

Red Tape Review Rule Report (Due: September 1, 20 24)

Department Name:	Revenue	Date:	8/23/24	Total Rule Count:	10
IAC #:	701	Chapter/ SubChapter/ Rule(s):	11	Iowa Code Section Authorizing Rule:	421.14
Contact Name:	Michael Mertens	Email:	michael.mertens@iowa.gov	Phone:	515-587-0458

PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE

What is the intended benefit of the rule?

Chapter 11 provides certain rules related to the department’s general administration of Iowa sales and use tax and certain other excise taxes. Rule topics include statute of limitations, credentials and receipts of department employees, taxpayer record-keeping requirements and audits of those records, billings, application of payments, disclosure of certain taxpayer information, and bonding procedures. These rules provide guidance on the department’s administration of these taxes. The scope of the chapter is being expanded for certain rules to include the fee for new registration, the equipment tax, cigarette and tobacco taxes, and fuel taxes, because certain rules in the chapter also apply to those taxes. Expanding the scope of this chapter provides an opportunity to repeal redundant provisions in the specific rule chapters for those tax types and substantially reduce the overall word count of the Iowa Administrative Code.

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 provide guidance on the administration of the above mentioned taxes, The evidence for the benefit of the rules is demonstrated from the text of the rules themselves and the greater certainty they provide taxpayers. These rules largely provide additional context to a statutory provision or otherwise implement certain powers delegated to the department by statute.

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

Businesses may incur nominal costs to comply with the department’s record keeping requirements in rule 701—11.4, but the department does not believe that these requirements are materially different or more burdensome than other record keeping requirements for federal and state governmental regulation, financial reporting, or internal audits. In fact, these rules implement a model regulation on record keeping and retention adopted by the Multistate Tax Commission, an intergovernmental state tax agency that promotes uniform and consistent tax policy and administration among the state.

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

The department incurs no additional cost to administer or enforce these rules.

Do the costs justify the benefits achieved? Please explain.

Yes, these rules provide important guidance about how the department administers state taxes, and how taxpayers are expected to comply with state tax law.

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 many of these rules would only make taxpayers, tax professionals, and department staff less informed about how the department administers state taxes, and how taxpayers are expected to comply with state tax law.

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]

PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE

Yes, Chapter 11 contains some rules that include outdated or unnecessary language. Rules 11.2, 11.3, 11.7, and 11.8 were found to be either duplicative of the Iowa Code or unnecessary. Also, the text of rules 11.4 (taxpayer records), 11.5 (audit of records), and 11.6 (billings) are duplicated in substantial form in other rule chapters of taxes administered by the department, and expanding the scope of these rules to those tax types will allow the department to repeal redundant rules in those chapters and further reduce the word count of the Iowa Administrative Code.

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

11.2, 11.3, 11.7, and 11.8. Rules 11.9 and 11.10 are being repealed to be adopted in another chapter

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

11.1 (definitions) is amended with small updates to defined terms
11.2 (scope) is a new proposed rule describing the scope of the chapter
11.4 (taxpayer records) is renumbered as 11.3 with small amendments to eliminate outdated language and more closely conform to the model regulation adopted by the Multistate Tax Commission. Also, certain record-keeping requirements specific to sales, use, and certain excise taxes have been removed from this rule and moved to new proposed rule 701—202.20 because they are more appropriately housed in that chapter.
11.5 (audit of records) is renumbered as 11.4 with small changes to remove outdated language and add new language providing notification of certain statutory audit costs imposed on taxpayers in the case of fuel taxes and cigarette and tobacco taxes.
11.6 (billings) is renamed “adjustments” and updated to remove certain outdated language and to more accurately describe the department’s current practice on issuing a notice of proposed adjustments, notice of tax assessment, and denial of refund claim.
Rules 11.9 (information confidential) and 11.10 (bonding procedures) are being moved to chapter 202 because they are more appropriately housed in that chapter.
New proposed rule 11.8 (jeopardy assessments) has been moved from chapter 10 and is updated to

removed outdated or unnecessary language. Also, the procedure for requesting, approving, and posting a jeopardy assessment bond has been modified to remove the required bond hearing before the director. These changes simplify and streamline the bonding process for the department and the taxpayer and are consistent with Iowa Code section 422.30.

New proposed rule 11.9 (application of payments to fees, penalty, interest, and then tax due) contains language from current rule 701—10.115 and current rule 701—7.35, which will both be repealed. The language from those rules has also been updated consistent with recent legislative changes to Iowa Code section 422.25(4) from 2021 Iowa Acts, chapter 151, section 4.

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:	4
Proposed word count reduction after repeal and/or re-promulgation	910 words added
Proposed number of restrictive terms eliminated after repeal and/or re-promulgation	2 terms removed

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

No.