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

Department Name:	Revenue	**Date:**	8/31/26	**Total Rule Count:**	9
IAC #:	701	**Chapter/ SubChapter/ Rule(s):**	Rules 602.25 through 602.29	**Iowa Code Section Authorizing Rule:**	421.14, 422.33
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PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE

What is the intended benefit of the rule?

Chapter 603 previously provided rules related to assessments, refunds, and appeals. These rules were not unique to franchise tax, but were largely duplicative of rules that existed for both individual and corporate income taxes. Therefore, the rules that previously existed in this chapter are consolidated into chapter 300, which is applicable to all three tax types, and repealed.

New Chapter 603 provides rules for multistate financial institutions to apportion their income within and without Iowa. These rules previously existed in Chapter 602, but are being moved here to make them easier to find, and to separate them from net income adjustment rules. Iowa Code section 422.33 provides a statutory method for apportioning certain categories of income, but specifically delegates to the department the authority to set apportionment methods for categories not covered in the statute by rule. Chapter 603 provides allocation and apportionment methods for various common categories of financial institution income. They are substantially different from chapter 503, which is applicable to corporate income tax apportionment, as there are certain categories of income more common to financial institutions than to other businesses. The chapter also provides definitions, examples, and other useful information not included in the Code for the various apportionment methods covered in both the statute and the rules. The chapter also cross-references rule 503.9, which provides a process by which taxpayers can request an alternative method of apportionment if they feel the method in the statute or the rules results in a disproportionate amount of their income being taxed by Iowa. This process is authorized by statute and likely constitutionally required, and the rule provides a fair and uniform process to all taxpayers seeking this type of relief.

Is the benefit being achieved? Please provide evidence.

Yes. Without these rules, there would be no established method for apportioning various common categories of income including income from interest, royalties, and investments in securities.

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

There are no known or ascertainable costs to the public associated with the apportionment rules. Apportionment of income for multistate businesses is statutorily and constitutionally required, and the Iowa Code delegates setting the specific method of apportionment for many categories of income to the Department. There may be other conceivable methods of apportionment that would result in higher or lower costs as applied to specific taxpayers, but the methods outlined in the rules have been in place for decades, and have provided uniform and consistent methods of apportionment for Iowa purposes for all of that time. Rule 503.9 (cross-referenced in this chapter) does create a process for taxpayers to request permission to use an alternative method of apportionment. Taxpayers wishing to use an alternative method of apportionment will likely incur some costs to complete this process, but the director's permission to use an alternative method 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.

Do the costs justify the benefits achieved? Please explain.

Yes. Taxpayers choose whether to seek an alternative method of apportionment, and typically only do so if they believe there will be substantial economic benefit. The process in the rule 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 Department is required to provide some methods of apportionment not explicitly covered by the statute. The only alternative would be to leave certain common categories of income unaddressed.

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 602.25 through 602.29 contain language that is outdated, redundant of statute, or unnecessary.

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

None.

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

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)
Some of the repromulgated rules also contained outdated or unnecessary language that was updated or removed. Others were rearranged to make them easier to read and understand, without substantive changes.

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:	**0**
Proposed word count reduction after repeal and/or re-promulgation	**1026 (difference between former 602.25-29 and new chapter 603)**
Proposed number of restrictive terms eliminated after repeal and/or re-promulgation	**33 (difference between former 602.25-29 and new chapter 603)**

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

No.