Red Tape Review Rule Report
(Due: September 1, 2026)

Department Name:	Revenue	**Date:**	08/31/2026	**Total Rule Count:**	5
IAC #:	701	**Chapter/ SubChapter/ Rule(s):**	Rules 501.1 501.2, 501.3, 501.4, 501.11	**Iowa Code Section Authorizing Rule:**	422.21, 422.33, 422.36
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PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE

What is the intended benefit of the rule?

Chapter 501 provides the rules pertaining to the administration of corporation income tax. The rules are intended to help the public understand how to comply with all types of income tax obligations. Including when businesses are required to file returns (have nexus). Consolidating, and amending subrules 501.2 and 501.3 and repealing subrules 501.4 and 501.11 allows for a more efficient reading of the administrative rules applicable to income tax and eliminates redundant language.

Is the benefit being achieved? Please provide evidence.

Yes. To the extent the Department proposes to re-promulgate these rules, the Department has determined that the rules aid the public in understanding compliance with Iowa income tax.

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

There is no cost to comply with these rules. Any costs to comply with the rules are associated with the statutes the rules implement.

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

There are no costs to the agency of implementing these rules beyond those that would otherwise be required to administer the statute.

Do the costs justify the benefits achieved? Please explain.

There are no costs of the rules themselves. The cost of inaction is potential confusion of complying with the reporting and filing requirements for income taxes.

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 have been revised where possible to rescind statutory text or obsolete language, and to update nexus guidance to reflect modern business practices. The rules that will be repromulgated have been determined to be necessary. There is no less restrictive alternative to achieve the benefit of additional certainty.

Does this chapter/rule(s) contain language that is obsolete, outdated, inconsistent, redundant, or unnecessary language, including instances where rule language is duplicative of statutory language?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. Chapter 501 contains language that is outdated, redundant of statute, or unnecessary.

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

501.4, 501.11

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

501.1 is amended to remove restrictive terms, language duplicative of statute, update guidance in light of modern technology, and for clarity. The content of subrule 501.1(5) will be re-promulgated in 402.1.
501.2 is amended to remove restrictive terms, language duplicative of statute, and for clarity.
501.3 is amended to remove restrictive terms, language duplicative of statute, and for clarity.

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

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

METRICS

Total number of rules repealed:	**2**
Proposed word count reduction after repeal and/or re-promulgation	**4027**
Proposed number of restrictive terms eliminated after repeal and/or re-promulgation	**32**

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

The legislature may want to consider adopting a factor presence nexus standard for corporate income tax purposes. This would be a brightline test for determining whether a multistate business is required to file and pay Iowa income taxes, similar to the $100,000 threshold that already exists for sales tax filers. These thresholds are usually a combination of dollar thresholds for sales, property, and payroll in the state. In the past, outside parties have suggested that the department could, and should, adopt such a standard by rule. We do not believe that it is within the agency's rulemaking authority to do so, but want to bring the issue to the legislature's attention, in case they wish to explore setting such a standard.