

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

Department Name:	Revenue	Date:	8/31/26	Total Rule Count:	6
IAC #:	701	Chapter/ SubChapter/ Rule(s):	Chapter 604	Iowa Code Section Authorizing Rule:	421.14, 422.92
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PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE

What is the intended benefit of the rule?

Chapter 604 provides definitions, examples and other useful information not included in the Code that help both taxpayers and the department understand how and when franchise taxpayers must calculate and pay their quarterly Iowa estimated payments, as well as the application of penalties for underpayment or failure to pay, and exceptions to those penalties.

Is the benefit being achieved? Please provide evidence.

Yes. Estimated payments, and especially the associated penalties are frequently points of confusion or contention for taxpayers, particularly as the Iowa requirements for franchise taxpayers differ from the requirements for individuals, which mirror the federal treatment. The rules provide helpful context and examples that help taxpayers and preparers understand the application of this unique Iowa statute.

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

There are no significant costs to the public associated with the rules themselves. The rules describe quarterly estimated income tax payments required by the Code, the penalties applicable when a taxpayer fails to make those payments, and the limited statutory exceptions to those penalties. The rules do not impose additional payments, reporting, or record keeping requirements beyond what is already required by law. They provide guidance to help taxpayers understand how to calculate their payment amounts, understand how overpayments may be applied and, when applicable, understand how and when penalties, and exceptions to those penalties apply.

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

The rules themselves impose no additional costs on the agency, they only clarify items relating to tax payments the department is already required by law to administer.

Do the costs justify the benefits achieved? Please explain.

There are no known costs to the rules themselves. The rules only provide additional guidance on the application of franchise tax estimated payments, and associated penalties required by 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 only real alternatives are providing no guidance to taxpayers at all, or providing this guidance on a more informal basis, not subject to the oversight of the notice and comment process, and able to be changed at any time without warning.

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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Unnecessary/outdated

604.4

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

604.4

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

604.1

604.2

604.3

604.5 (now 604.4)

604.6 (now 604.5)

Each of the repromulgated rules also contained outdated or unnecessary language that was updated or removed, but also useful language that was retained. Rules 604.5 and 604.6 have been renumbered.

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:	1
Proposed word count reduction after repeal and/or re-promulgation	848
Proposed number of restrictive terms eliminated after repeal and/or re-promulgation	11

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

No