

## Income/Franchise:

### Iowa DOR Proposes Rules on New Composite Return Requirements on Behalf of Nonresident Members

*ARC 6746C: Proposed New Rule 701–404.10(422); Proposed Amended Rules 701–304.44(422), 701–501.12(422), 701–601.2(422), and 701–302.46(2)*, Iowa Dept. of Rev. (12/14/22). The Iowa Department of Revenue (Department) proposed new and amended rules reflecting legislation enacted in 2021 [see S.F. 608 (2021) for more details on these law changes] that, for tax years beginning on or after January 1, 2022, requires some pass-through entities (including some tiered pass-through entities) to file an Iowa composite return on behalf of all nonresident members, reporting and paying applicable Iowa income or franchise tax at the maximum state income or franchise tax rate applicable to the respective members on their distributive shares of income from such pass-through entities. In turn, nonresident members may receive a refundable Iowa tax credit equal to the Iowa income or franchise tax paid on their behalf, which they may claim on their own Iowa income tax returns. The Department's proposed rules specifically govern the new composite return requirements, including:

**URL:** <https://www.legis.iowa.gov/docs/aco/bulletin/12-14-2022.pdf>

**URL:** <https://www.legis.iowa.gov/legislation/BillBook?ba=SF608&ga=89>

- Filing requirements,
- Return and tax payment due dates,
- Amended returns and refund limitations,
- Nonresident member determinations,
- Filing and tax payment exclusions for certain pass-through entities,
- payment exclusions for certain nonresident members,
- Permissible elections out of the tax payment requirements,
- Calculation of composite return tax,
- credits for composite tax paid on behalf of nonresident members,
- Iowa tax return filing requirements for nonresident members included on a composite return, and
- Composite returns for nonresidents who are not members of a pass-through entity.

A virtual public hearing on these proposed rules is scheduled for January 13, 2023, and written comments are due on the same date. Please contact us with any questions.

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