SENATE FILE 2396
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 3115)

(As Amended and Passed by the Senate March 5, 2024)

* = Language Stricken by the Senate

A BILL FOR

An Act relating to state taxation by modifying lottery and alcoholic beverages provisions under the purview of the department of revenue, changing the taxation of lump sum distributions of retirement income, increasing estimated tax thresholds, making appropriations, and including effective date and retroactive applicability provisions.

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

DIVISION I

DISCLOSURE OF TAX INFORMATION

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

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

a. A person intentionally filed a false claim, affidavit, return, or other information with intent to evade tax or obtain a refund, credit, or other benefit from the department.

b. A person failed to file a return with intent to evade a tax or filing requirement.

c. A person failed to pay with the intent to evade tax.

d. A person committed any act or omission that is a criminal offense under a provision of this title administered by the department.

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

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

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

DIVISION II

ANNUAL REPORTING

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

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

422.75 Statistics — publication.

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, paragraph "k".~~

DIVISION III

PROPERTY TAX — EXTENSIONS

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

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

DIVISION IV

FARM TENANCY INCOME TAX EXCLUSION

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

a. Subtract, to the extent included, net income received by an eligible individual pursuant to a farm tenancy agreement covering real property held by the eligible individual for ten or more years, if the eligible individual materially participated in a farming business for ten or more years <u>in the aggregate</u>.

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

2024, is amended by adding the following new subparagraph:

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

DIVISION V

PASS-THROUGH ENTITIES

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

2. For tax years beginning on or after January 1, 2020, any adjustments to a partnership's or pass-through entity's items of income, gain, loss, expense, or credit, or an adjustment to such items allocated to a partner that holds an interest in a partnership or pass-through entity for the reviewed year by the department as a result of a state partnership audit, shall be determined at the partnership level or pass-through entity level in the same manner as provided by section 6221(a) of the Internal Revenue Code and the regulations thereunder unless a different treatment is specifically provided in this title. The provisions of sections 6222, 6223, and 6227 of the Internal Revenue Code and the regulations thereunder shall also apply to a partnership or pass-through entity and its direct or indirect partners in the same manner as provided in such sections unless a different treatment is specifically provided in this title. For purposes of applying such sections, due account shall be made for differences in federal and Iowa terminology. The adjustment provided by section 6221(a) of the Internal Revenue Code shall be determined as provided in such section but shall be based on Iowa taxable income or other tax attributes of the partnership or pass-through entity as determined pursuant to this chapter for the reviewed year. The department shall issue a notice of adjustment to the partnership or pass-through entity. Such notice shall be treated as an assessment for the purposes of section 422.25, and the notice shall be appealable, except as provided in section 422.25, by the partnership or

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

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

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

DIVISION VI

SALES TAX CHANGES

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

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

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

DIVISION VII

MOTOR FUEL TAXES

Sec. 13. Section 452A.3, subsection 1, paragraph b, unnumbered paragraph 1, Code 2024, is amended to read as follows:

On and after July 1, 2026, an excise tax of thirty cents is imposed on each gallon of ethanol blended gasoline classified as E-15 or higher. Before July 1, 2026, the rate of the excise tax on ethanol blended gasoline classified as E-15 or higher shall be based on the number of gallons of ethanol blended gasoline classified as E-15 or higher that are distributed in this state as expressed as a percentage of the number of gallons of motor fuel distributed in this state, which is referred to as the distribution percentage. For purposes of this paragraph, only ethanol blended gasoline and nonblended gasoline, not including aviation gasoline, shall be used in determining the percentage basis for the excise tax. The department shall determine the percentage basis for each determination period beginning January 1 and ending December 31 based on data from the reports filed pursuant to section 452A.33. Before June 1, the department may amend the distribution percentage due to a mistake, if there is a late report filed by a retail dealer to the department under section 452A.33, subsection 1, or if the distribution percentage is not accurate. The rate for the excise tax shall apply for the period beginning July 1 and ending June 30 following the end of the determination period. Before July 1, 2026, the rate of the excise tax on each gallon of ethanol blended gasoline classified as E-15 or higher shall be as follows:

Sec. 14. Section 452A.3, subsection 3, paragraph a, subparagraph (2), unnumbered paragraph 1, Code 2024, is amended to read as follows:

Except as otherwise provided in this section and in this

subchapter, this subparagraph shall apply to the excise tax imposed on each gallon of biodiesel blended fuel classified as B-11 or higher used for any purpose for the privilege of operating motor vehicles in this state. On and after July 1, 2026, the rate of the excise tax on each gallon of biodiesel blended fuel classified as B-11 or higher is thirty-two and five-tenths cents. Before July 1, 2026, the rate of the excise tax shall be based on the number of gallons of biodiesel blended fuel classified as B-11 or higher that are distributed in this state as expressed as a percentage of the number of gallons of special fuel for diesel engines of motor vehicles distributed in this state, which is referred to as the distribution percentage. The department shall determine the percentage basis for each determination period beginning January 1 and ending December 31 based on data from the reports filed pursuant to section 452A.33. Before June 1, the department may amend the distribution percentage due to a mistake, if there is a late report filed by a retail dealer to the department under section 452A.33, subsection 1, or the distribution percentage is not accurate. The rate of the excise tax shall apply for the period beginning July 1 and ending June 30 following the end of the determination period. Before July 1, 2026, the rate of the excise tax on each gallon of biodiesel blended fuel classified as B-11 or higher shall be as follows:

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

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

Sec. 16. Section 452A.33, subsection 2, unnumbered paragraph 1, Code 2024, is amended to read as follows:

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

Sec. 17. Section 452A.41, subsection 5, paragraph a, Code 2024, is amended to read as follows:

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

Sec. 18. Section 452A.44, Code 2024, is amended by adding the following new subsection:

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

DIVISION VIII

VETERANS TRUST FUND AND LOTTERY

Sec. 19. Section 99G.3, Code 2024, is amended by adding the following new subsection:

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

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

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

3. Two million five hundred thousand dollars in lottery revenues shall be transferred each fiscal year to the veterans trust fund established pursuant to section 35A.13 prior to deposit of the lottery revenues in the general fund pursuant to section 99G.40. However, if the balance of the veterans trust fund is fifty million dollars or more on both July 1 of the current fiscal year and July 1 of the preceding fiscal year, the moneys shall be appropriated to the department for distribution to county directors of veteran affairs, with fifty percent of the moneys to be distributed equally to each county and fifty percent of the moneys to be distributed to each county based upon the population of veterans in the county, so long as the moneys distributed to a county do not supplant moneys appropriated by that county for the county director of veteran affairs.

Sec. 22. Section 99G.41, subsections 1, 2, 3, and 4, Code 2024, are amended to read as follows:

1. ~~Any claimant agency may submit to the department a list of the names of all persons indebted to such claimant agency or to persons on whose behalf the claimant agency is acting. The~~ A lottery prize payment awarded as cash or cash equivalents is subject to the setoff program. Additionally, a debtor and the full amount of ~~the~~ debt shall be compiled in a list, and collectible from any lottery ~~winnings~~ prize payment awarded as cash or cash equivalents due the debtor without regard to limitations on the amounts that may be collectible in increments through garnishment or other proceedings. Such list shall constitute a valid lien upon and claim of lien against the lottery ~~winnings~~ prize payment of any debtor named in such list. The list shall contain the names of the debtors, their social security numbers if available, and any other information

that assists the department in identifying the debtors named in the list. The list shall be treated the same as setoff program information under section 421.65, subsection 2, paragraph "a".

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

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

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

DIVISION IX

ALCOHOLIC BEVERAGES

Sec. 23. Section 123.3, Code 2024, is amended by adding the following new subsection:

NEW SUBSECTION. 36A. *"Operating still"* means a still that is registered with the federal alcohol and tobacco tax and

trade bureau of the United States department of the treasury and is actively used to manufacture spirits.

Sec. 24. Section 123.30, subsection 4, Code 2024, is amended to read as follows:

4. Notwithstanding any provision of this chapter to the contrary, a person holding a retail alcohol license to sell alcoholic beverages for consumption on the licensed premises may permit a customer to remove one unsealed bottle of wine for consumption off the premises if the customer has purchased and consumed a portion of the bottle of wine on the licensed premises. The licensee or the licensee's agent shall securely reseal such bottle in a bag designed so that it is visibly apparent that the resealed bottle of wine has not been tampered with and provide a dated receipt for the resealed bottle of wine to the customer. A wine bottle resealed pursuant to the requirements of this subsection is subject to the requirements of sections 321.284 and 321.284A. ~~A person holding a retail alcohol license to sell alcoholic beverages for consumption on the licensed premises may permit a customer to carry an open container of wine from the person's licensed premises into another immediately adjacent licensed premises that is covered by a license or permit that authorizes the consumption of wine, a temporarily closed public right-of-way, or a private place.~~

Sec. 25. Section 123.30, Code 2024, is amended by adding the following new subsection:

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

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

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

c. A private place.

Sec. 26. Section 123.43A, subsection 6, Code 2024, is

amended to read as follows:

6. Notwithstanding any provision of this chapter to the contrary or the fact that a person is the holder of a class "A" native distilled spirits license, a native distillery may be granted a class "C" retail alcohol license as defined in section 123.30 for the same premises licensed under a class "A" native distilled spirits license where the manufacturing of native distilled spirits occurs. A native distillery may be granted not more than two class "C" retail alcohol licenses. A ~~manufacturer of~~ native ~~distilled spirits~~ distillery may be issued a class "C" retail alcohol license regardless of whether the manufacturer is also a manufacturer of beer pursuant to a class "A" beer permit or a manufacturer of native wine pursuant to a class "A" wine permit.

Sec. 27. Section 123.45, subsection 3, Code 2024, is amended to read as follows:

3. A person engaged in the wholesaling of beer or wine may sell only disposable glassware, which is constructed of paper, paper laminated, or plastic materials and designed primarily for personal consumption on a one-time usage basis, to retailers for use within the premises of licensed establishments, for an amount which is greater than or equal to an amount which represents the greater of either the amount paid for the disposable glassware by the supplier or the amount paid for the disposable glassware by the wholesaler. Also, notwithstanding any other provision of this chapter or the fact that a person is the holder of a class "A" beer permit, a native brewery may be granted ~~not more than two~~ a class "C" retail alcohol ~~licenses~~ license or ~~not more than two~~ a special class "C" retail alcohol ~~licenses~~ license, both as defined in section 123.30, for the same premises licensed under a class "A" beer permit where the manufacturing of beer occurs. A native brewery may be granted not more than two class "C" retail alcohol licenses or two special class "C" retail alcohol licenses. A native brewery may be issued a class "C" retail

alcohol license or a special class "C" retail alcohol license, regardless of whether that person is also a manufacturer of native distilled spirits pursuant to a class "A" native distilled spirits license or a manufacturer of native wine pursuant to a class "A" wine permit.

Sec. 28. Section 123.176, subsection 5, Code 2024, is amended to read as follows:

5. Notwithstanding any other provision of this chapter or the fact that a person is the holder of a class "A" wine permit, a person engaged in the business of manufacturing native wine may be granted a class "C" retail alcohol license or special class "C" retail native wine license as defined in section 123.30, for the same premises licensed under a class "A" wine permit where the manufacturing of native wine occurs. A manufacturer of native wine may be granted not more than two class "C" retail alcohol licenses or special class "C" retail native wine licenses. A manufacturer of native wine may be issued a class "C" retail alcohol license or special class "C" retail native wine license regardless of whether the manufacturer is also a manufacturer of beer pursuant to a class "A" beer permit or a manufacturer of native distilled spirits pursuant to a class "A" native distilled spirits license.

DIVISION X

INHERITANCE TAX — FUTURE CODE CHANGES DUE TO REPEAL

Sec. 29. Section 12D.9, subsection 3, Code 2024, is amended to read as follows:

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

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

3. ~~State~~ For a death occurring before January 1, 2025, state inheritance tax treatment of interests in Iowa ABLE savings

plans shall be as provided in section 450.4, subsection 9.

Sec. 31. Section 12I.10, subsection 3, Code 2024, is amended to read as follows:

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

Sec. 32. Section 16.177, subsection 8, Code 2024, is amended to read as follows:

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

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

a. The persons entitled under the laws of descent and distribution to the possession and ownership of a vehicle owned in whole or in part by a decedent who died intestate, upon filing an affidavit stating the name and date of death of the decedent, the right to possession and ownership of the persons filing the affidavit, and that there has been no administration of the decedent's estate, which instrument must also contain an agreement by the affiant to indemnify creditors of the decedent who would be entitled to levy execution upon the motor vehicle to the extent of the value of the motor vehicle, shall, upon complying with the other title transfer requirements of this chapter, be issued a registration card for the decedent's interest in the vehicle and a certificate of title to the vehicle. If a decedent died testate, and either the will is not probated or is admitted to probate without administration, the persons entitled to the possession and ownership of a vehicle owned in whole or in part by the decedent may file an affidavit and, upon complying with the other title transfer requirements of this chapter, shall be issued a

registration card for the decedent's interest in the vehicle and a certificate of title to the vehicle. The affidavit must contain the same information and indemnity agreement as is required in cases of intestacy under this subsection. ~~Chapter 450 is not~~ For a death occurring before January 1, 2025, a requirement of chapter 450 shall not be considered satisfied by the filing of the affidavit provided for in this subsection. If, from the records in the office of the county treasurer, there appear to be any liens on the vehicle, the certificate of title must contain a statement of the liens unless the application is accompanied by proper evidence of the satisfaction or extinction of such liens. Evidence of extinction includes but is not limited to an affidavit of the applicant stating that a security interest was foreclosed as provided in chapter 554, article 9, part 6. The department shall waive the certificate of title fee and surcharge required under sections 321.20, 321.20A, 321.23, 321.46, 321.52, and 321.52A if the person entitled to possession and ownership of a vehicle, as provided in this subsection, is the surviving spouse of a decedent.

Sec. 34. Section 331.602, subsection 23, Code 2024, is amended to read as follows:

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

Sec. 35. Section 331.756, subsection 57, Code 2024, is amended to read as follows:

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

Sec. 36. Section 421.27, subsection 1, paragraph d, subparagraph (13), Code 2024, is amended to read as follows:

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

Sec. 37. Section 421.60, subsection 2, paragraph c, subparagraph (1), Code 2024, is amended to read as follows:

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

Sec. 38. Section 422.27, subsection 1, Code 2024, is amended to read as follows:

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

each is defined in section 633.3.

Sec. 39. Section 455G.6, subsection 14, Code 2024, is amended to read as follows:

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

Sec. 40. Section 496C.14, subsection 6, paragraph h, Code 2024, is amended to read as follows:

h. Notwithstanding the provisions of this section, payment of any part of the purchase price for shares of a deceased shareholder shall not be required until the executor or administrator of the deceased shareholder provides any indemnity, release, or other document from any taxing authority, which is reasonably necessary to protect the corporation against liability for any estate~~, inheritance,~~ and death ~~taxes~~ tax, or any inheritance tax for a death occurring before January 1, 2025.

Sec. 41. Section 524.805, subsection 8, Code 2024, is amended to read as follows:

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

Sec. 42. Section 541A.2, subsection 6, unnumbered paragraph

1, Code 2024, is amended to read as follows:

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

Sec. 43. Section 602.8102, subsection 63, Code 2024, is amended to read as follows:

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

Sec. 44. Section 633.21, Code 2024, is amended to read as follows:

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

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

Sec. 45. Section 633.31, subsection 2, paragraph a, Code 2024, is amended to read as follows:

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

Sec. 46. Section 633.356, subsection 1, unnumbered paragraph 1, Code 2024, is amended to read as follows:

When the gross value of the decedent's personal property that would otherwise be distributed by will or intestate succession is or has been, at any time since the decedent's death, fifty thousand dollars or less and there is no real property, or for deaths occurring before January 1, 2025, the real property passes to persons exempt from inheritance tax

as joint tenants with full rights of survivorship pursuant to chapter 450, and if forty days have elapsed since the death of the decedent, a successor as defined in subsection 2 may, by furnishing an affidavit prepared pursuant to subsection 3 or 8, and without procuring letters of appointment, do any of the following with respect to one or more items of such personal property:

Sec. 47. Section 633.356, subsection 3, paragraph a, subparagraph (3), Code 2024, is amended to read as follows:

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

Sec. 48. Section 633.356, subsection 3, paragraph a, subparagraph (10), Code 2024, is amended to read as follows:

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

Sec. 49. Section 633.356, subsection 9, Code 2024, is amended to read as follows:

9. Upon receipt of an affidavit under subsection 3 and reasonable proof under subsection 5 of the identity of each successor seeking distribution by virtue of the affidavit, the holder of the property shall disclose to the affiant whether the value of the property held by the holder is, or has been at any time since the decedent's death, fifty thousand dollars or less. An affidavit furnished for the purpose of determining whether the value of the property is, or has been at any time since the decedent's death, fifty thousand dollars or less need not contain the language required under

subsection 3, paragraph "a", subparagraph (3), but shall state that the affiant reasonably believes that the gross value of the decedent's personal property that would otherwise be distributed by will or intestate succession is, or has been at any time since the decedent's death, fifty thousand dollars or less and there is no real property or for deaths occurring before January 1, 2025, the real property passes to persons exempt from inheritance tax as joint tenants with full rights of survivorship pursuant to chapter 450.

Sec. 50. Section 633.361, subsection 12, Code 2024, is amended to read as follows:

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

Sec. 51. Section 633.365, Code 2024, is amended to read as follows:

633.365 Appraisement.

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

Sec. 52. Section 633.399, Code 2024, is amended to read as follows:

633.399 Report for approval.

After making any such sale, mortgage, exchange or lease of real property, the personal representative shall make a verified report thereof to the court. The court shall examine said report, and if satisfied that the sale, mortgage, exchange, or lease has been at a price and upon terms advantageous to the estate, and, in all respects, made in conformity with law, and that it ought to be confirmed, shall confirm the same and order the personal representative to deliver a deed, mortgage, lease or other proper instruments to the persons entitled thereto; provided, however, that in the event said real property has been sold at private sale

without an appraisal for inheritance tax purposes for a death occurring before January 1, 2025, or for purpose of such sale, or, if it has been so appraised and has been sold at private sale for less than the appraised value thereof, then, upon the filing of such report, the court may enter an order fixing a time and place for hearing thereon and prescribe a notice of such hearing to be served upon all interested persons, any one of whom, prior to the time fixed for such hearing, may file written objections to the entry of an order approving said sale. If not satisfied that the sale, mortgage, exchange, or lease has been made in conformity with law and that it is to the best interests of the estate, the court may reject the sale, mortgage, exchange, or lease, and enter such orders as the court may deem advisable.

Sec. 53. Section 633.477, subsection 10, Code 2024, is amended to read as follows:

10. A statement as to whether or not all statutory requirements pertaining to taxes have been complied with including whether the federal estate tax due has been paid, whether a lien continues to exist for any federal estate tax, and whether inheritance tax was paid or a return was filed in this state for a death occurring before January 1, 2025.

Sec. 54. Section 633.479, subsection 2, paragraph a, subparagraph (5), Code 2024, is amended to read as follows:

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

Sec. 55. Section 633.481, Code 2024, is amended to read as follows:

633.481 Certificate to county recorder for tax purposes without administration.

When an inventory or report is filed under section 450.22 for deaths occurring before January 1, 2025, without administration of the estate of the decedent, the heir or heir's attorney shall prepare and deliver to the county recorder of the county

in which the real estate is situated a certificate pertaining to each parcel of real estate described in the inventory or report. Any fees for certificates or recording fees required by this section or section 633.480 shall be assessed as costs of administration. The fees for recording and indexing the instrument shall be as provided in section 331.604. The county recorder shall deliver the certificates to the county auditor as provided in section 558.58.

Sec. 56. Section 635.7, subsection 1, Code 2024, is amended to read as follows:

1. The personal representative is required to file the report and inventory for which provision is made in section 633.361, including all probate and nonprobate assets. This chapter does not exempt the personal representative from complying with the requirements of section 422.27, ~~450.22, 450.58,~~ 633.480, or 633.481, and the administration of an estate whether converted to or from a small estate shall be considered one proceeding pursuant to section 633.330. For a death occurring before January 1, 2025, this chapter does not exempt the personal representative from complying with the requirements of section 450.22 or 450.58.

Sec. 57. Section 635.8, subsection 1, paragraph e, Code 2024, is amended to read as follows:

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

Sec. 58. Section 654.16, subsection 2, Code 2024, is amended to read as follows:

2. If a homestead is designated, the court shall determine the fair market value of the designated homestead before the sheriff's sale. The court may consult with the county appraisers appointed pursuant to section 450.24 for deaths

occurring before January 1, 2025, or with one or more independent appraisers, to determine the fair market value of the designated homestead.

Sec. 59. EFFECTIVE DATE. This division of this Act takes effect January 1, 2025.

Sec. 60. APPLICABILITY. This division of this Act applies to the estates of decedents dying on or after January 1, 2025.

DIVISION XI

LUMP SUM DISTRIBUTION OF RETIREMENT INCOME

Sec. 61. Section 422.5, subsection 8, Code 2024, is amended to read as follows:

8. *a.* In addition to the other taxes imposed by this section, a tax is imposed, except under paragraph *"b"*, on the amount of a lump sum distribution for which the taxpayer has elected under section 402(e) of the Internal Revenue Code to be separately taxed for federal income tax purposes for the tax year. The rate of tax is equal to twenty-five percent of the separate federal tax imposed on the amount of the lump sum distribution. A nonresident is liable for this tax only on that portion of the lump sum distribution allocable to Iowa. The total amount of the lump sum distribution subject to separate federal tax shall be included in net income for purposes of determining eligibility under subsections 2 and 3, as applicable, except the amount of the lump sum distribution exempt from state tax in paragraph *"b"* shall not be included.

b. The amount of a lump sum distribution that is 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, and deferred compensation plans or any earnings attributable to the deferred compensation plans is exempt from state tax imposed under paragraph *"a"* if received by a person who is disabled, or is fifty-five years of age or older, or is the surviving spouse of

an individual or is a survivor having an insurable interest in an individual who would have qualified for the exemption under this subsection for the tax year.

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

Sec. 63. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2024, for tax years beginning on or after that date.

DIVISION XII

ESTIMATED TAX THRESHOLD

Sec. 64. Section 422.16, subsection 12, paragraph a, subparagraph (1), Code 2024, is amended to read as follows:

(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~~ one thousand dollars or more for the year.

Sec. 65. EFFECTIVE DATE. This division of this Act takes effect January 1, 2025.

Sec. 66. APPLICABILITY. This division of this Act applies to tax years beginning on or after January 1, 2025.