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

Department Name:	Revenue	**Date:**	8/31/26	**Total Rule Count:**	32
IAC #:	701	**Chapter/ SubChapter/ Rule(s):**	Rules 602.1-602.24 and 603.30-602.33	**Iowa Code Section Authorizing Rule:**	421.14, 422.35, 422.61
Contact Name:	Ben Clough	**Email:**	ben.clough@iowa.gov	**Phone:**	5155870662

PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE

What is the intended benefit of the rule?

Chapter 602 provides definitions, reporting instructions, and other useful information not included in the Code that are necessary for both taxpayers and the department to understand how franchise taxpayers must calculate their Iowa net income as required by Iowa Code chapter 422.

Is the benefit being achieved? Please provide evidence.

Yes. These rules are regularly cited by both taxpayers and preparers, and by the department in the course of audits and appeals, as well as in public presentations, and other forms of guidance. They are relied upon by both the public and the state to resolve issues not explicitly covered by the Code.

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 adjustments required by the Code, which must be made on tax returns, which are also required by the Code. The rules do not impose additional reporting or record keeping requirements beyond what would already be required on a tax return, they provide guidance to help taxpayers fill out their returns more accurately. Rule 602.13 (formerly 602.33) does create a process for taxpayers to elect to file combined returns with their investment subsidiaries, and a process to request permission to discontinue that election once it has been made. Eligible taxpayers are not required to make the election, but once they do so, they are required to continue combined filing for future years except under certain circumstances. Taxpayers wishing to discontinue combined filing do incur some costs to complete this process, but the director’s permission to discontinue is required by law, and the process provided by the rule ensures a uniform experience across taxpayers making these requests.

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 returns the department is already required by law to administer.

Do the costs justify the benefits achieved? Please explain.

Yes. Taxpayers choose whether to file combined returns, and once they have started, typically only request permission to stop if they believe there will be substantial economic benefit to doing so. The process in the rule only creates a fair and uniform process for making those requests. The other rules in this chapter do not impose meaningful costs beyond those associated with filing tax returns which are already required by law. The guidance in the rules helps ensure these returns are completed correctly, reducing the costs of potential audits and appeals later, for both the taxpayer and the department.

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 on the adjustments 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 un-necessary 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 602.1- 602.24 and 603.30- 602.33 contain language that is obsolete, outdated, and redundant of statute, with details on each rule outlined below:

Obsolete/outdated
602.2, 602.4, 602.7, 602.9, 602.10, 602.11, 602.12, 602.13, 602.15, 602.18, 602.19, 602.22, 602.23, 602.32

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

602.2, 602.4, 602.7, 602.9, 602.10, 602.11, 602.12, 602.13, 602.15, 602.18, 602.19, 602.22, 602.23, 602.32

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

602.1
602.3
602.5 (now 602.4)
602.6 (now 602.5)
602.8 (now 602.6)
602.16 (combined into administrative chapter 300)
602.17 (now 602.7)
602.20 (now 602.8)
602.21 (now 602.9)
602.24 (now 602.10)
602.25 (moved to chapter 603)
602.26 (moved to chapter 603)
602.27 (moved to chapter 603)
602.28 (moved to chapter 603)
602.29 (moved to chapter 603)

602.30 (now 602.11)
602.31 (now 602.12)
602.33 (now 602.13)
Some of the repromulgated rules also contained outdated or unnecessary language that was updated or removed. Others were slightly rearranged without substantive changes. All remaining rules except 602.1 and 602.3 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:	**14**
Proposed word count reduction after repeal and/or re-promulgation	**14375**
Proposed number of restrictive terms eliminated after repeal and/or re-promulgation	**143**

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

No.