SENATE FILE 565
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1148)

(As Amended and Passed by the Senate April 20, 2023)

[= New Language by the Senate

A BILL FOR

An Act relating to state and local finance and the administration of the tax and related laws by the department of revenue, and including effective date, applicability, and retroactive applicability provisions.

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

DIVISION I

IOWA EDUCATIONAL SAVINGS PLAN AND FIRST-TIME HOMEBUYERS DUE DATES

Section 1. Section 422.7, subsection 22, paragraph a, Code 2023, is amended to read as follows:

a. Subtract the maximum contribution that may be deducted for Iowa income tax purposes as a participant in the Iowa educational savings plan trust pursuant to section 12D.3, subsection 1. For purposes of this paragraph, a participant who makes a contribution on or before the date prescribed in section 422.21 for making and filing an individual income tax return, excluding extensions, or the date for making and filing an individual income tax return determined by the director pursuant to an order issued under section 421.17, subsection 30, may elect to be deemed to have made the contribution on the last day of the preceding calendar year. The director, after consultation with the treasurer of state, shall prescribe by rule the manner and method by which a participant may make an election authorized by the preceding sentence.

Sec. 2. Section 541B.3, subsection 1, paragraph a, Code 2023, is amended to read as follows:

a. ~~Beginning January 1, 2018, an~~ An individual may open an interest-bearing savings account with a financial institution and designate the entire account as a first-time homebuyer savings account for the purpose of paying or reimbursing a designated beneficiary's eligible home costs in connection with a qualified home purchase. The first-time homebuyer savings account designation shall be made ~~no later than April 30 of the year following the tax year during which the account is opened,~~ on forms provided by the department and shall be submitted on or before the date prescribed in section 422.21 for making and filing an individual income tax return, excluding extensions, or the date for making and filing an individual income tax return determined by the director pursuant to an order issued under section 421.17, subsection 30, applicable to the tax year

in which the account is opened.

Sec. 3. Section 541B.3, subsection 2, paragraph a, Code 2023, is amended to read as follows:

a. The account holder shall designate one individual as beneficiary of the first-time homebuyer savings account. The designation shall be made on forms provided by the department ~~and no later than April 30 of the year following the tax year during which the account is opened~~ and shall be submitted on or before the date prescribed in section 422.21 for making and filing an individual income tax return, excluding extensions, or the date for making and filing an individual income tax return determined by the director pursuant to an order issued under section 421.17, subsection 30, applicable to the tax year in which the designation is made. The account holder may change the designated beneficiary of the first-time homebuyer savings account at any time.

DIVISION II

BONUS DEPRECIATION AND INCREASED EXPENSING — APPLICABILITY

Sec. 4. 2018 Iowa Acts, chapter 1161, section 134, is amended to read as follows:

SEC. 134. APPLICABILITY.

1. This division of this Act applies to tax years beginning on or after the effective date of this division of this Act.

2. The repeal of section 422.7, subsections 39, 39B, 43, and 53, and section 422.35, subsections 19, 19B, 20, and 24, relating to bonus depreciation under section 168 of the Internal Revenue Code or increased expensing under section 179 of the Internal Revenue Code, applies to property placed in service on or after the effective date of this division of this Act.

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

Sec. 6. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2023, for tax years beginning on or after that date.

DIVISION III

TAX FILING STATUS MODIFICATIONS

Sec. 7. Section 422.5, Code 2023, is amended by adding the following new subsection:

NEW SUBSECTION. 12. For tax years beginning on or after January 1, 2023, a taxpayer shall use the same filing status for Iowa income tax purposes as the taxpayer used for federal income tax purposes.

Sec. 8. Section 422.7, subsection 4, Code 2023, is amended to read as follows:

4. Individual taxpayers and married taxpayers who file ~~a joint federal income tax return and who elect to file~~ a joint return or separate returns for Iowa income tax purposes may avail themselves of the disability income exclusion and shall compute the amount of the disability income exclusion subject to the limitations for joint federal income tax return filers provided by section 105(d) of the Internal Revenue Code. The disability income exclusion provided in section 105(d) of the Internal Revenue Code, as amended up to and including December 31, 1982, continues to apply for state income tax purposes for tax years beginning on or after January 1, 1984.

Sec. 9. Section 422.7, subsection 5, paragraph a, Code 2023, is amended to read as follows:

a. For tax years beginning in the 2023 calendar year, subtract the amount of federal income taxes paid during the tax year to the extent payment is for a tax year beginning prior to January 1, 2023, and add any federal income tax refunds received during the tax year to the extent the federal income tax was deducted for a tax year beginning prior to January 1, 2023. ~~Where married persons who have filed a joint federal income tax return file separately for state tax purposes, such total shall be divided between them according to the portion of the total paid by each.~~ Federal income taxes paid for a tax year in which an Iowa return was not required to be filed shall not be subtracted.

Sec. 10. Section 422.12B, subsection 2, Code 2023, is amended to read as follows:

2. ~~Married taxpayers electing to file separate returns may avail themselves of the earned income credit by allocating the earned income credit to each spouse in the proportion that each spouse's respective earned income bears to the total combined earned income.~~ Taxpayers affected by the allocation provisions of section 422.8 shall be permitted a deduction for the credit only in the amount fairly and equitably allocable to Iowa under rules prescribed by the director.

Sec. 11. Section 422.12C, subsection 4, Code 2023, is amended to read as follows:

4. ~~Married taxpayers who have filed joint federal returns electing to file separate returns must determine the child and dependent care credit under subsection 1 or the early childhood development tax credit under subsection 2 based upon their combined net income and allocate the total credit amount to each spouse in the proportion that each spouse's respective net income bears to the total combined net income.~~ Nonresidents or part-year residents of Iowa must determine their Iowa child and dependent care credit in the ratio of their Iowa source net income to their all source net income. ~~Nonresidents or part-year residents who are married and elect to file separate returns must allocate the Iowa child and dependent care credit between the spouses in the ratio of each spouse's Iowa source net income to the combined Iowa source net income of the taxpayers.~~

Sec. 12. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2023, for tax years beginning on or after that date.

DIVISION IV

WITHHOLDING

Sec. 13. Section 99B.8, Code 2023, is amended to read as follows:

99B.8 Tax on prizes.

All prizes awarded pursuant to a gambling activity under this chapter are Iowa earned income and are subject to state and federal income tax laws. A person conducting a game of skill, game of chance, bingo, or a raffle shall deduct state income taxes, pursuant to section 422.16, subsection ~~1~~ 2, from a cash prize awarded to an individual. An amount deducted from the prize for payment of a state tax shall be remitted to the department of revenue on behalf of the prize winner.

Sec. 14. Section 99D.16, Code 2023, is amended to read as follows:

99D.16 Withholding tax on winnings.

All winnings provided in section 99D.11 are Iowa earned income and are subject to state and federal income tax laws. An amount deducted from winnings for payment of the state tax, pursuant to section 422.16, subsection ~~1~~ 2, shall be remitted to the department of revenue on behalf of the individual who won the wager.

Sec. 15. Section 99F.18, Code 2023, is amended to read as follows:

99F.18 Tax on winnings.

All winnings derived from slot machines operated pursuant to this chapter are Iowa earned income and are subject to state and federal income tax laws. An amount deducted from winnings for payment of the state tax, pursuant to section 422.16, subsection ~~1~~ 2, shall be remitted to the department of revenue on behalf of the winner.

Sec. 16. Section 99G.31, subsection 3, paragraph i, Code 2023, is amended to read as follows:

i. The proceeds of any lottery prize shall be subject to state and federal income tax laws. An amount deducted from the prize for payment of a state tax, pursuant to section 422.16, subsection ~~1~~ 2, shall be transferred by the authority to the department of revenue on behalf of the prize winner.

Sec. 17. Section 422.16, Code 2023, is amended by striking the section and inserting in lieu thereof the following:

422.16 Withholding of income tax at source — penalties — interest — declaration of estimated tax — bond.

1. As used in this section, unless the context otherwise requires, *"withholding agent"* means any individual, fiduciary, estate, trust, corporation, partnership or association in whatever capacity acting and including all officers and employees of the state of Iowa, or any municipal corporation of the state of Iowa and of any school district or school board of the state, or of any political subdivision of the state of Iowa, or any tax-supported unit of government that is obligated to pay or has control of paying or does pay to any resident or nonresident of the state of Iowa or the resident's or nonresident's agent any wages that are subject to the Iowa income tax in the hands of such resident or nonresident, or any of the above-designated entities making payment or having control of making such payment of any taxable Iowa income to any nonresident. The term *"withholding agent"* shall also include an officer or employee of a corporation or association, or a member or employee of a partnership, who as such officer, employee, or member has the responsibility to perform an act under this section and who subsequently knowingly violates the provisions of this section. The term *"withholding agent"* shall also include every employer as defined in this subchapter and further defined in the Internal Revenue Code.

2. *a.* (1) Every withholding agent paying wages to an Iowa resident, or nonresident working in Iowa, shall deduct and withhold from the wages an amount which will approximate the annual tax liability of the person on a calendar year basis, calculated on the basis of tables to be prepared by the department and schedules or percentage rates, based on the wages, to be prescribed by the department.

(2) Every employee or other person shall declare to the withholding agent the amount of the employee's or other person's withholding allowance to be used in applying the tables and schedules or percentage rates. However, the amount

of withholding allowance declared shall not exceed the amount to which the employee or other person is entitled except as allowed under sections 3402(m)(1) and 3402(m)(3) of the Internal Revenue Code and as allowed by rules prescribed by the director. The claiming of an amount of withholding allowance in excess of entitlement is a serious misdemeanor.

b. (1) In the case of a nonresident having income subject to taxation by Iowa, but not subject to withholding of such tax under this subsection or subject to the provisions of section 422.16B, a withholding agent shall withhold from such income at the same rate as provided in this subsection. A withholding agent and nonresident shall be subject to the provisions of this section, according to the context, except that a withholding agent may be absolved of the requirement to withhold taxes from the income of a nonresident upon receipt of a certificate from the department issued in accordance with the provisions of section 422.17.

(2) In the case of a nonresident having income from a trade or business carried on by the nonresident in whole or in part within the state of Iowa, the nonresident shall be considered to be subject to the provisions of this paragraph unless such trade or business is of such nature that the business entity itself, as a withholding agent, is required to and does withhold Iowa income tax from the distributions made to such nonresident from such trade or business.

c. For the purposes of this subsection, at a rate specified by the department, state income tax shall be withheld from pensions, annuities, other similar periodic payments, and other income payments under sections 3402(o), 3402(p), 3402(s), 3405(a), 3405(b), and 3405(c) of the Internal Revenue Code made to Iowa residents if the payments are subject to Iowa tax.

d. For the purposes of this subsection, state income tax shall be withheld on winnings in excess of six hundred dollars derived from gambling activities authorized under chapter 99B or 99G. State income tax shall be withheld on winnings

in excess of one thousand dollars from gambling activities authorized under chapter 99D. State income tax shall be withheld on winnings in excess of one thousand two hundred dollars derived from slot machines authorized under chapter 99F.

e. For the purposes of this subsection, state income tax shall be withheld at the highest rate described in section 422.5A from supplemental wages of an employee in those circumstances in which the employer treats the supplemental wages as wholly separate from regular wages for purposes of withholding and federal income tax is withheld from the supplemental wages under section 3402(g) of the Internal Revenue Code.

3. *a.* A withholding agent is not required to withhold state income tax from payments subject to taxation made to a nonresident for commodity credit certificates, grain, livestock, domestic fowl, or other agricultural commodities or products sold to a withholding agent by a nonresident or the nonresident's representative, if the withholding agent provides on forms prescribed by the department information relating to the sales required by the department to determine the state income tax liabilities of a nonresident. However, a withholding agent may elect to make estimated tax payments on behalf of a nonresident on the basis of the net income of the nonresident from the agricultural commodities or products, if the estimated tax payments are made on or before the last day of the first month after the end of the tax years of the nonresident.

b. Nonresidents engaged in any facet of feature film, television, or educational production using the film or videotape disciplines in the state are not subject to Iowa withholding if the employer has applied to the department for exemption from the withholding requirement and the department has determined that any nonresident receiving wages would be entitled to a credit against Iowa income taxes paid.

c. Individuals described in section 29C.24 are not subject to withholding, as provided in that section.

4. *a.* A withholding agent required to deduct and withhold tax under subsection 2 shall file a return on or before the last day of the month following the quarterly period on forms prescribed by the director and remit to the department the amount of tax due at the following frequencies:

(1) A withholding agent shall remit income tax withheld on a quarterly basis if the withholding agent withholds less than six thousand dollars annually and no more than five hundred dollars in any one month. Payment shall be due on the same day as the quarterly return.

(2) A withholding agent shall remit income tax withheld on a monthly basis if the withholding agent withholds more than five hundred dollars in any one month and not more than five thousand dollars in a semimonthly period. Payment shall be made on or before the fifteenth day of the month following the month of withholding, except that a deposit for the third month in a calendar quarter shall be due on the same day as the quarterly return.

(3) A withholding agent shall remit income tax withheld on a semimonthly basis if the withholding agent withholds more than five thousand dollars in a semimonthly period. The first semimonthly deposit for the period from the first of the month through the fifteenth of the month is due on the twenty-fifth day of the month in which the withholding occurs. The second monthly deposit for the period from the sixteenth of the month through the end of the month is due on the tenth day of the month following the month in which the withholding occurs.

(4) A withholding agent may elect to remit on an annual basis if the withholding agent employs not more than two employees and expects to employ the employees for the full calendar year. The electing withholding agent shall remit the full amount of income taxes required to be withheld from the wages of the employees for the full calendar year with the

quarterly return for the first calendar quarter. The amount to be paid shall be computed as if the employees were employed for the full calendar year for the same wages and with the same pay periods as prevailed during the first quarter of the year with respect to such employees. The electing withholding agent shall only remit the lump sum payment with the written consent of all employees involved. The withholding agent shall be entitled to recover from the employee any part of the lump sum payment that represents an advance to the employee. If a withholding agent pays a lump sum with the first quarterly return, the withholding agent shall be excused from filing further quarterly returns for the calendar year involved unless the withholding agent hires other or additional employees.

b. Every withholding agent on or before February 15 following the close of the calendar year in which the withholding occurs shall send to the department copies of income statements required by subsection 8. At the discretion of the director, the withholding agent shall not be required to send income statements if the information is available from the internal revenue service or other state or federal agencies.

c. If the director has reason to believe that the collection of the tax provided for in subsection 2 is in jeopardy, the director may require the withholding agent to file a return as required in paragraph *"a"*, and pay the tax at any time, in accordance with section 422.30. The director may authorize incorporated banks, trust companies, or other depositories authorized by law which are depositories or financial agents of the United States or of this state, to receive any tax imposed under this chapter, in the manner, at the times, and under the conditions the director prescribes. The director shall also prescribe the manner, times, and conditions under which the receipt of the tax by those depositories is to be treated as payment of the tax to the department.

d. The director, in cooperation with the department of management, may periodically change the filing and remittance

thresholds by administrative rule if in the best interest of the state and the taxpayer.

5. Every withholding agent who fails to withhold or pay to the department any sums required by this chapter to be withheld and paid, shall be personally, individually, and corporately liable to the state of Iowa, and any sum withheld in accordance with the provisions of subsection 2, shall be deemed to be held in trust for the state of Iowa. Notwithstanding section 489.304, this subsection applies to a member or manager of a limited liability company.

6. In the event a withholding agent fails to withhold and pay over to the department any amount required to be withheld under subsection 2, such amount may be assessed against such withholding agent in the same manner as prescribed for the assessment of income tax under the provisions of this subchapter and subchapter VI.

7. Whenever the director determines that any withholding agent has failed to withhold or pay over to the department sums required to be withheld under subsection 2, the unpaid amount shall be a lien as described in section 422.26, shall attach to the property of that withholding agent, and in all other respects the procedure with respect to such lien shall apply as set forth in section 422.26.

8. *a.* Every withholding agent required to deduct and withhold tax under subsection 2 shall furnish to each employee, nonresident, or other person with respect to the income paid by the employer or withholding agent to each employee, nonresident, or other person during the calendar year, on or before January 31 of the succeeding year, or, in the case of an employee, if the employment of the employee is terminated before the close of the calendar year, within thirty days from the day on which the last payment of wages or other taxable income is made, if requested by the employee, but not later than January 31 of the following year, an income statement showing all of the following:

(1) The name and address of the employer or withholding agent, and the taxpayer identification number of the employer or withholding agent.

(2) The name of the employee, nonresident, or other person and the taxpayer identification number of that employee, nonresident, or other person, together with the last known address of the employee, nonresident, or other person to whom wages or other taxable income has been paid during the period.

(3) The gross amount of wages or other taxable income paid to the employee, nonresident, or other person.

(4) The total amount deducted and withheld as tax under the provisions of subsection 2.

(5) The total amount of federal income tax withheld.

b. An income statement required to be furnished by this subsection with respect to any wages or other taxable Iowa income or any additional information required to be displayed on the income statement shall be in such form or forms as the director may prescribe by rule.

9. A withholding agent shall be liable for the payment of the tax required to be deducted and withheld or the amount actually deducted, whichever is greater, under subsection 2. Any amount deducted and withheld as tax under subsection 2 during any calendar year upon the wages of any employee, nonresident, or other person shall be allowed as a credit to the employee, nonresident, or other person against the tax imposed by section 422.5 for the tax year in which it was withheld, irrespective of whether or not such tax has been, or will be, paid by the withholding agent to the department as provided by this chapter.

10. *a.* If the amount of income tax withheld by the withholding agent on behalf of an employee, nonresident, or other person after complying with this section is more than the income tax liability of said employee, nonresident, or other person as determined under the provisions of this subchapter, the overpayment of tax may first be credited against any income

tax or installment payment then due the state of Iowa by the employee, nonresident, or other person for the tax year, and any balance of one dollar or more shall be refunded to the employee, nonresident, or other person with interest in accordance with section 421.60, subsection 2, paragraph "e".

b. Amounts less than one dollar shall be refunded to the taxpayer, nonresident, or other person only upon written application, in accordance with section 422.73, and only if the application is filed within twelve months after the due date of the return.

c. Refunds in the amount of one dollar or more provided for by this subsection shall be paid by the treasurer of state by warrants drawn by the director of the department of administrative services, or an authorized employee of the department of administrative services, and the taxpayer's return of income shall constitute a claim for refund for this purpose, except in respect to amounts of less than one dollar. There is appropriated, out of any funds in the state treasury not otherwise appropriated, a sum sufficient to carry out the provisions of this subsection.

11. *a.* In addition to any other penalty provided by law, a withholding agent required to furnish or file an income statement required by this chapter is subject to a civil penalty of five hundred dollars for each occurrence of the following:

(1) Willful failure to furnish an employee, nonresident, or other person with an income statement.

(2) Willfully furnishing an employee, nonresident, or other person with a false or fraudulent income statement.

(3) Willful failure to file an income statement with the department.

(4) Willfully filing a false or fraudulent income statement with the department.

b. A withholding agent is subject to the penalty as provided in section 421.27. Any penalty assessed under section 421.27

shall be in addition to the tax or additional tax due under this section. The taxpayer shall also pay interest on the tax or additional tax at the rate in effect under section 421.7, for each month counting each fraction of a month as an entire month, computed from the date the semimonthly, monthly, or quarterly deposit form was required to be filed. The penalty and interest become a part of the tax due from the withholding agent.

c. If any withholding agent, being a domestic or foreign corporation, required under the provisions of this section to withhold on wages or other taxable Iowa income subject to this chapter, fails to withhold the amounts required to be withheld, make the required returns or remit to the department the amounts withheld, the director may, having exhausted all other means of enforcement of the provisions of this chapter, certify such fact or facts to the secretary of state, who shall thereupon cancel the articles of incorporation or foreign registration statement, as the case may be, of such corporation, and the rights of such corporation to carry on business in the state of Iowa shall cease. The secretary of state shall immediately notify by registered mail such domestic or foreign corporation of the action taken by the secretary of state. The provisions of section 422.40, subsection 3, shall be applicable.

d. The department shall, upon request of any fiduciary, furnish said fiduciary with a certificate of acquittance showing that no liability as a withholding agent exists with respect to the estate or trust for which said fiduciary acts, provided the department has determined that there is no such liability.

12. *a.* (1) Taxpayers filing a return shall make estimated tax payments if their Iowa income tax liability can reasonably be expected to amount to two hundred dollars or more for the year.

(2) In the cases of farmers and fishermen, the exceptions

provided in the Internal Revenue Code with respect to making estimated payments apply.

b. (1) The estimated tax shall be paid in quarterly installments. The first installment shall be paid on or before the last day of the fourth month of the taxpayer's tax year for which the estimated payments apply. The other installments shall be paid on or before the last day of the sixth month of the tax year, the last day of the ninth month of the tax year, and the last day of the first month after the tax year. A taxpayer may elect to pay an installment prior to the due date.

(2) If a taxpayer filing a return has reason to believe that the taxpayer's Iowa income tax may increase or decrease, either for purposes of meeting the requirement to make estimated tax payments or for the purpose of increasing or decreasing estimated tax payments, the taxpayer shall increase or decrease any subsequent estimated tax payments accordingly.

(3) Any tax still payable after applying credits for taxes paid through withholding, estimated tax, and composite return tax, is due and payable on or before the end of the fourth month following the close of the tax year.

c. If a taxpayer is unable to make the taxpayer's estimated tax payments, the payments may be made by a duly authorized agent, or by the guardian or other person charged with the care of the person or property of the taxpayer.

d. (1) Estimated tax paid is a credit against the amount of tax found payable on a final, completed return, as provided in subsection 10, relating to the credit for the tax withheld against the tax found payable on a return properly and correctly prepared under sections 422.5 through 422.25.

(2) Any overpayment of one dollar or more shall be refunded to the taxpayer and the return constitutes a claim for refund for this purpose. Amounts less than one dollar shall not be refunded.

(3) The method provided by section 6654 of the Internal Revenue Code for determining what is applicable to the addition

to tax for underpayment of the tax payable applies to persons required to make payments of estimated tax under this section except the amount to be added to the tax for underpayment of estimated tax is an amount determined at the rate in effect under section 421.7. This addition to tax specified for underpayment of the tax payable is not subject to waiver provisions relating to reasonable cause, except as provided in the Internal Revenue Code. Underpayment of estimated tax shall be determined in the same manner as provided under the Internal Revenue Code and the exceptions in the Internal Revenue Code also apply.

e. In lieu of claiming a refund, the taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return for the taxable year credited to the taxpayer's tax liability for the following taxable year.

13. The director shall enter into an agreement with the secretary of the treasury of the United States with respect to withholding of income tax as provided by this chapter, pursuant to an Act of Congress, section 1207 of the Tax Reform Act of 1976, Pub. L. No. 94-455, amending 5 U.S.C. §5517.

14. *a.* The director may, when necessary and advisable in order to secure the collection of the tax required to be deducted and withheld or the amount actually deducted, whichever is greater, require a withholding agent to file with the director a bond, issued by a surety company authorized to conduct business in this state and approved by the insurance commissioner as to solvency and responsibility, in an amount as the director may fix, to secure the payment of the tax and penalty due or which may become due. In lieu of the bond, securities shall be kept in the custody of the department and may be sold by the director at public or private sale, without notice to the depositor, if it becomes necessary to do so in order to recover any tax and penalty due. Upon a sale, any surplus above the amounts due under this section shall be returned to the withholding agent who deposited the securities.

b. If the withholding agent fails to file the bond as requested by the director to secure collection of the tax, the withholding agent is subject to penalty for failure to file the bond. The penalty is equal to fifteen percent of the tax the withholding agent is required to withhold on an annual basis. However, the penalty shall not exceed five thousand dollars.

15. The director may allow additional time for filing documents required under this section with the department in the case of illness, disability, absence, or if good cause is shown.

Sec. 18. Section 422.16B, subsection 7, Code 2023, is amended to read as follows:

7. All powers of the director and requirements of the director apply to returns filed under this section including but not limited to the provisions of this subchapter and subchapter VI. The provisions of section 422.16, subsection ~~2~~ 4, paragraph "*c*", and subsections ~~6, 10~~ 7, 11, and 14, applying to withholding agents, shall apply in the same manner to pass-through entities under this section.

Sec. 19. Section 422.17, Code 2023, is amended to read as follows:

422.17 Certificate issued by department to make payments without withholding.

Any nonresident whose Iowa income is not subject to section 422.16, subsection ~~1~~ 2, paragraph "*a*", "*c*", "*d*", or "*e*", in whole or in part, and who elects to be governed by section 422.16, subsection ~~12~~ 2, paragraph "*b*", to the extent that the nonresident pays the entire amount of tax properly estimated on or before the last day of the fourth month of the nonresident's tax year, for the year, may for the year of the election and payment, be granted a certificate from the department authorizing each withholding agent, the income from whom the nonresident has considered in the payment of estimated tax and to the extent the income is included in the estimate, to make payments of income to the nonresident without withholding tax

from those payments. Withholding agents, if payments exceed the tax liability estimated by the nonresident as indicated upon the certificate, shall withhold tax in accordance with section 422.16, subsection ~~12~~ 2, paragraph "*b*".

DIVISION V

FUTURE CORRESPONDING CHANGE

Sec. 20. Section 422.16, subsection 2, paragraph e, Code 2023, as amended in this Act, is amended to read as follows:

e. For the purposes of this subsection, state income tax shall be withheld at the ~~highest~~ rate described in section ~~422.5A~~ 422.5 from supplemental wages of an employee in those circumstances in which the employer treats the supplemental wages as wholly separate from regular wages for purposes of withholding and federal income tax is withheld from the supplemental wages under section 3402(g) of the Internal Revenue Code.

Sec. 21. EFFECTIVE DATE. This division of this Act takes effect January 1, 2026.

DIVISION VI

SETTLEMENT AUTHORITY — NOTICE OF ASSESSMENT — ESTIMATION OF TAX

Sec. 22. Section 421.5, Code 2023, is amended by striking the section and inserting in lieu thereof the following:

421.5 Settling claims for taxes, penalties, and interest — abatement.

1. As used in this section:

a. "*Department*" means the department of revenue.

b. "*Settle*" or "*settlement*" includes any compromise or abatement of any taxes, penalties, or interest.

2. In addition to the authority granted to the department pursuant to section 17A.10 and notwithstanding section 7D.9, the department may, in its sole discretion, settle any taxes, penalties, or interest.

3. The department may enter into a settlement in the case of doubtful liability, doubtful collectability, severe

economic hardship, or to promote effective tax administration, regardless of whether the amount was the subject of a timely filed appeal or return.

4. Whenever a settlement is made, the department shall make a complete record of the case showing the tax assessed or claimed due, tax refund claimed, recommendations, reports, and audits of departmental personnel if any, the taxpayer's grounds for dispute or contest together with all of the evidence, and the amounts, conditions, and settlement of the same.

5. A taxpayer shall not have the right to a settlement of any tax, penalty, or interest liability under this section. Any determination by the department regarding the settlement shall be discretionary and shall be final and conclusive except in the case of fraud, mutual mistake of material fact, or as otherwise stated in a written settlement agreement between the taxpayer and the department.

6. The department may require an application for relief under this section.

7. The department shall adopt rules to administer this section.

Sec. 23. Section 421.10, Code 2023, is amended to read as follows:

421.10 Appeal period — applicability.

The appeal period for revision of assessment of tax, interest, and penalties set out under section 422.28, 423.37, 437A.9, 437A.22, 437B.5, 437B.18, 452A.64, 453A.29, or 453A.46 applies to appeals to notices from the department denying changes in filing methods, denying refund claims, and denying portions of refund claims for the tax covered by that section, and notices of any <u>adverse</u> department action directed to a specific taxpayer, other than licensing, which involves a calculation.

Sec. 24. Section 421.60, subsection 2, paragraphs i and m, Code 2023, are amended by striking the paragraphs.

Sec. 25. Section 421B.11, subsection 3, Code 2023, is

amended to read as follows:

3. Judicial review of the actions of the director may be sought in accordance with section 422.29 and chapter 17A ~~and section 423.38~~.

Sec. 26. Section 422.25, subsection 1, paragraph c, Code 2023, is amended to read as follows:

c. (1) The period for examination and determination of the correct amount of tax is unlimited in the case of a false or fraudulent return made with the intent to evade tax or in the case of a failure to file a return.

(2) If a person required to file a return with the department fails to file the return with the department, the department may, at any time, estimate the tax due based upon information or knowledge the department is able to obtain.

(3) If the department estimates an amount of tax under subparagraph (2), the following shall apply:

(a) The department shall issue a notice of assessment to the person for which the tax is estimated in accordance with section 421.60. The notice of assessment shall not be appealable pursuant to section 422.28 or 422.29, except to appeal the determination that the person is required to file a return.

(b) The department shall include a statement with the notice that if the person files a return within three years from the date on the notice of assessment, the department may replace the assessment with the amount shown due on the person's return, plus any applicable penalty and interest, and the department may examine that return and determine the tax, penalty, and interest within the period provided in this section.

(c) If the person fails to file a return within three years from the date on the notice of assessment, the person may pay the tax, penalty, and interest and file a refund claim within the time period provided in section 422.73, or may request relief under section 421.5.

Sec. 27. Section 422.75, Code 2023, is amended to read as follows:

422.75 Statistics — publication.

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

Sec. 28. Section 423.33, subsection 1, paragraphs a and b, Code 2023, are amended to read as follows:

a. If a purchaser fails to pay sales tax to the retailer required to collect the tax, then in addition to all of the rights, obligations, and remedies provided, a use tax is payable by the purchaser directly to the department, and sections 423.31, 423.37, ~~423.38,~~ 423.39, 423.40, 423.41, and 423.42 apply to the purchaser.

b. For failure to pay the sales or use tax as described in paragraph "a", the retailer and purchaser are jointly liable, unless the circumstances described in section 29C.24, subsection 3, paragraph "a", subparagraph (2), ~~section 421.60, subsection 2, paragraph "m",~~ section 423.34A, or section 423.45, subsection 4, paragraph "b" or "e", or subsection 5, paragraph "c" or "e", are applicable.

Sec. 29. Section 423.33, subsection 3, Code 2023, is amended to read as follows:

3. *Event sponsor's liability for sales or use tax.* A person sponsoring a flea market or a craft, antique, coin, or stamp show or similar event shall obtain from every retailer selling tangible personal property, specified digital products, or taxable services at the event proof that the retailer possesses a valid sales or use tax permit or secure from the retailer a statement, taken in good faith, that tangible personal property, specified digital products, or services offered for

sale are not subject to sales tax. Failure to do so renders a sponsor of the event liable for payment of any sales tax, interest, and penalty due and owing from any retailer selling property or services at the event. Sections 423.31, 423.37, ~~423.38,~~ 423.39, 423.40, 423.41, and 423.42 apply to the sponsors. For purposes of this subsection, a "*person sponsoring a flea market or a craft, antique, coin, or stamp show or similar event*" does not include a marketplace facilitator as defined in section 423.14A, subsection 1, an organization which sponsors an event determined to qualify as an event involving casual sales pursuant to section 423.3, subsection 39, or the state fair or a fair as defined in section 174.1.

Sec. 30. Section 423.37, subsection 1, Code 2023, is amended to read as follows:

1. *a.* As soon as practicable after a return is filed and ~~in any event~~ within three years after the return is filed, the department ~~shall~~ may examine ~~it~~ the return, assess and determine the tax due if the return is found to be incorrect, and give notice to the person liable for the tax of the assessment and determination as provided in ~~subsection 2~~ paragraph "*b*". If a return, when filed, is incorrect or insufficient, the department shall determine the amount of tax due from information or knowledge the department is able to obtain. The determination may be made using any generally recognized valid and reliable sampling technique, whether or not the person being audited has complete records, and if mutually agreed upon by the department and the person being audited. The period for the examination and determination of the correct amount of tax is unlimited in the case of a false or fraudulent return made with the intent to evade tax ~~or in the case of a failure to file a return~~.

b. The department shall issue a notice of assessment in accordance with section 421.60. The notice shall be appealable pursuant to sections 422.28 and 422.29. If the person fails to appeal the notice of assessment, the person may pay the tax,

penalty, and interest and file a refund claim within the time period provided in section 422.73, or may request relief under section 421.5.

Sec. 31. Section 423.37, subsection 2, Code 2023, is amended by striking the subsection and inserting in lieu thereof the following:

2. *a.* If a return required by this subchapter is not filed, the period for examination and determination of the correct amount of tax is unlimited. The department may, at any time, estimate the tax due from the information or knowledge the department is able to obtain.

b. If the department estimates an amount of tax under this subsection, the following shall apply:

(1) The department shall issue a notice of assessment to the person for which the tax is estimated in accordance with section 421.60. The notice of assessment shall not be appealable pursuant to sections 422.28 and 422.29, except to appeal the determination that the person is required to file the return.

(2) The department shall include a statement with the notice that if the person files a return within three years from the date on the notice of assessment, the department may replace the assessment with the amount shown due on the person's return, plus any applicable penalty and interest, and the department may examine that return and determine the tax, penalty, and interest within the period provided in this section.

(3) If the person fails to file a return within three years from the date on the notice of assessment, the person may pay the tax, penalty, and interest and file a refund claim within the time period provided in section 422.73, or may request relief under section 421.5.

Sec. 32. Section 423.45, subsection 4, paragraph b, Code 2023, is amended to read as follows:

b. The sales tax liability for all sales of tangible

personal property and specified digital products and all sales of services is upon the seller and the purchaser unless the seller takes from the purchaser a valid exemption certificate stating under penalty of perjury that the purchase is for a nontaxable purpose and is not a retail sale as defined in section 423.1, or the seller is not obligated to collect tax due, or unless the seller takes a fuel exemption certificate pursuant to subsection 5. If the tangible personal property, specified digital products, or services are purchased tax free pursuant to a valid exemption certificate and the tangible personal property, specified digital products, or services are used or disposed of by the purchaser in a nonexempt manner, the purchaser is solely liable for the taxes and shall remit the taxes directly to the department and sections 423.31, 423.37, ~~423.38,~~ 423.39, 423.40, 423.41, and 423.42 shall apply to the purchaser.

Sec. 33. Section 423.45, subsection 5, paragraphs c and d, Code 2023, are amended to read as follows:

c. The seller may accept a completed fuel exemption certificate, as prepared by the purchaser, for three years unless the purchaser files a new completed exemption certificate. If the fuel is purchased tax free pursuant to a fuel exemption certificate which is taken by the seller, and the fuel is used or disposed of by the purchaser in a nonexempt manner, the purchaser is solely liable for the taxes, and shall remit the taxes directly to the department and sections 423.31, 423.37, ~~423.38,~~ 423.39, 423.40, 423.41, and 423.42 shall apply to the purchaser.

d. The purchaser may apply to the department for its review of the fuel exemption certificate. In this event, the department shall review the fuel exemption certificate within twelve months from the date of application and determine the correct amount of the exemption. If the amount determined by the department is different than the amount that the purchaser claims is exempt, the department shall promptly

notify the purchaser of the determination. Failure of the department to make a determination within twelve months from the date of application shall constitute a determination that the fuel exemption certificate is correct as submitted. A determination of exemption by the department is final unless the purchaser appeals to the director for a revision of the determination within sixty days after the date of the notice of determination. The director shall grant a hearing, and upon the hearing, the director shall determine the correct exemption and notify the purchaser of the decision by mail. The decision of the director is final unless the purchaser seeks judicial review of the director's decision under section ~~423.38~~ 422.29 within sixty days after the date of the notice of the director's decision. Unless there is a substantial change, the department shall not impose penalties pursuant to section 423.40 both retroactively to purchases made after the date of application and prospectively until the department gives notice to the purchaser that a tax or additional tax is due, for failure to remit any tax due which is in excess of a determination made under this section. A determination made by the department pursuant to this subsection does not constitute an audit for purposes of section 423.37.

Sec. 34. Section 423.57, Code 2023, is amended to read as follows:

423.57 Statutes applicable.

The director shall administer this subchapter as it relates to the taxes imposed in this chapter in the same manner and subject to all the provisions of, and all of the powers, duties, authority, and restrictions contained in sections 423.14, 423.14A, 423.14B, 423.15, 423.16, 423.17, 423.19, 423.20, 423.21, 423.22, 423.23, 423.24, 423.25, 423.29, 423.31, 423.33, 423.34, 423.34A, 423.35, 423.37, ~~423.38,~~ 423.39, 423.40, 423.41, and 423.42, section 423.43, subsection 1, and sections 423.45, 423.46, and 423.47.

Sec. 35. NEW SECTION. **452A.23 Motor fuel tax —**

administration by department.

The department shall administer the taxes imposed by this chapter in the same manner as and subject to section 422.25, subsection 4, section 423.35, and section 423.37.

Sec. 36. Section 452A.66, Code 2023, is amended to read as follows:

452A.66 Statutes applicable to motor fuel tax.

~~1. The appropriate state agency shall administer the taxes imposed by this chapter in the same manner as and subject to section 422.25, subsection 4, and section 423.35.~~

~~2.~~ All the provisions of section 422.26 shall apply in respect to the taxes, penalties, interest, and costs imposed by this chapter excepting that as applied to any tax imposed by this chapter, the lien provided in section 422.26 shall be prior and paramount over all subsequent liens upon any personal property within this state, or right to such personal property, belonging to the taxpayer without the necessity of recording as provided in section 422.26. The requirements for recording shall, as applied to the tax imposed by this chapter, apply only to the liens upon real property. When requested to do so by any person from whom a taxpayer is seeking credit, or with whom the taxpayer is negotiating the sale of any personal property, or by any other person having a legitimate interest in such information, the director shall, upon being satisfied that such a situation exists, inform such person as to the amount of unpaid taxes due by such taxpayer under the provisions of this chapter. The giving of such information under such circumstances shall not be deemed a violation of section 452A.63 as applied to this chapter.

Sec. 37. Section 453A.28, subsection 1, Code 2023, is amended to read as follows:

1. *a.* If after any audit, examination of records, or other investigation the department finds that any person has sold cigarettes without stamps affixed or that any person responsible for paying the tax has not done so as required by

this subchapter, the department shall fix and determine the amount of tax due, and shall assess the tax against the person, together with a penalty as provided in section 421.27. The taxpayer shall pay interest on the tax or additional tax at the rate determined under section 421.7 counting each fraction of a month as an entire month, computed from the date the tax was due. If any person fails to furnish evidence satisfactory to the director showing purchases of sufficient stamps to stamp unstamped cigarettes purchased by the person, the presumption shall be that the cigarettes were sold without the proper stamps affixed. Within three years after the report is filed or within three years after the report became due, whichever is later, the department shall examine the report and determine the correct amount of tax. The period for examination and determination of the correct amount of tax is unlimited in the case of a false or fraudulent report made with the intent to evade tax, or in the case of a failure to file a report, or if a person purchases or is in possession of unstamped cigarettes.

b. If the department issues an estimated assessment due to failure to file a report, the procedures described in section 423.37, subsections 1 and 2, shall apply to taxes, fees, and interest imposed under this subchapter in the same manner and with the same effect as the provisions apply to the taxes imposed under chapter 423.

Sec. 38. Section 453A.46, subsection 1, paragraph a, Code 2023, is amended to read as follows:

a. (1) On or before the twentieth day of each calendar month every distributor with a place of business in this state shall file a return with the director showing for the preceding calendar month the quantity and wholesale sales price of each tobacco product brought, or caused to be brought, into this state for sale; made, manufactured, or fabricated in this state for sale in this state; and any other information the director may require. Every licensed distributor outside this state shall in like manner file a return with the director showing

for the preceding calendar month the quantity and wholesale sales price of each tobacco product shipped or transported to retailers in this state to be sold by those retailers and any other information the director may require. Returns shall be made upon forms furnished or made available in electronic form and prescribed by the director and shall contain other information as the director may require. Each return shall be accompanied by a remittance for the full tax liability shown on the return, less a discount as fixed by the director not to exceed five percent of the tax. Within three years after the return is filed or within three years after the return became due, whichever is later, the department shall examine it, determine the correct amount of tax, and assess the tax against the taxpayer for any deficiency. The period for examination and determination of the correct amount of tax is unlimited in the case of a false or fraudulent return made with the intent to evade tax, or in the case of a failure to file a return.

(2) If the department issues an estimated assessment due to failure to file a return, the procedures described in section 423.37, subsections 1 and 2, shall apply to taxes, fees, and interest imposed under this subchapter in the same manner and with the same effect as the provisions apply to the taxes imposed under chapter 423.

Sec. 39. REPEAL. Section 423.38, Code 2023, is repealed.

Sec. 40. EFFECTIVE DATE. This division of this Act takes effect January 1, 2024.

DIVISION VII

TAX RETURN PREPARERS AND PERSONS AUTHORIZED TO ACT FOR TAXPAYERS

Sec. 41. Section 421.59, subsections 1 and 2, Code 2023, are amended to read as follows:

1. *a.* A taxpayer may authorize an individual to act on behalf of the taxpayer by filing a power of attorney with the department, on a form prescribed by the department. The department may prescribe a separate form or integrate the

requirements of the form into a return when feasible.

b. A taxpayer may at any time revoke a power of attorney filed with the department pursuant to this subsection. Upon processing of the taxpayer's revocation of a power of attorney, the department shall cease honoring the power of attorney.

2. Unless otherwise prohibited by law, the department may authorize the following persons to act and receive information on behalf of and exercise all of the rights of a taxpayer, and may establish by rule the documentation required to verify authorization to act, regardless of whether a power of attorney has been filed pursuant to subsection 1:

a. A guardian, conservator, or custodian appointed by a court, if a taxpayer has been deemed legally incompetent by a court. The authority of the appointee to act on behalf of the taxpayer shall be limited to the extent specifically stated in the order of appointment.

~~(1) Upon request, a guardian, conservator, or custodian of a taxpayer shall submit to the department a copy of the court order appointing the guardian, conservator, or custodian.~~

~~(2)~~ The department has standing to petition the court that appointed the guardian, conservator, or custodian to verify the appointment or to determine the scope of the appointment.

b. A receiver appointed pursuant to chapter 680. An appointed receiver shall be limited to act on behalf of the taxpayer by the authority stated in the order of appointment.

~~(1) Upon the request of the department, a receiver shall submit to the department a copy of the court order appointing the receiver.~~

~~(2)~~ The department has standing to petition the court that appointed the receiver to verify the appointment or to determine the scope of the appointment.

~~*c.* An individual who has been named as an authorized representative on a fiduciary return of income filed under section 422.14 or a tax return filed under chapter 450.~~

~~*d.*~~ *c.* An individual holding the following title or position

within a corporation, association, partnership, or other business entity:

(1) An officer or employee of the corporation or association who is authorized to act on behalf of the corporation or association in tax matters.

(2) A designated partner or employee of the partnership who is authorized to act on behalf of the partnership in tax matters.

(3) A person authorized to act on behalf of the limited liability company in tax matters pursuant to a valid statement of authority or employee of the company who is authorized to act on behalf of the company in tax matters.

~~e.~~ *d.* A licensed attorney who has appeared on behalf of the taxpayer or the probate estate in a court proceeding. Authorization under this paragraph is limited to those matters within the scope of the representation.

~~f.~~ *e.* A parent or guardian of a taxpayer who has not reached the age of majority ~~where the same parent or guardian has signed the taxpayer's return on behalf of the taxpayer. Authorization under this paragraph is limited to those matters relating to the return signed by the parent or guardian~~. Authorization under this paragraph automatically terminates when the taxpayer reaches the age of majority pursuant to section 599.1.

~~g.~~ *f.* A representative of a government entity. ~~An individual seeking to act on behalf of a government entity pursuant to this paragraph shall affirm the authority of the individual to act on behalf of the government entity in a manner designated by the department. The department may require evidence to demonstrate the individual has authority to act on behalf of the government entity.~~

~~h.~~ *g.* An executor or personal representative of an estate.

~~(1) Upon request, the executor or personal representative shall submit to the department a copy of the will or court order appointing the executor or personal representative.~~

~~(2)~~ The department has standing to petition the court that appointed the executor or personal representative to verify the appointment or to determine the scope of the appointment.

~~i.~~ *h.* A trustee.

~~(1) Upon request a trustee shall submit a certification of trust, or in the absence of a certification of trust a copy of the court order appointing the trustee if one has been issued, or a copy of the trust.~~

~~(2)~~ The department has standing to petition the court that appointed the trustee to verify the appointment or to determine the scope of the appointment.

~~j.~~ *i.* A person named as an agent in a general or durable power of attorney document that is currently in force and such document has not been prescribed by the department of revenue.

~~k.~~ *j.* A successor as defined in section 633.356, subsection 2, of a very small estate.

Sec. 42. Section 421.62, subsection 2, Code 2023, is amended by adding the following new paragraph:

NEW PARAGRAPH. *c.* Notwithstanding subsection 1, paragraph *"d"*, subparagraph (2), for purposes of this subsection, *"tax return preparer"* includes any of the following:

(1) An individual licensed as a certified public accountant or a licensed public accountant under chapter 542 or a similar law of another state.

(2) An individual admitted to practice law in this state or another state.

(3) An enrolled agent enrolled to practice before the federal internal revenue service pursuant to 31 C.F.R. §10.4.

DIVISION VIII

SETOFF

Sec. 43. 2020 Iowa Acts, chapter 1064, section 16, subsection 6, is amended to read as follows:

6. *Fees.* The department ~~shall~~ may establish fees for use of the setoff system to be paid by participating public agencies to the department.

Sec. 44. CONTINGENT EFFECTIVE DATE. This division of this Act takes effect on the effective date of the rules adopted by the department of revenue pursuant to chapter 17A implementing 2020 Iowa Acts, chapter 1064, other than transitional rules.

DIVISION IX

HOMESTEAD PROPERTY TAX CREDIT

Sec. 45. Section 425.11, subsection 1, paragraph e, Code 2023, is amended by striking the paragraph and inserting in lieu thereof the following:

e. (1) *"Owner"* means the person who holds the fee simple title to the homestead. *"Owner"* also includes the following:

(a) The person occupying as a surviving spouse.

(b) The person occupying under a contract of purchase which contract has been recorded in the office of the county recorder of the county in which the property is located.

(c) The person occupying the homestead under devise or by operation of the inheritance laws where the whole interest passes or where the divided interest is shared only by persons related or formerly related to each other by blood, marriage, or adoption.

(d) The person occupying the homestead is a shareholder of a family farm corporation that owns the property.

(e) The person occupying the homestead under a deed which conveys a divided interest where the divided interest is shared only by persons related or formerly related to each other by blood, marriage, or adoption.

(f) Where the person occupying the homestead holds a life estate with the reversion interest held by a nonprofit corporation organized under chapter 504, provided that the holder of the life estate is liable for and pays property tax on the homestead.

(g) Where the person occupying the homestead holds an interest in a horizontal property regime under chapter 499B, regardless of whether the underlying land committed to the horizontal property regime is in fee or as a leasehold

interest, provided that the holder of the interest in the horizontal property regime is liable for and pays property tax on the homestead.

(h) Where the person occupying the homestead is a member of a community land trust as defined in 42 U.S.C. §12773, regardless of whether the underlying land is in fee or as a leasehold interest, provided that the member of the community land trust is occupying the homestead and is liable for and pays property tax on the homestead.

(i) The person occupying the homestead regardless of whether the underlying land is in fee or as a leasehold interest, provided that the person is occupying the homestead and is liable for and pays property tax on the homestead.

(2) For the purpose of this subchapter, the word *"owner"* shall be construed to mean a bona fide owner and not one for the purpose only of availing the person of the benefits of this subchapter. In order to qualify for the homestead tax credit, evidence of ownership shall be on file in the office of the clerk of the district court or recorded in the office of the county recorder at the time the owner files with the assessor a verified statement of the homestead claimed by the owner as provided in section 425.2.

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

Sec. 47. APPLICABILITY. This division of this Act applies to claims under chapter 425, subchapter I, for credits against property taxes due and payable in fiscal years beginning on or after July 1, 2024.

DIVISION X

PROPERTY TAX CREDITS AND RENT REIMBURSEMENT

Sec. 48. Section 425.17, subsection 7, Code 2023, is amended to read as follows:

7. *"Income"* means the sum of Iowa net income as defined in section 422.7, plus all of the following to the extent not already included in Iowa net income: capital gains~~,~~; alimony~~,~~;

child support money~~,~~; cash public assistance and relief, except property tax relief granted under this subchapter~~,~~; amount of in-kind assistance for housing expenses~~, the gross amount of any pension or annuity, including but not limited to~~; total amounts received from a governmental or other pension or retirement plan, including defined benefit or defined contribution plans; annuities; individual retirement accounts; plans maintained or contributed to by an employer, or maintained or contributed to by a self-employed person as an employer; deferred compensation plans or any earnings attributable to the deferred compensation plans; income received pursuant to a farm tenancy agreement covering real property; railroad retirement benefits~~,~~; payments received under the federal Social Security Act, except child insurance benefits received by a member of the claimant's household;~~, and all~~ military retirement and veterans' disability pensions~~,~~; interest received from ~~the~~ a state or federal government or any of its instrumentalities~~,~~; workers' compensation; and the gross amount of disability income or "loss of time" insurance. "*Income*" does not include gifts from nongovernmental sources, or surplus foods or other relief in kind supplied by a governmental agency. In determining income, net operating losses and net capital losses shall not be considered.

Sec. 49. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 50. APPLICABILITY.

1. This division of this Act applies to claims under chapter 425, subchapter II, for credits against property taxes due and payable in fiscal years beginning on or after July 1, 2024.

2. This division of this Act applies to claims under chapter 425, subchapter II, for reimbursement for rent constituting property taxes paid in base years beginning on or after January 1, 2023.

3. This division of this Act applies to claims under section 435.22 for a credit for manufactured and mobile home taxes due

and payable in fiscal years beginning on or after July 1, 2024.

DIVISION XI

ELECTRONIC COMMUNICATIONS — RULES

Sec. 51. Section 421.60, subsection 11, paragraph c, subparagraph (1), Code 2023, is amended to read as follows:

(1) Notwithstanding any provision of law to the contrary, when an electronic communication is posted to the department's electronic portal for a person who has made such an election, the posting of the electronic communication shall satisfy any requirement of mailing or personal service in this title, chapter 17A, chapter 272D, or sections 321.105A and 533.329.

DIVISION XII

COMPOSITE RETURN FILING EXCLUSION FOR FINANCIAL INSTITUTIONS AND CERTAIN FINANCIAL HOLDING COMPANIES

Sec. 52. Section 422.16B, subsection 5, Code 2023, is amended by adding the following new paragraph:

NEW PARAGRAPH. *0c.* The pass-through entity meets any of the following requirements for the tax year:

(1) The pass-through entity is a financial institution subject to the franchise tax under section 422.60 and files a franchise tax return required under section 422.62 and pays any franchise tax shown due on the return.

(2) The pass-through entity wholly owns one or more financial institutions subject to the franchise tax under section 422.60 that are treated as disregarded entities for federal and Iowa income tax purposes, and at least ninety percent of the gross income of the pass-through entity for the tax year is also reportable income on the franchise tax return of the financial institutions wholly owned by the pass-through entity, and such financial institutions file the franchise tax returns required under section 422.62 and pay any franchise tax shown due on the franchise tax return.

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

Sec. 54. RETROACTIVE APPLICABILITY. This division of this

Act applies retroactively to January 1, 2023, for tax years beginning on or after that date.

DIVISION XIII

RETIRED FARMER INCOME EXCLUSIONS

Sec. 55. Section 422.7, subsection 13, paragraph a, subparagraph (4), Code 2023, is amended to read as follows:

(4) *"Materially participated"* means the same as *"material participation"* in section 469(h) of the Internal Revenue Code, except that section 469(h)(3) of the Internal Revenue Code shall not apply.

Sec. 56. Section 422.7, subsection 14, paragraph f, subparagraph (5), Code 2023, is amended to read as follows:

(5) *"Materially participated"* means the same as *"material participation"* in section 469(h) of the Internal Revenue Code, except that section 469(h)(3) of the Internal Revenue Code shall not apply.

Sec. 57. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 58. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2023, for tax years beginning on or after that date.

DIVISION XIV

INSTRUCTIONAL SUPPORT INCOME SURTAX

Sec. 59. Section 257.24, Code 2023, is amended to read as follows:

257.24 Deposit of instructional support income surtax.

~~1.~~ The director of revenue, by the last day of each month, shall deposit all moneys ~~received as~~ collected and determined by the department of revenue to be instructional support income surtax ~~to the~~ in the preceding month, and shall credit ~~of~~ each district from which the moneys are ~~received~~ collected, in the school district income surtax fund which is established in section 298.14.

~~2. a. The director of revenue shall deposit instructional support income surtax moneys received on or before November 1~~

~~of the year following the close of the school budget year for which the surtax is imposed to the credit of each district from which the moneys are received in the school district income surtax fund.~~

~~*b.* Instructional support income surtax moneys received or refunded after November 1 of the year following the close of the school budget year for which the surtax is imposed shall be deposited in or withdrawn from the general fund of the state and shall be considered part of the cost of administering the instructional support income surtax.~~

Sec. 60. Section 257.25, Code 2023, is amended to read as follows:

257.25 Instructional support income surtax certification.

1. On or before ~~October 20~~ November 15 each year, the director of revenue shall make an accounting of the instructional support income surtax collected under this chapter ~~applicable to tax returns for the last preceding calendar year, or for a taxpayer's fiscal year ending during the second half of that calendar year and after the date the board adopts a resolution to participate in the program, or the first half of the succeeding calendar year,~~ since January 1 of the same calendar year from taxpayers in each school district in the state which has approved the instructional support program, and shall certify to the department of management and the department of education the amount of total instructional support income surtax credited from the taxpayers of each school district.

2. On or before January 15 of each year, the director of revenue shall make an accounting of the instructional support income surtax collected under this chapter during the preceding calendar year from taxpayers in each school district in the state which has approved the instructional support program, and shall certify to the department of management and the department of education the amount of total instructional support income surtax credited from the taxpayers of each

school district.

DIVISION XV

COMPOSITE RETURN EXCEPTION

Sec. 61. COMPOSITE RETURN EXCEPTION — CERTIFICATES OF ACQUITTANCE RELATED TO CERTAIN ESTATES. Notwithstanding any other provision of law to the contrary, the requirements of section 422.16B, including but not limited to the requirements to file a composite return and pay composite return tax, shall not apply to any estate for a tax year that began on or after January 1, 2022, and ended before December 31, 2022, if that estate received a certificate of acquittance from the department of revenue under section 422.27 without having filed a composite return under section 422.16B.

Sec. 62. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION XVI

PROPERTY TAX PAYMENTS — SCHOOL DISTRICTS

Sec. 63. Section 257.3, subsection 1, Code 2023, is amended by adding the following new paragraph:

NEW PARAGRAPH. *d.* The amount paid to each school district under section 441.21, subsection 5, paragraph "*e*", shall be regarded as property tax. The portion of the payment which is foundation property tax shall be determined by applying the foundation property tax rate to the amount computed under section 441.21, subsection 5, paragraph "*e*", subparagraph (4), subparagraph division (a), and such amount shall be prorated pursuant to section 441.21, subsection 5, paragraph "*e*", subparagraph (2), if applicable.

Sec. 64. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.