



2023 Iowa Tax Law Update

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Disclaimer

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Overview

- Bills to cover
 - [SF 565](#): IDR Department Bill
 - [HF 68](#): Educational Savings Accounts
 - [SF 181](#): Assessment Limitation and Retirement Withholding Clarification
 - [SF 445](#): Board of Review Subunits
 - [HF 318](#): Property Tax Credit Deadlines
 - [HF 352](#): SALT Cap Workaround
 - [HF 718](#): Property Tax Omnibus
 - [HF 666](#): IDALS Department Bill
 - [HF 660](#): Sales Tax Rebates for a Raceway Facility
 - [SF 575](#), [HF 703](#) & [HF 710](#): various tax credit changes
 - [SF 549](#): Reduction of Insurance Premium Tax
 - [HF 270](#): Extended Time for Property Tax Appeal in Disaster Areas
- Changes going into effect 2023
 - Rates

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2023 Legislation

Alignment Bill

- 16 aligned agencies instead of 37 separate agencies.
 - Agencies were aligned based on similar functions & centralized programs that serve similar needs.
- Iowa Department of Revenue now includes:
 - Iowa Lottery Division
 - Alcoholic Beverages Division
- Phased-in approach to integrate formerly separate agencies.
- [SF 514](#) effective July 1, 2023.

SF 565: IDR Department Bill

Div. 1 - First Time Homebuyer and IA Educational Savings Accounts

- Ties the due date for making contributions, designating a beneficiary, and filing an annual report, to the 1040 tax return due date including extensions.
 - Effective date: July 1, 2023

Div. 3 - Filing Status

- Requires that taxpayers use the same filing status for Iowa purposes that they used for federal purposes.
- Starting in 2023, the status of married filing separately on a combined return will cease to exist.
 - Effective date: January 1, 2023

SF 565: IDR Department Bill Cont.

Div. 4 & 5 - Withholding

- Rewrite and reorganization of 422.16 withholding statute.
 - Includes changes to allow the Department to restructure the Iowa W-4 to work and look more like the recently changed federal W-4.
 - Changes the withholding rate on supplemental wages to the highest rate imposed in 422.5A.
 - The statutory rate was 6%.
 - Granted the Department rule writing authority to prescribe which tax credits may be deducted from withholding.
 - Currently, taxpayers may only deduct the child and dependent care credit.
 - Clarification that income tax does not need to be withheld if the payment is not subject to Iowa income tax.

SF 565: IDR Department Bill Cont.

- **Div. 6 - Settlement Authority, Notice Of Assessment Estimation Of Tax**
 - Expansion of abatement and settlement authority of the Department. Created new requirements related to estimated billings.
 - Settlement and abatement: Gives the department the ability to settle or fully abate tax, penalty, and interest, amounts paid or unpaid.
 - Estimated billings: Creates a new requirement that estimated billings include a statement that the notice is estimated. Creates a new requirement that in most cases taxpayers file a return in response to an estimated billing rather than immediately filing an appeal.
 - Effective January 1, 2024.
- **Div. 7 - Tax Return Preparers Access to Information**
 - Pursued in order to allow for a third party release of information on a directly on a tax return.
 - Expands the term tax return preparer to included licensed professionals for purposes of ptin reporting requirement.
 - Effective July 1, 2023.

SF 565: IDR Department Bill Cont.

Div. 8 - Setoff Clarification

- Changes the fee the Department is to charge for completing a setoff debt from mandatory to permissive.
- Effective when IDR adopts administrative rules.

Div. 9 - Homestead Property Tax Credit

- Allows for homestead tax credits for homes on leased land.
- Effective July 1, 2024.

Div. 11 - Electronic Communications

- Allows for electronic service of Declaratory Orders for uniformity with other notices.
- Notice may be sent via GCI if taxpayers opt-in to that option.
- Effective July 1, 2023.

SF 565: IDR Department Bill Cont.

Div. 12 - Composite Return Filing Exclusion for Franchise Taxpayers

- Amendment
- Codifies a 1-year franchise taxpayer composite return filing exemption.

Div. 15 - Composite Return Exception: Certificate Of Acquittance Received

- Amendment
- Provides a composite return filing exemption for estates with short-year 2022 returns if the estate received a COA from the Department without having filed a composite return.

HF 68 - Educational Savings Accounts (ESAs)

- Created a deduction for the amount of educational savings accounts payments used for qualifying expenses.
 - “Qualified educational expenses” includes tuition and fees at a nonpublic school, textbooks, fees or payments for educational therapies, including tutoring or cognitive skills training, curriculum fees, software, and materials for a course of study for a specific subject matter or grade level, tuition or fees for nonpublic online education programs, tuition for vocational and life skills education approved by the department of education, education materials and services for pupils with disabilities from an accredited provider, including the cost of paraprofessionals and assistants who are trained in accordance with state law, standardized test fees, and advanced placement examinations or examinations related to postsecondary education admission or credentialing.
 - See Iowa Code 257.11B

Effective date: January 1, 2023

SF 181: Assessment Limitation and Retirement Withholding Clarification

- Clarifies that withholding is only required if the payments are subject to Iowa income tax.
 - Effective retroactive to January 1, 2023.
- Alters assessment limitation calculation for residential property to exclude the value of multiresidential property.
 - Effective retroactive to assessment year 2022.

SF 445: Board of Review Subunits

- Allows ten-member county Boards of Review to hear assessment protests in three member panels.
 - The chairperson of the board may authorize the Board to convene subunits.
- A protest considered by a subunit of the board must subsequently be considered by the full board of review for final disposition.
- Applies retroactively for assessment years beginning on or after January 1, 2023.

HF 318: Property Tax Credit Deadlines

- Claims for elderly, disabled, and low-income property tax credit, are generally required to be filed with the county treasurer between January 1 and June 1 in the year *before* property taxes are due.
 - In certain circumstances, the county treasurer may extend the deadline to September 30.
- This bill allows a county treasurer to extend the time for filing the elderly and disabled property tax credit to March 31 of the fiscal year *during* which the property taxes are due.
 - Providing up to 6 more months to apply.
- The Act makes a similar change to provisions governing claims for the Manufactured or Mobile Home Tax Credit.
- Effective July 1, 2023.

HF 352 - Pass-Through Entity Tax (PTET)

What is This?

- Voluntary election for Partnership or S-Corporation to be subject to Iowa income tax at the entity level.
- Owners receive a % of PTET as a refundable credit.
- Applies to tax years beginning on or after January 1, 2022 (retroactive).
- Detailed website guidance available at:
<https://tax.iowa.gov/pass-through-entity-tax>

HF 352 - Pass-Through Entity Tax (PTET)

Making a PTET Election

- Must be made by someone with authority to sign the PTE's Iowa income tax return and bind the PTE and owners for Iowa income tax purposes.
- Election is irrevocable and only applies to one tax year.
- Election will be available on return, or on election form if prior to return filing (TY 2023 and later).
- Deadline is due date of return, including extensions (TY 2023 and later).

HF 718: Property Tax Omnibus

- **Div. 1 County changes:** Removed authority for counties to exceed the General Basic and Rural Basic levy rates by publishing an extra notice.
 - Requires an election to exceed the statutory cap.
- **Div. 2 City changes:** Consolidates several General Fund levies and the Emergency levy into a combined general fund levy.
 - Eliminates 16 levies by requiring those levy amounts count toward the statutory \$8.10 cap for cities.
- **For both:** If levy rates exceed statutory maximum, the bill provides a mechanism for levy rates to be reduced.
 - Reduces levy by constraining growth by 2% or 3% each year, depending on a trigger.

HF 718: Property Tax Omnibus Cont.

- **Div. 3** Eliminates the possibility of adopting a new Public Education and Recreation tax levy (PERL).
- **Div. 5** Establishes a new 65+ homestead property tax exemption for assessment years after July 1, 2023.
 - Exemption is in addition to the current homestead credit.
 - The new exemption is \$3,250 of taxable value for FY 2026 and \$6,500 for FY 2027 and after.
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- **Div. 6** Increases the military service property tax exemption amount for all eligible veterans to \$4,000 beginning on January 1, 2023.
- **Div. 7** Made changes to urban revitalization areas to require minimum assessment agreements for certain properties and excluded school district levies from exemptions authorized for certain residential property.
 - See Iowa Code chapter 404.

HF 718: Property Tax Omnibus Cont.

- **Div. 10** Requires individual statements to taxpayers that include certain tax and budget information and a public hearing.
 - In the case that levy is being increased, the statement must include a detailed statement of the reasons for the increase, including the specific purposes or programs for which the political subdivision is proposing an increase.
- **Div. 13** Changes dates of certain elections. If a special election is in whole or in part for the question of issuing bonds or other indebtedness, the election must be held in November.
 - The first Tuesday after the first Monday in November.
 - Effective date July 1, 2023.

HF 666: IDALS Department Bill

- 2019 Iowa Acts HF 767 imposed a new excise tax on “electric fuel”, the energy used to charge electric vehicles at non-residences.
 - Effective July 1, 2023.
- Owners of EV charging stations are responsible for reporting and paying to IDR \$0.026 per kWh of excise tax.
 - See [this page](#) for guidance.
- HF 666 shifted responsibility for testing electric vehicle charging stations from IDR to Iowa Department of Agriculture and Land Stewardship.

HF 660: Sales Tax Rebates for a Raceway Facility

- Extended the raceway facility rebate end date to June 30, 2030.
- Previously was sunset was June 30, 2025, or until the total rebate amount reached \$1.8 million, whichever was earliest.
- Rebate for sales tax receipts collected on sales of tangible personal property or services furnished by retailers at an eligible raceway facility are rebated to the raceway facility.

SF 575: IEDA Omnibus Bill

- **Renewable Chemical Production Tax Credit**
 - Removes serine, threonine, and lysine from the definition of “building block chemical”.
 - Increased the annual tax credit limit for certain companies to \$1 million.
 - Extends the tax credit through FY 2036.
 - Eliminates the wait list.

- **Innovation Fund Tax Credit**
 - Extended the sunset from FY 2023 to FY 2028.

HF 703 & HF 710: tax credit changes

- Extended the award availability of the Hoover Presidential Library Tax Credit through the end of 2024.
 - Previously, the tax credits may be awarded through December 31, 2023.
 - The Hoover Presidential Library Tax Credit is 25% of a donation to the Hoover Presidential Library Foundation for use through the Hoover Presidential Library and Museum Fund.
 - Program capped at \$5 million.
- HF 710 Endow Iowa Tax Credit changes
 - Modifies the per person limit previously enacted so the new limit doesn't apply to gifts made before 1/1/23.
 - Increases the aggregate limit for tax credit awards for tax year 2023 to \$13 million.

SF 549: Reduction of Insurance Premium tax

- The bill phased-in a reduction of insurance premium tax over 4 years.
- Previously, the applicable rate was 1%.

Year	Rate
2023	0.975%
2024	0.950%
2025	0.925%
2026	0.900%
2027	0.900%

HF 270: Extended Time for Property Tax Appeal

- **Informal review changes:**
 - Extended the period for informal review of property assessments in counties declared to be a disaster area between March 1 and May 20 of the assessment year.
 - For affected counties, the deadline for informal review is extended from April 25 to May 25.
- **Board of Review (BOR) protest changes:**
 - Generally, taxpayers must have their protests submitted to the BOR by April 30.
 - BOR sessions to hear assessment protests normally ends May 31.
 - In the case of a disaster area, the deadline for filing a protest with BOR is extended from May 1 to June 5th.
 - For counties declared to be a disaster area between March 1 and May 20 of the assessment year, the bill allows the BOR to extend their session to July 15th.



New Rates

HF 2317 - Individual Income Tax Rates

Income Tax Brackets		Rates			
<u>Lower Limit</u>	<u>Upper Limit</u>	<u>TY 2023</u>	<u>TY 2024</u>	<u>TY 2025</u>	<u>TY 2026</u>
\$0	\$6,000	4.40%	4.40%	4.40%	3.90%
\$6,001	\$30,000	4.82%	4.82%	4.82%	3.90%
\$30,001	\$75,000	5.70%	5.70%	4.82%	3.90%
\$75,001	And Over	6.00%	5.70%	4.82%	3.90%
Note: Brackets Double for Married Filing jointly					

Corporate and Franchise Rates Reduced

Corporate Income Rates Reduced for 2023

- 5.5% for income up to \$100,000
- 8.4% for income over \$100,000
- Future corporate rate reductions possible if \$700,000,000 threshold is met for a fiscal year.
 - Down to a possible flat rate of 5.5%

Franchise Tax Schedule Rate Reduction

- 2023- 4.7%
- 2024- 4.4%
- 2025- 4.1%
- 2026- 3.8%
- 2027- 3.5%

All rate changes above become effective January 1 of the year listed, for tax years beginning on or after that date.

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Thanks for watching!