biodiesel blended fuel classified
27 as B-20 or higher used for any purpose for the privilege of
28 operating motor vehicles in this state. On and after July 1,
29 2030, the rate of the excise tax on each gallon of biodiesel
30 blended fuel classified as B-20 or higher is thirty-two and
31 five-tenths cents. Before July 1, 2030, the rate of the excise
32 tax on each gallon of biodiesel blended fuel classified as
33 B-20 or higher shall be based on the number of gallons of
34 biodiesel blended fuel classified as B-20 or higher that are
35 distributed in this state as expressed as a percentage of the

1 number of gallons of special fuel for diesel engines of motor
2 vehicles distributed in this state, which is referred to as
3 the distribution percentage. The department shall determine
4 the percentage basis for each determination period beginning
5 January 1 and ending December 31 based on information from
6 reports submitted to the department for filing pursuant to
7 section 452A.33. Before June 1, the department may amend the
8 distribution percentage due to a mistake, if there is a late
9 report filed by a retail dealer to the department under section
10 452A.33, subsection 1, or if the distribution percentage is not
11 accurate. The rate of the excise tax shall apply for the period
12 beginning July 1 and ending June 30 following the end of the
13 determination period. Before July 1, 2030, the rate of the
14 excise tax on each gallon of biodiesel blended fuel classified
15 as B-20 or higher shall be as follows:

16 Sec. 20. Section 452A.15, subsection 5, Code 2025, is amended
17 to read as follows:

18 5. The director may impose a civil penalty against any person
19 who fails to timely file the reports or keep the records required
20 under this section. The penalty shall be one hundred dollars for
21 the first violation and shall increase by one hundred dollars for
22 each additional violation occurring in the calendar year in which
23 the first violation occurred.

24 Sec. 21. Section 452A.33, subsection 2, unnumbered paragraph
25 1, Code 2025, is amended to read as follows:

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

33 Sec. 22. Section 452A.41, subsection 5, paragraph a, Code
34 2025, is amended to read as follows:

35 a. For the purpose of determining the amount of liability

1 for the electric fuel tax, each dealer and user shall file with
2 the department not later than July 31 for the period beginning
3 January 1 and ending June 30, and not later than January 30
4 31 for the period beginning July 1 and ending December 30
5 31, a biannual tax return certified under penalties for false
6 certification. The return shall show, with reference to each
7 location at which fuel is delivered or placed by the dealer or
8 user into the battery or other energy storage device of any
9 electric motor vehicle during the next preceding six calendar
10 months, information as required by the department. On and after
11 January 1, 2026, the department may require by rule that such tax
12 returns be filed quarterly.

13 Sec. 23. Section 452A.44, Code 2025, is amended by adding the
14 following new subsection:

15 NEW SUBSECTION. 4. If electric fuel is sold or dispensed for
16 a nontaxable purpose, the purchaser may complete and provide an
17 exemption certificate produced by the department to the license
18 holder.

19 DIVISION VIII

20 INHERITANCE TAX — FUTURE CODE CHANGES DUE TO REPEAL

21 Sec. 24. Section 12D.9, subsection 3, Code 2025, is amended
22 to read as follows:

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

28 Sec. 25. Section 12I.8, subsection 3, Code 2025, is amended
29 to read as follows:

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

33 Sec. 26. Section 12I.10, subsection 3, Code 2025, is amended
34 to read as follows:

35 3. State For a death occurring before January 1, 2025, state

1 inheritance tax treatment of interests in the qualified ABLE
2 program with which the state has contracted pursuant to this
3 section shall be as provided in section 450.4, subsection 9.

4 Sec. 27. Section 16.177, subsection 8, Code 2025, is amended
5 to read as follows:

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

11 Sec. 28. Section 321.47, subsection 2, paragraph a, Code
12 2025, is amended to read as follows:

13 a. The persons entitled under the laws of descent and
14 distribution to the possession and ownership of a vehicle owned
15 in whole or in part by a decedent who died intestate, upon
16 filing an affidavit stating the name and date of death of the
17 decedent, the right to possession and ownership of the persons
18 filing the affidavit, and that there has been no administration
19 of the decedent's estate, which instrument must also contain
20 an agreement by the affiant to indemnify creditors of the
21 decedent who would be entitled to levy execution upon the motor
22 vehicle to the extent of the value of the motor vehicle, shall,
23 upon complying with the other title transfer requirements of
24 this chapter, be issued a registration card for the decedent's
25 interest in the vehicle and a certificate of title to the
26 vehicle. If a decedent died testate, and either the will is
27 not probated or is admitted to probate without administration,
28 the persons entitled to the possession and ownership of a vehicle
29 owned in whole or in part by the decedent may file an affidavit
30 and, upon complying with the other title transfer requirements
31 of this chapter, shall be issued a registration card for the
32 decedent's interest in the vehicle and a certificate of title
33 to the vehicle. The affidavit must contain the same information
34 and indemnity agreement as is required in cases of intestacy
35 under this subsection. ~~Chapter 450 is not~~ For a death occurring

1 before January 1, 2025, a requirement of chapter 450 shall not
2 be considered satisfied by the filing of the affidavit provided
3 for in this subsection. If, from the records in the office
4 of the county treasurer, there appear to be any liens on the
5 vehicle, the certificate of title must contain a statement of the
6 liens unless the application is accompanied by proper evidence
7 of the satisfaction or extinction of such liens. Evidence of
8 extinction includes but is not limited to an affidavit of the
9 applicant stating that a security interest was foreclosed as
10 provided in chapter 554, article 9, part 6. The department shall
11 waive the certificate of title fee and surcharge required under
12 sections 321.20, 321.20A, 321.23, 321.46, 321.52, and 321.52A if
13 the person entitled to possession and ownership of a vehicle,
14 as provided in this subsection, is the surviving spouse of a
15 decedent.

16 Sec. 29. Section 331.602, subsection 23, Code 2025, is
17 amended to read as follows:

18 23. ~~Forward~~ For deaths occurring before January 1, 2025,
19 forward to the director of revenue a copy of any deed, bill of
20 sale, or other transfer which shows that it is made or intended
21 to take effect at or after the death of the person executing the
22 instrument as provided in section 450.81.

23 Sec. 30. Section 331.756, subsection 57, Code 2025, is
24 amended to read as follows:

25 57. ~~Represent~~ For deaths occurring before January 1, 2025,
26 represent the state in litigation relating to the inheritance tax
27 if requested by the department of revenue as provided in section
28 450.1.

29 Sec. 31. Section 421.27, subsection 1, paragraph d,
30 subparagraph (13), Code 2025, is amended to read as follows:

31 (13) ~~That~~ For a death occurring before January 1, 2025,
32 that an Iowa inheritance tax return is filed for an estate
33 within the later of nine months from the date of death or sixty
34 days from the filing of a disclaimer by the beneficiary of the
35 estate refusing to take the property or right or interest in the

1 property.

2 Sec. 32. Section 421.60, subsection 2, paragraph c,
3 subparagraph (1), Code 2025, is amended to read as follows:

4 (1) If the notice of assessment or denial of a claim for
5 refund relates to a tax return filed pursuant to section 422.14,
6 or pursuant to chapter 450 for a death occurring before January
7 1, 2025, by the taxpayer which designates an individual as an
8 authorized representative of the taxpayer with respect to that
9 return, or if a power of attorney has been filed with the
10 department by the taxpayer which designates an individual as an
11 authorized representative of the taxpayer with respect to any tax
12 that is included in the notice of assessment or denial of a claim
13 for refund, a copy of the notice together with any additional
14 information required to be sent to the taxpayer shall be sent to
15 the authorized representative as well.

16 Sec. 33. Section 422.27, subsection 1, Code 2025, is amended
17 to read as follows:

18 1. A final account of a personal representative, ~~as defined~~
19 ~~in section 450.1,~~ shall not be allowed by any court unless the
20 account shows, and the judge of the court finds, that all taxes
21 imposed by this subchapter upon the personal representative,
22 which have become payable, have been paid, and that all taxes
23 which may become due are secured by bond or deposit, or are
24 otherwise secured. The certificate of acquittances of the
25 department of revenue is conclusive as to the payment of the tax
26 to the extent of the acquittance. This subsection does not apply
27 if all property in the estate of a decedent is held in joint
28 tenancy with right of survivorship by husband and wife alone.
29 For purposes of this subsection, "personal representative" means
30 an administrator, executor, or trustee as each is defined in
31 section 633.3.

32 Sec. 34. Section 496C.14, subsection 6, paragraph h, Code
33 2025, is amended to read as follows:

34 h. Notwithstanding the provisions of this section, payment
35 of any part of the purchase price for shares of a deceased

1 shareholder shall not be required until the executor or
2 administrator of the deceased shareholder provides any indemnity,
3 release, or other document from any taxing authority, which is
4 reasonably necessary to protect the corporation against liability
5 for any estate, inheritance, and death taxes tax, or any
6 inheritance tax for a death occurring before January 1, 2025.

7 Sec. 35. Section 524.805, subsection 8, Code 2025, is amended
8 to read as follows:

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

20 Sec. 36. Section 541A.2, subsection 6, unnumbered paragraph
21 1, Code 2025, is amended to read as follows:

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

30 Sec. 37. Section 602.8102, subsection 63, Code 2025, is
31 amended to read as follows:

32 63. Carry out duties relating to the inheritance tax as
33 provided in chapter 450 for deaths occurring before January 1,
34 2025.

35 Sec. 38. Section 633.21, Code 2025, is amended to read as

1 follows:

2 **633.21 Appraisers' fees and referees' fees fixed by rule.**

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

8 Sec. 39. Section 633.31, subsection 2, paragraph a, Code
9 2025, is amended to read as follows:

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

13 Sec. 40. Section 633.356, subsection 1, unnumbered paragraph
14 1, Code 2025, is amended to read as follows:

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

27 Sec. 41. Section 633.356, subsection 3, paragraph a,
28 subparagraph (3), Code 2025, is amended to read as follows:

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

1 chapter 450.

2 Sec. 42. Section 633.356, subsection 3, paragraph a,
3 subparagraph (10), Code 2025, is amended to read as follows:

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

8 Sec. 43. Section 633.356, subsection 9, Code 2025, is amended
9 to read as follows:

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

29 Sec. 44. Section 633.361, subsection 12, Code 2025, is
30 amended to read as follows:

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

34 Sec. 45. Section 633.365, Code 2025, is amended to read as
35 follows:

1 **633.365 Appraisement.**

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

6 Sec. 46. Section 633.399, Code 2025, is amended to read as
7 follows:

8 **633.399 Report for approval.**

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

33 Sec. 47. Section 633.477, subsection 10, Code 2025, 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, and
4 whether inheritance tax was paid or a return was filed in this
5 state for a death occurring before January 1, 2025.

6 Sec. 48. Section 633.479, subsection 2, paragraph a,
7 subparagraph (5), Code 2025, 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. 49. Section 633.481, Code 2025, 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 shall
18 prepare and deliver to the county recorder of the county in which
19 the real estate is situated a certificate pertaining to each
20 parcel of real estate described in the inventory or report. Any
21 fees for certificates or recording fees required by this section
22 or section 633.480 shall be assessed as costs of administration.
23 The fees for recording and indexing the instrument shall be as
24 provided in section 331.604. The county recorder shall deliver
25 the certificates to the county auditor as provided in section
26 558.58.

27 Sec. 50. Section 635.7, subsection 1, Code 2025, is amended
28 to read as follows:

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

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

5 Sec. 51. Section 635.8, subsection 1, paragraph e, Code 2025,
6 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 any
10 federal estate tax, and whether inheritance tax was paid or a
11 tax return was filed in this state for a death occurring before
12 January 1, 2025.

13 Sec. 52. Section 654.16, subsection 2, Code 2025, 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 the
17 sheriff's sale. The court may consult with the county appraisers
18 appointed pursuant to section 450.24 for deaths occurring before
19 January 1, 2025, or with one or more independent appraisers, to
20 determine the fair market value of the designated homestead.

21 Sec. 53. EFFECTIVE DATE. This division of this Act, being
22 deemed of immediate importance, takes effect upon enactment.

23 Sec. 54. RETROACTIVE APPLICABILITY. This division of this
24 Act applies retroactively to January 1, 2025, to the estates of
25 decedents dying on or after January 1, 2025.

26 DIVISION IX

27 LUMP SUM DISTRIBUTION OF RETIREMENT INCOME

28 Sec. 55. Section 422.5, subsection 7, Code 2025, is amended
29 to read as follows:

30 7. 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 sum
2 distribution. A nonresident is liable for this tax only on that
3 portion of the lump sum distribution allocable to Iowa. The
4 total amount of the lump sum distribution subject to separate
5 federal tax shall be included in net income for purposes of
6 determining eligibility under subsections 2 and 3, as applicable,
7 except the amount of the lump sum distribution exempt from state
8 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 to by
14 a self-employed person as an employer, and deferred compensation
15 plans or any earnings attributable to the deferred compensation
16 plans is exempt from state tax imposed under paragraph "a" if
17 received by a person who is disabled, or is fifty-five years of
18 age or older, or is the surviving spouse of an individual or is a
19 survivor having an insurable interest in an individual who would
20 have qualified for the exemption under this subsection for the
21 tax year.

22 Sec. 56. EFFECTIVE DATE. This division of this Act, being
23 deemed of immediate importance, takes effect upon enactment.

24 Sec. 57. RETROACTIVE APPLICABILITY. This division of this
25 Act applies retroactively to January 1, 2025, for tax years
26 beginning on or after that date.

27 DIVISION X

28 ESTIMATED TAX THRESHOLD

29 Sec. 58. Section 422.16, subsection 12, paragraph a,
30 subparagraph (1), Code 2025, 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. 59. EFFECTIVE DATE. This division of this Act takes

1 effect January 1, 2026.

2 Sec. 60. APPLICABILITY. This division of this Act applies to
3 tax years beginning on or after January 1, 2026.

4 DIVISION XI

5 TAX EXPENDITURE REVIEW

6 Sec. 61. Section 2.48, subsection 2, paragraph a,
7 subparagraph (1), Code 2025, is amended to read as follows:

8 (1) The department administering a tax expenditure described
9 in subsection 3 shall engage in a review of the tax expenditure
10 based upon the schedule in subsection 3, unless the tax
11 expenditure is repealed. For purposes of this section, a tax
12 expenditure is considered repealed if a zero amount remains
13 available to be awarded, issued, or claimed under law.

14 If multiple departments administer the tax expenditure, the
15 departments shall cooperate in the review.

16 Sec. 62. Section 2.48, subsection 3, paragraph b,
17 subparagraph (1), Code 2025, is amended by striking the
18 subparagraph.

19 Sec. 63. Section 2.48, subsection 3, paragraph d,
20 subparagraphs (3) and (5), Code 2025, are amended by striking the
21 subparagraphs.

22 Sec. 64. Section 2.48, subsection 3, paragraph e,
23 subparagraph (4), Code 2025, is amended by striking the
24 subparagraph.

25 Sec. 65. 2017 Iowa Acts, chapter 29, section 169, is amended
26 to read as follows:

27 SEC. 169. EFFECTIVE DATE. The following provision or
28 provisions in Division I of this Act take effect July 1, ~~2030~~
29 2039:

30 1. The section of this Act amending section 2.48, subsection
31 3, paragraph "h".

32 EXPLANATION

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

35 This bill relates to the administration of the tax by the

1 department of revenue by modifying provisions related to personal
2 income, property, sales and use, motor fuel, inheritance tax, and
3 changing tax expenditure reviews.

4 DIVISION I — DISCLOSURE OF TAX INFORMATION. The bill
5 specifies and updates the circumstances the department of revenue
6 (department) may disclose state tax return and audit information
7 to law enforcement. The bill also makes conforming changes
8 related to disclosure of state tax return information to the
9 treasurer of state for purposes of determining ownership of
10 abandoned property.

11 The division takes effect upon enactment.

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

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

24 Under current law, when issuing a refund for an erroneous
25 property tax paid by a taxpayer, the taxpayer must have presented
26 a claim of refund to the board of supervisors, or if appealed,
27 a claim to the property assessment appeal or district court
28 within two years of the final decision on the property taxes
29 owed. Under the bill, a taxpayer is eligible to claim a refund
30 for an erroneous tax if the taxpayer had previously appealed
31 the claim for a refund of an erroneous tax to the director of
32 revenue within two years of the director's final decision. This
33 provision takes effect upon enactment.

34 DIVISION IV — FARM TENANCY INCOME TAX EXCLUSION. Currently,
35 an eligible individual may exclude income received by the

1 individual pursuant to a farm tenancy covering real property
2 held by the individual for 10 or more years, if the individual
3 materially participated in a farming business for 10 or more
4 years. The bill allows the eligible individual to exclude such
5 income under such circumstances, if the individual materially
6 participated in a farming business for 10 or more years in the
7 aggregate. The bill further specifies the term "held" is to be
8 determined by the holding period provisions of section 1223 of
9 the Internal Revenue Code and other federal regulations which
10 is identical to the use of the term "held" under the farming
11 business exclusion in Code section 422.7(13).

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

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

21 DIVISION VI — SALES TAX CHANGES. The bill makes changes to
22 the collection of sales taxes on building materials, supplies,
23 and equipment where an owner, contractor, subcontractor, or
24 builder is also a retailer holding a sales and use tax permit.
25 Under such circumstances, if a customer of the retailer purchases
26 tangible personal property from the retailer, the bill provides
27 that such property will not be subject to sales tax if the
28 property will be subject to sales tax at resale at a later date
29 or if the property will be subject to use tax at the time the
30 retailer withdraws the property from inventory for use by the
31 retailer in construction. The bill makes other related changes
32 to enhance the readability of the provision.

33 Under current law, a purchaser, user, and consumer of taxable
34 property or services may be authorized to remit tax owed directly
35 to the department instead of the tax being collected and paid by

1 the seller. The bill specifies that in order to qualify for the
2 direct pay tax permit such a taxpayer must accrue a tax liability
3 of more than \$8,000 on a monthly basis. Currently, such a
4 taxpayer must accrue a tax liability of \$4,000 on a semimonthly
5 basis in order to qualify for the direct pay tax permit.

6 DIVISION VII — MOTOR FUEL TAXES. Under current law and before
7 July 1, 2026, the department determines the rate of excise tax
8 imposed on each gallon of ethanol blended gasoline based upon the
9 distribution percentage calculated in Code section 452A.3(1)(b),
10 and the excise tax rate imposed on each gallon of biodiesel
11 blended fuel based on the distribution percentage calculated
12 in Code section 453A.3(3)(a)(2). The department determines
13 the distribution percentage based upon data from reports filed
14 pursuant to Code section 452A.33. The bill allows the department
15 to amend the initial distribution percentage due to a mistake,
16 or if there is a late report filed by a retail dealer to the
17 department, or the distribution percentage is not accurate.

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

21 The bill allows a person who uses electric fuel for a
22 nontaxable purpose to provide an exemption certificate to the
23 license holder selling or dispensing the fuel, if the certificate
24 is produced by the department.

25 DIVISION VIII — INHERITANCE TAX — FUTURE CODE CHANGES DUE
26 TO REPEAL. The bill changes numerous Code sections to reflect
27 the repeal of the inheritance tax beginning for the estates of
28 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 upon enactment
31 and applies retroactively to the estates of decedents dying on or
32 after January 1, 2025.

33 DIVISION IX — LUMP SUM DISTRIBUTION OF RETIREMENT
34 INCOME. Under current law, commencing with tax years beginning
35 on or after January 1, 2023, retirement income is not subject to

1 Iowa individual income tax. However, under current law a lump
2 sum distribution from a retirement account is subject to Iowa
3 income tax under Code section 422.5(8) at a rate of 25 percent
4 of the federal tax rate imposed on the amount of the lump sum
5 distribution.

6 The bill provides that the taxation of a lump sum distribution
7 from a retirement account is also exempt from state taxation by
8 exempting the lump sum distribution for a person who is disabled,
9 or 55 years of age or older, or who is the surviving spouse of
10 an individual or is a survivor having an insurable interest in an
11 individual who would have qualified for the exemption for the tax
12 year.

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

16 The division takes effect upon enactment and applies
17 retroactively to tax years beginning on or after January 1, 2025.

18 DIVISION X — ESTIMATED TAX THRESHOLD. Under the bill, a
19 taxpayer filing a return is required to make estimated tax
20 payments if Iowa income tax liability can reasonably be expected
21 to exceed \$1,000 or more. Under current law, such a taxpayer
22 filing a return is required to make estimated tax payments if
23 Iowa income tax liability can reasonably be expected to exceed
24 \$200 or more.

25 The division takes effect January 1, 2026, and applies to tax
26 years beginning on or after that date.

27 DIVISION XI — TAX EXPENDITURE REVIEW. The bill specifies that
28 the department administering a tax expenditure (tax credit) is
29 not required to review the tax expenditure if the tax expenditure
30 has been repealed or if a zero amount of the tax expenditure
31 remains available to be awarded or claimed. The bill removes
32 four tax expenditures from tax expenditure review: the Iowa fund
33 of funds program in Code chapter 15E, the wind energy production
34 tax credits under Code chapter 476B, the ethanol promotion tax
35 credit in Code section 422.11N (Code 2006), and the minimum tax

1 credit under Code section 422.11B (Code 2018). The bill amends
2 the Acts to align the review of the renewable chemical production
3 tax credit in Code section 2.48 with the future repeal of the
4 renewable chemical tax credit program.

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