

Red Tape Review Rule Report (Due: September 1, 2024)

Department Name:	Revenue	Date:	08/23/2024	Total Rule Count:	26
IAC #:	701	Chapter/ SubChapter/ Rule(s):	10	Iowa Code Section Authorizing Rule:	421.7 (interest), 421.27(penalties)
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PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE

What is the intended benefit of the rule?

Chapter 10 supplements the sections of the Iowa Code imposing penalties for late filing of tax returns, late payment of taxes, and other failures to comply with tax obligations (421.17), and imposing interest on overdue tax payments (421.6) by providing definitions necessary to understand when penalties and exceptions to penalty allowed by the Code apply, and providing examples that show whether and how penalty and interest would be applied in various factual scenarios.

Is the benefit being achieved? Please provide evidence.

To the extent the Department proposes to re-promulgate rules, the Department has determined that the rules aid both taxpayers and agency staff that have relied on these definitions and examples for decades in determining whether and how much penalty and interest apply under Iowa Code Chapter 421.

What are the costs incurred by the public to comply with the rule?

Chapter 10 imposes no additional compliance costs on the public. These penalties and interest are due under the statute, the rules only serve to provide clarity and and certainty on how and when they apply.

What are the costs to the agency or any other agency to implement/enforce the rule?

The agency incurs no additional costs to administer these rules. The agency would still be required to administer the penalties, interest, and penalty waivers described in these rules even if the rules did not exist. If anything these rules reduce costs by ensuring consistent administration of penalties and interest over time.

Do the costs justify the benefits achieved? Please explain.

There are no costs to the rules themselves, however the cost of inaction would create confusion. These rules help provide certainty and consistency to both the public and the agency on how penalty and interest will be applied by the agency. The penalty and interest would be due either way, but they may be imposed less consistently without the rules as guidelines.

Are there less restrictive alternatives to accomplish the benefit? YES NO

If YES, please list alternative(s) and provide analysis of less restrictive alternatives from other states, if applicable. If NO, please explain.

The rules that are re-promulgated are determined to be necessary. There is no less restrictive alternative to

achieve the benefit. The absence of these definitions and examples would only make taxpayers, tax professionals, and Department staff less certain about whether and how these penalties and interest apply. At best this would lead to inconsistent administration of penalties and interest, and at worst to increased litigation over their application.

Does this chapter/rule(s) contain language that is obsolete, outdated, inconsistent, redundant, or unnecessary language, including instances where rule language is duplicative of statutory language? [list chapter/rule number(s) that fall under any of the above categories]

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Yes. Rules 10.5, 10.71, 10.72, 10.76, 10.77, and 10.79 were found to be duplicative of the Code. Additionally, rule 10.2 contained historical interest rate for each year from 1982-2015, which were determined to be unnecessary (the Department determined in 2016 that the Code actually required publication of the interest rate in the Administrative Bulletin, not adoption of the new interest rate by rule, and that has been the practice from 2016-present). Parts of other rules within the chapter also contained other language that was determined to be duplicative of the code, redundant within the rules themselves, or outdated.

RULES PROPOSED FOR REPEAL (list rule number[s]):

Rules 10.5, 10.71, 10.72, 10.76, 10.77, and 10.79, and subrules 10.2(2)-(34) are proposed for repeal. Additionally, rules 10.115 through 10.126 are proposed to be removed from Chapter 10, but expected to be readopted in whole or in part in another Chapter. Finally, Chapter 10 contained a large number of "RESERVED" rules with no content. These "RESERVED" rules are all being deleted as clean-up.

RULES PROPOSED FOR RE-PROMULGATION (list rule number[s] or include rule text if available):

Rules 10.1, 10.2(1), and rules 10.3-10.9 are proposed for re-adoption, with substantial edits to remove language that was found to be outdated, unnecessary, redundant, or duplicative of the Code.

The text of the proposed rules will be published with the Regulatory Analysis in the Iowa Administrative Code Bulletin in the coming weeks.

****For rules being re-promulgated with changes, you may attach a document with suggested changes.***

METRICS

Total number of rules repealed:	6
Proposed word count reduction after repeal and/or re-promulgation	8,772 words removed
Proposed number of restrictive terms eliminated after repeal and/or re-promulgation	62 terms removed

ARE THERE ANY STATUTORY CHANGES YOU WOULD RECOMMEND INCLUDING CODIFYING ANY RULES?

No.