



Iowa Department of **REVENUE**

**Annual Report
FY 2016**

**Courtney M. Kay-Decker
Director**



Iowa Department of **REVENUE**

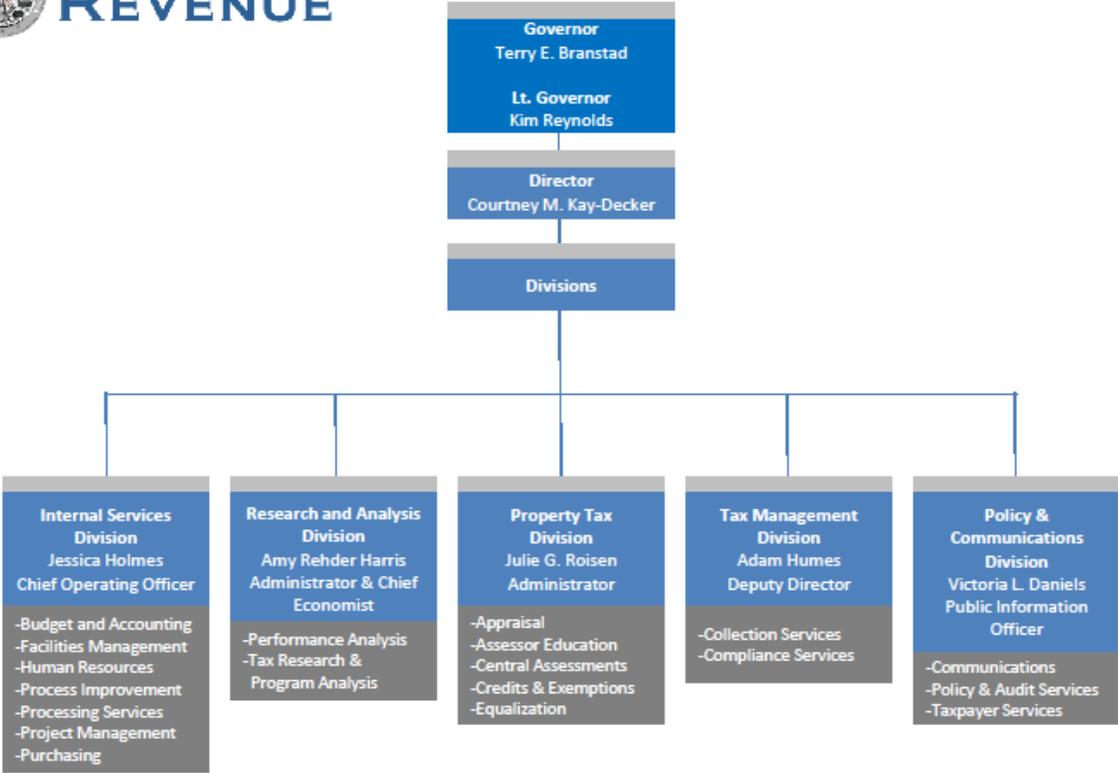
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Department of Revenue Organizational Chart



Iowa Department of
REVENUE



<https://tax.iowa.gov>

The Department includes one board for budgetary purposes:
The Property Assessment Appeal Board.

Department Mission, Vision, and Guiding Principles

MISSION

The mission of the Iowa Department of Revenue (IDR), is to serve Iowans and support state government by collecting all taxes required by law, but no more.

VISION

Iowa will be a state where it is easy to understand and comply with tax obligations.

GUIDING PRINCIPLES

The Department of Revenue has adopted the following Guiding Principles:

Customer Focus

- We understand that Iowa taxpayers are our primary customers.
- We collaborate and partner with both our internal and external customers.
- We use technology to support our customers efficiently.
- We maintain the public's confidence by safeguarding our customers' confidential information.

Expertise & Education

- We provide information and recommendations to policymakers, local, and state government entities.
- We support local governments through oversight of the property tax system and administration of associated credit funding, distribution of local option taxes, and sales tax increment programs.
- We provide information and education necessary to facilitate compliance with Iowa's complex tax laws.

Fiscal Management

- We are responsible stewards of Iowa taxpayers' money.
- We responsibly manage our financial resources to fulfill our mission.

Department Core Functions

The core functions of the Iowa Department of Revenue consist of the following:

REVENUE COMPLIANCE AND COLLECTION

The most visible aspect of our Department's operations is the administration of tax compliance and collection. This function includes educating taxpayers on tax law and regulations, processing tax returns and related documents, and collecting taxes and other amounts due. It is in compliance with Iowa's tax laws that the Department conducts its taxpayer examination and audit programs and resolves disputed tax issues.

LOCAL GOVERNMENT ASSISTANCE

The Department provides support to local governments by administering just and uniform property assessments across the state. This function also administers programs for property tax relief (including administration of the business property tax credit), local option taxes, school infrastructure taxes, and sales tax increment programs.

RESEARCH, ANALYSIS, AND INFORMATION MANAGEMENT

The Department performs tax policy development and analysis, fiscal impact estimation, and economic and statistical research analysis to help stakeholders understand the impact of Iowa tax laws, and make informed decisions.

RESOURCE MANAGEMENT

The resource management function provides internal infrastructure support of the Department's operations, including oversight of technology development and support, project management, personnel management, and budgeting.

Taxes and Fees Collected and/or Administered

Individual Income Tax / Withholding	Consumer's Use Tax	Fuel Taxes
Corporation Income Tax	Retailer's Use Tax	Environmental Protection Charge
Franchise Tax	Hotel / Motel Tax	Inheritance Tax / Fiduciary Tax
Sales Tax	Local Option Sales Tax	Cigarette / Tobacco Tax
Replacement Tax	E911 Surcharge Fee	Hazardous Materials Permit Fee
Property Tax	Insurance Premium Tax	Real Estate Transfer Tax
One-Time Fee for New Vehicle Registration	Car Rental Tax & Vehicle Title Surcharge	Miscellaneous Other Taxes

TAX COMPLIANCE AND REVENUE COLLECTION

Fiscal Year 2016 Deposits

During fiscal year 2016, the Department of Revenue processed and deposited over \$9.9 billion into various funds for State and local government operations. The Department also processed and paid over \$1 billion in refunds to taxpayers, resulting in net deposits of \$8.8 billion.

Gross Deposits, Refunds, and Net Deposits Fiscal Year 2016

Taxes	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Income Taxes					
Individual Income Tax	\$3,750.06	\$4,203.87	\$4,098.74	\$4,331.88	\$4,487.43
Corporation Income Tax	\$523.13	\$556.63	\$551.26	\$578.47	\$524.33
Franchise Tax	\$41.47	\$42.90	\$42.92	\$46.95	\$52.04
Total Income Taxes	<u>\$4,314.67</u>	<u>\$4,803.41</u>	<u>\$4,692.92</u>	<u>\$4,957.30</u>	<u>\$5,063.80</u>
Consumption Taxes					
Sales Tax (1)	\$2,441.80	\$2,469.27	\$2,528.48	\$2,664.37	\$2,734.69
Use Tax	\$431.88	\$458.91	\$485.65	\$500.56	\$499.49
One-Time Fee for New Vehicle					
Registration	\$302.85	\$318.53	\$331.47	\$355.39	\$373.15
Fuel Taxes	\$476.53	\$473.26	\$473.46	\$536.74	\$726.31
Cigarette Tax	\$198.76	\$198.92	\$194.47	\$194.37	\$196.77
Tobacco Tax	\$26.69	\$28.49	\$28.77	\$29.26	\$31.04
Total Consumption Taxes	<u>\$3,878.51</u>	<u>\$3,947.38</u>	<u>\$4,042.30</u>	<u>\$4,280.69</u>	<u>\$4,561.45</u>
Miscellaneous Taxes					
Environmental Protection Charge (2)	\$20.98	\$20.78	\$21.24	\$21.47	\$21.45
Real Estate Transfer Tax	\$15.87	\$19.01	\$18.66	\$19.06	\$20.71
Hazardous Materials Permit Fee	\$0.28	\$0.27	\$0.28	\$0.29	\$0.33
Inheritance Tax	\$77.64	\$86.81	\$91.03	\$86.98	\$91.76
Insurance Premium Tax	\$101.41	\$104.88	\$105.53	\$109.63	\$119.67
Car Rental Tax and Vehicle Title					
Surcharge (3)	\$0.68	\$0.09	\$0.68	\$0.08	\$0.10
Miscellaneous Taxes	\$2.15	\$3.12	\$2.23	\$2.09	\$2.45
Total Miscellaneous Taxes	<u>\$219.01</u>	<u>\$234.96</u>	<u>\$239.65</u>	<u>\$239.60</u>	<u>\$256.47</u>
Grand Total	<u>\$8,412.19</u>	<u>\$8,985.75</u>	<u>\$8,974.87</u>	<u>\$9,477.59</u>	<u>\$9,881.72</u>

Notes: Gross deposits do not reflect any transfers or adjustments for returned checks. Deposits and refunds are presented on a cash basis.

(1) Gross deposits include approximately \$393.3 million in LOST and Hotel/Motel tax collections.

(2) The Environmental Protection Charge sunsets December 31, 2016.

(3) Gross deposits include a 5% tax on car rentals and a \$5.00 registration fee collected by County Recorders for snowmobiles, ATVs, and boat registrations.

TAX COMPLIANCE AND REVENUE COLLECTION

Historic Gross Deposits

Gross deposits increased 4.3 percent in fiscal year 2016, lower than the 5.6 percent growth seen in fiscal year 2015.

Gross Deposits in Millions Fiscal Years 2012-2016

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TAX COMPLIANCE AND REVENUE COLLECTION

Collections

The Department's Tax Gap program examines and audits tax returns and identifies non-filers in order to strive to collect all taxes owed to the state. The Department's Collection Enterprise collects delinquent tax debt. The Collection Enterprise also includes the Central Collection Unit that collects debt owed to the Iowa Department of Human Services, Iowa Department of Natural Resources, and Iowa Workforce Development. Beginning in fiscal year 2016 the Department will provide limited collections services for the Judicial Branch. In fiscal year 2016, collections on behalf of the Judicial Branch declined by \$18 million, fully accounting for the decline in total collections.



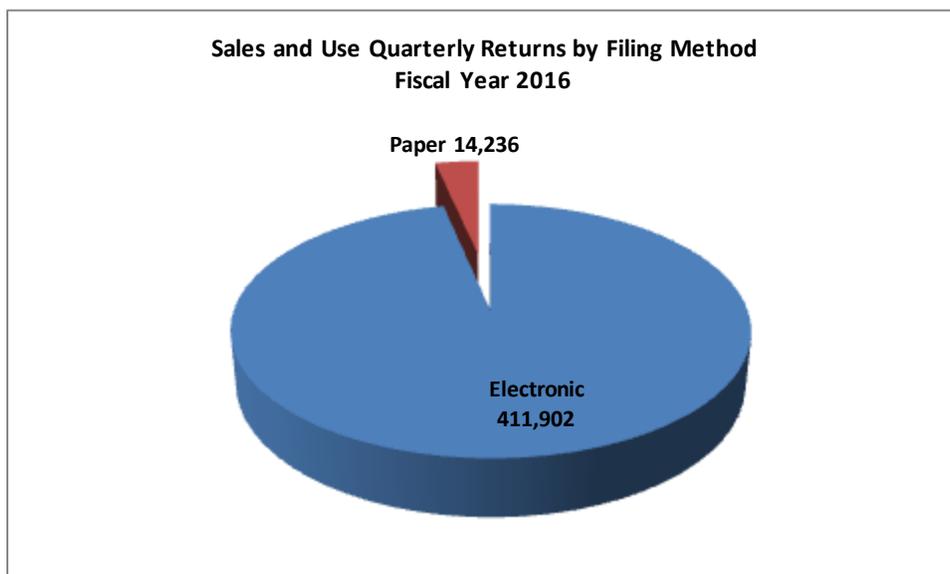
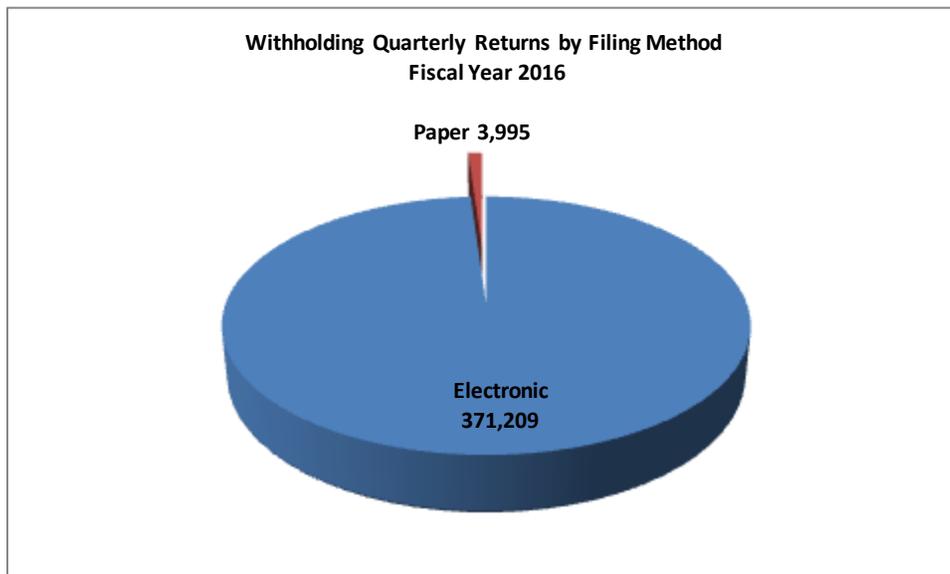
Note: Total Collections include tax payments resulting from billings, returns filed through the Special Events program, gambling collections, non-tax collections, subsequent revenue paid with returns filed by taxpayers identified through prior non-filer programs, and reductions in refunds resulting from return examination, with bad checks subtracted.

TAX COMPLIANCE AND REVENUE COLLECTION

Electronic Filing – Business Taxes

The Department continues to expand and encourage electronic filing of tax returns and tax payments for business taxes, including withholding taxes remitted by employers on behalf of employees and sales taxes remitted by retailers on behalf of consumers.

In fiscal year 2016, 99 percent of withholding tax returns, over 370,000, and 97 percent of sales and use tax returns, nearly 412,000, were filed using the Department’s eFile & Pay system. These business filers paid more than 95 percent of funds owed to the State electronically, resulting in lower administrative costs and faster deposits.



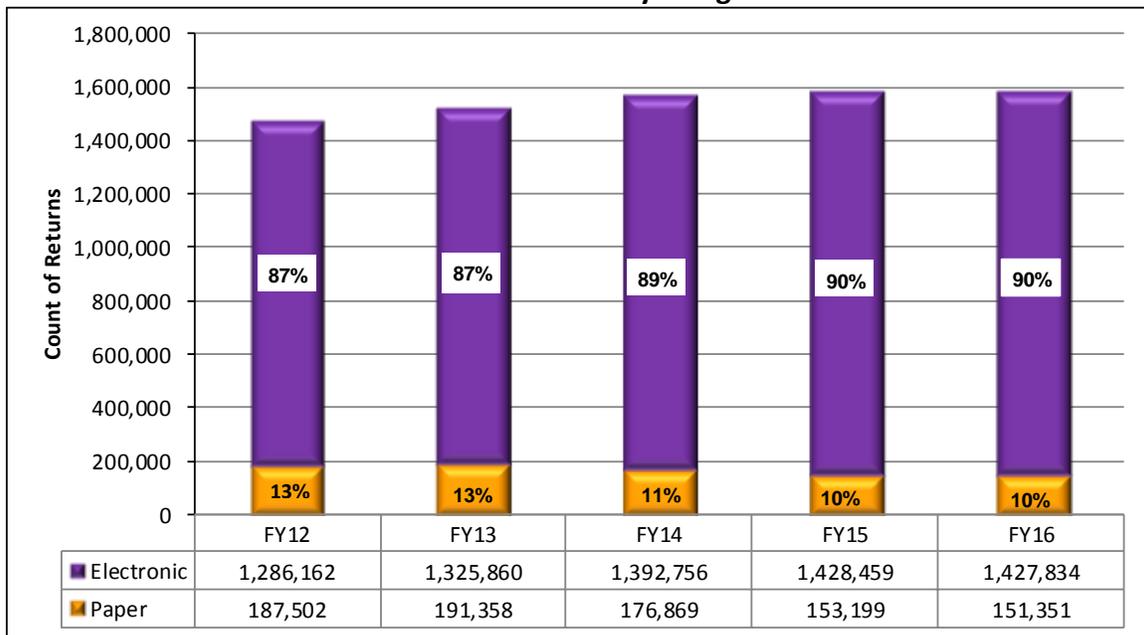
TAX COMPLIANCE AND REVENUE COLLECTION

Electronic Filing – Income Taxes

The Department encourages individuals, corporations, estates and trusts, and entities obligated to file informational returns to file those returns electronically.

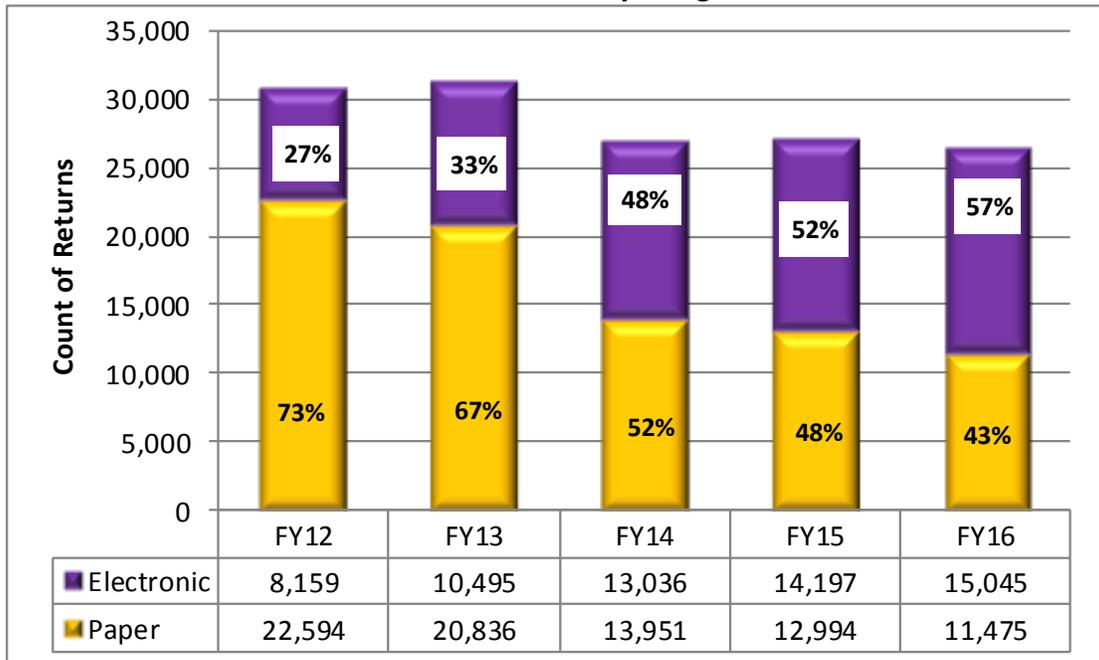
The income tax type with the largest number of returns processed each year is individual income tax. The share of individual income tax returns filed electronically remained at 90 percent (1.43 million returns) in fiscal year 2016 for tax year 2015 returns. Iowa taxpayers are among the nation’s leaders in e-filing.

**Individual Income Tax Returns
Count and Distribution by Filing Method**



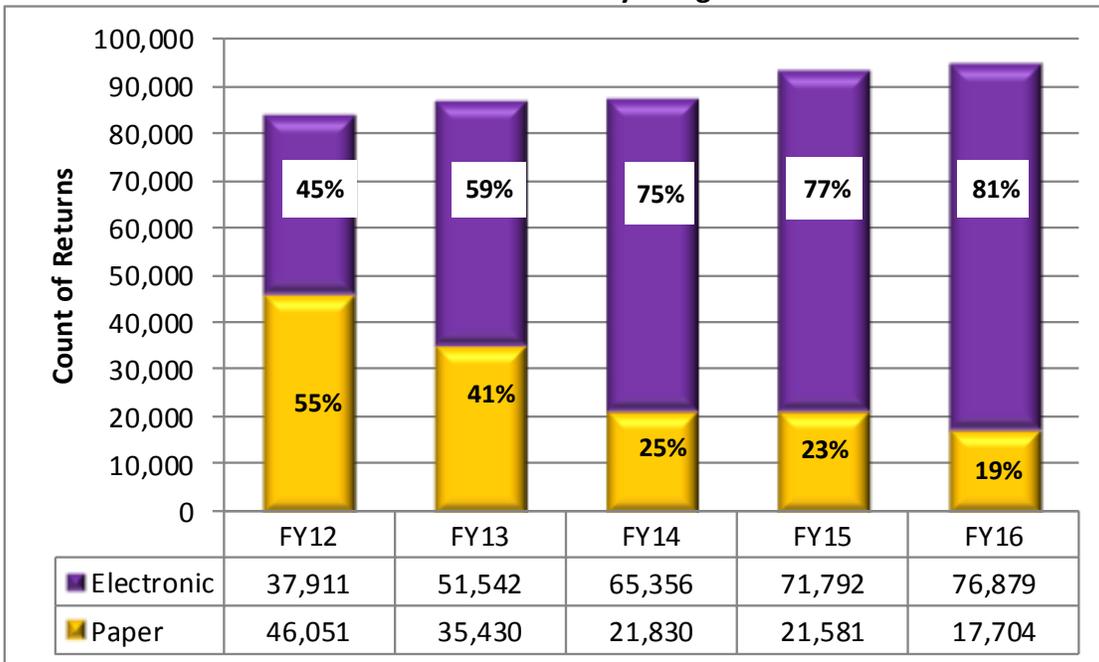
Corporations and pass-through entities (i.e. partnerships, limited liability companies, and S corporations) were first able to file electronic Iowa returns for tax year 2011 in fiscal year 2012. Filers have been quickly moving to electronic returns, with 57 percent of corporations and 81 percent of pass-through entities using the electronic filing method during fiscal year 2016. In fiscal year 2015, the Department added fiduciary tax, filed by estates and trusts, as an eligible tax type for electronic filing, with 408 returns filed that year. In fiscal year 2016, 11,707 fiduciary returns were filed electronically.

**Corporation Income Tax Returns
Count and Distribution by Filing Method**



Includes tax returns filed by C corporations.

**Pass-Through Income Tax Returns
Count and Distribution by Filing Method**



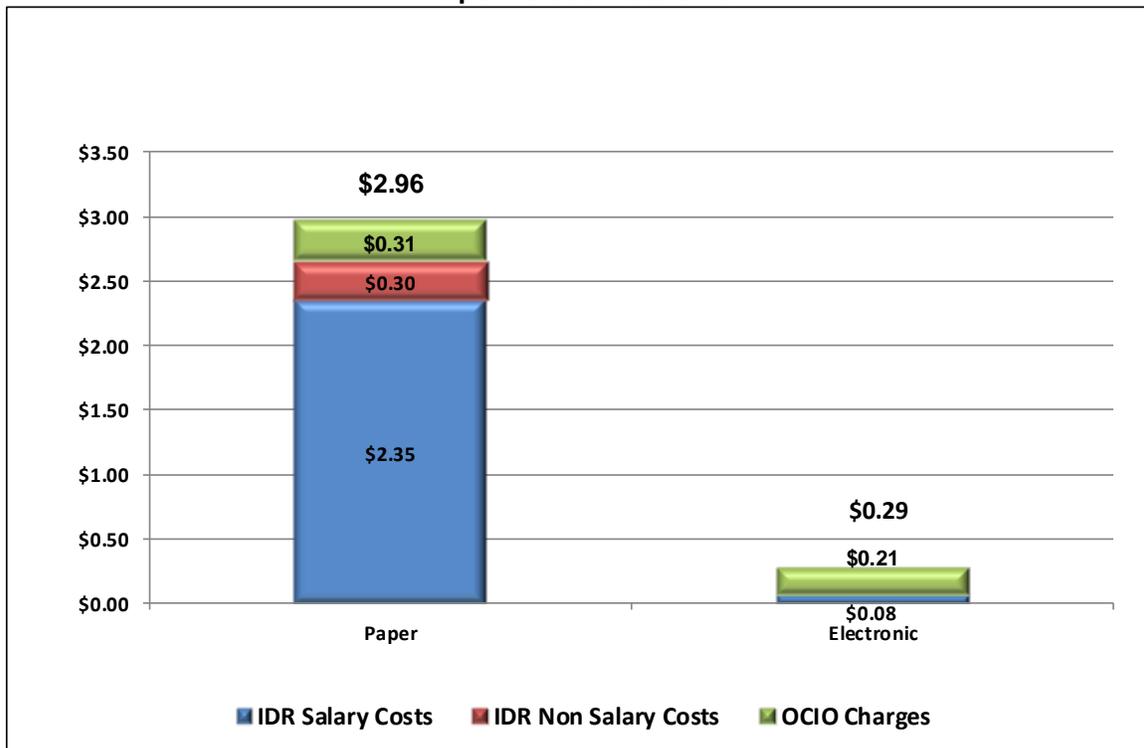
Includes informational returns filed by S corporations, limited liability companies, and partnerships. The tax liability associated with income is realized by individual owners.

TAX COMPLIANCE AND REVENUE COLLECTION

Average Cost to Process Individual Income Tax Returns

The Department encourages electronic filing because it reduces administrative costs. For fiscal year 2016, the estimated average cost of receiving and capturing data from a paper return is \$2.96 compared to only \$0.29 for an electronic return. The Department processed over 150,000 paper individual income tax returns in fiscal year 2016.

Estimated Average Cost to Process Individual Income Tax Returns Paper versus Electronic



In fiscal year 2014 the Department updated the estimation methodology for the cost to process returns. The costs incorporate expenses paid to the Office of the Chief Information Officer (OCIO) to prepare Department databases and other technology systems for the filing season along with the Iowa Department of Revenue (IDR) direct costs.

TAX COMPLIANCE AND REVENUE COLLECTION

Taxpayer Services

Iowa taxpayers seek answers to their questions about taxes. Taxpayer service specialists are available by telephone, email, and in person; however, the Department is undergoing a shift to help taxpayers help themselves using technology. As part of the Department's customer service and modernization goals, taxpayer education videos were added to its website to enhance self-service information. A total of 24,356 people viewed eight general tax information videos and six videos regarding implementation of the Business Property Tax Credit. The Department delivered nine business tax webinars in partnership with IASourceLink and MyEntre.Net which were attended by 906 people.

In addition, a total of 1,862 people followed the Business Tax, Individual Income Tax, and Tax Professional Twitter accounts. The Department sent 1,189 tweets which were received and shared with 76,125 people through Twitter followers. In December 2013 the Department launched a Facebook site. In fiscal year 2016, 960 posts were made and were viewed 10,281 times. The Department reached out to taxpayers through a series of GovDelivery news feeds covering a wide variety of tax topics. Subscribers totaled 10,141 in 2016.

To Receive Assistance From a Tax Specialist:

email: idr@iowa.gov

Telephone: 515-281-3114 or 800-367-3388

Mail: Iowa Department of Revenue

P O Box 10457

Des Moines, Iowa 50306-0457

To Find Online Services and Forms:

<https://tax.iowa.gov>

Current and Past Year Services and Tax Forms

Individual Income Tax eFile Information

Where's My Refund

Apply for a Permit

eFile & Pay for Business Taxes

Pay Debt Online

Visit the Iowa Tax Research Library (<http://itrl.idr.iowa.gov>) for a searchable repository of Department rulings and court cases

RESEARCH, ANALYSIS, AND INFORMATION MANAGEMENT

Research and Statistical Reports

The Department provides tax policy analysis, fiscal impact estimation, economic research, and statistical analysis to help customers, stakeholders, and policymakers make informed decisions.

Research Reports

Iowa Leading Indicators Index Monthly Report
Contingent Liabilities Report
Tax Expenditure Studies
Legislative Summaries
Tax Credits User's Manual
Tax Credit Evaluation Studies

Statistical Reports

Sales and Use Tax Quarterly and Annual Reports
Individual Income Tax Annual Statistical Report
Annual Tax Credit Claims Report
Retailers Fuel Gallons Annual Report

These reports are all available on the Department's website:

<https://tax.iowa.gov>

The Department also provides data through Iowa's open data portal. Posted data sets include those required by statute and other data for which the Department often receives requests.

<https://data.iowa.gov>

Sales and Use Tax Registration Data
Monthly State Tax Receipts and Refunds
Tax Credit Claim Data
Local Option Sales Tax Receipts by Month and Location
Fuel Sales by County

RESEARCH, ANALYSIS, AND INFORMATION MANAGEMENT

Tax Credit Tracking and Analysis Program

The Department has been assigned the responsibility of awarding several income tax credits along with completing all requested tax credit transfers and tracking claims. In fiscal year 2016, of the \$238 million in total tax credits awarded by various State agencies, \$11.6 million were awarded under the four tax credit programs administered by the Department. See the Contingent Liabilities Report for amounts awarded under other tax credit programs. Tax credit transfers in fiscal year 2016 totaled \$46.6 million.

Tax Credits Awarded by Department of Revenue Fiscal Year 2016

Tax Credit Program	Awarded Amount
Farm to Food Donation Tax Credit	\$15,864
Renewable Energy Tax Credit	\$4,811,833
Solar Energy System Tax Credit	\$5,083,754
Wind Energy Production Tax Credit	\$1,650,877
Total State Tax Credit Awards by IDR	\$11,562,328
Total State Tax Credit Awards	\$238,353,424
Total Tax Credit Transfers	\$46,597,516

LOCAL GOVERNMENT ASSISTANCE

Property Tax

The Department provides assistance to local governments throughout Iowa by administering fair and equitable assessments and programs for property tax relief. The Property Tax Division:

- Administers credits and exemptions for property owners.
- Trains, educates, and certifies the assessment community and trains boards of review.
- Equalizes assessed property values through ratio studies and model analysis processed every second year.
- Provides for central assessments of utilities, telecommunication companies, pipelines, and railroads.
- Annually determines statewide agricultural productivity values.
- Provides information pertaining to assessed valuations to other governmental agencies.
- Collaborates with county-level government to implement technology solutions.
- Responds to taxpayer inquiries by reviewing assessment practices for statutory compliance.
- Collaborates with key stakeholders to make recommendations on statewide property tax issues.
- Distributes SAVE, LOST, and Hotel/Motel tax payments and property tax relief funds to school districts and local jurisdictions.

LOCAL GOVERNMENT ASSISTANCE

Property Tax Relief and Local Option Taxes

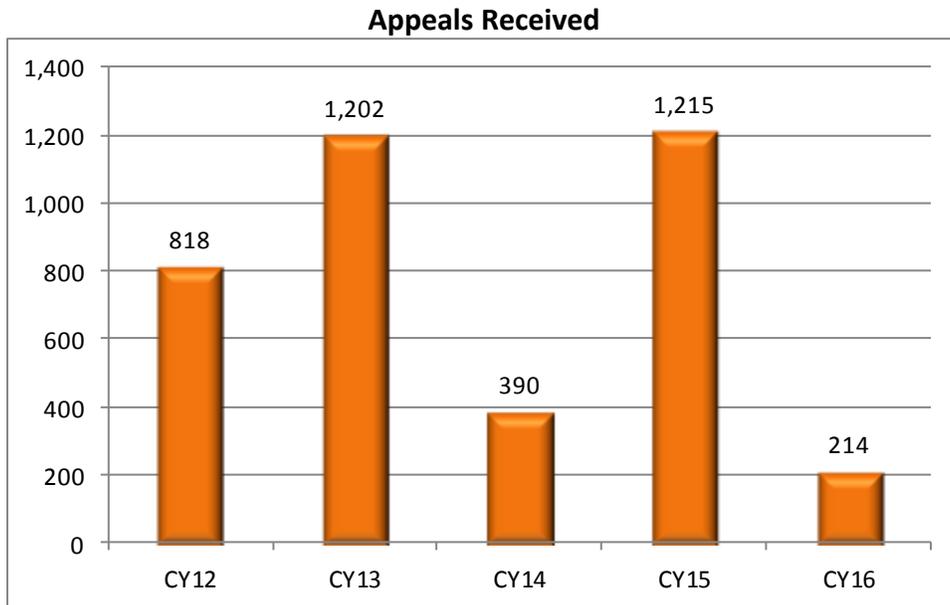
The Department administers numerous property tax credits that supplement revenues collected by local governments. The Department also collects and distributes local option taxes to local governments and school districts.

Fiscal Year 2016 Distribution of Funds to Local Governments

Property Tax Relief Program	Definition	Distribution
Homestead Tax Credit	Adopted to encourage home ownership through property tax relief. Current credit is equal to the actual tax levy on the first \$4,850 of actual value.	\$135,869,860
Elderly and Disabled Tax Credit/Rent Reimbursement	Provides property tax relief to low-income elderly and disabled homeowners or rent relief to low-income elderly and disabled renters.	\$25,511,769
Mobile Home Reduced Tax Rate	Established in conjunction with the Elderly and Disabled Property Tax Credit. Provides tax reduction to homeowners of mobile and manufactured homes.	\$93,266
Special Assessment Tax Credit	Established in conjunction with the Elderly and Disabled Property Tax Credit. Provides 100% tax reduction to qualified homeowners who are required to pay special assessments.	\$13,784
Business Property Tax Credit	Established by 2013 Property Tax Reform. Provides a tax credit for commercial, industrial, and railroad property taxes to qualified property units.	\$99,547,822
Replacement Claim	Established by 2013 Property Tax Reform. This claim offsets a reduction in the rollback for commercial and industrial properties.	\$160,763,388
Agricultural Land Tax Credit	Credit established to partially offset the school tax burden borne by agricultural real estate. Current law allows a credit for any general school fund tax in excess of \$5.40 per \$1,000 of assessed value. Land used for agricultural or horticultural purposes in tracts of 10 acres or more is eligible.	\$29,066,650
Family Farm Tax Credit	Credit established to partially offset the school tax burden borne by agricultural real estate. Current law allows a credit for any general school fund tax in excess of \$5.40 per \$1,000 of assessed value. The owner or owner's relatives must be actively engaged in farming the land and the land must be used for agricultural or horticultural purposes.	\$10,002,681
Military Service Property Tax Exemption	Reduces the taxable value of property for military veterans. The amount of the exemption varies.	\$2,043,455
Local Option Tax	Definition	Distribution
Local Option Sales Tax (LOST)	Sales tax up to 1% imposed by counties either countywide or in incorporated areas or unincorporated areas. Imposed on sales and services taxed under State sales tax provisions.	\$323,724,668
Secure an Advanced Vision for Education Tax (SAVE)	Portion of the statewide 1% sales and use tax distributed to school districts on a per pupil basis.	\$453,349,009
Property Tax Equity and Relief Tax Credit (PTER)	Portion of the statewide 1% sales and use tax dedicated for property tax relief.	\$9,724,545
Hotel/Motel Tax	Tax up to 7% imposed by cities on the gross receipts from the rental of hotel or motel rooms for 31 consecutive days or less.	\$55,259,970

PROPERTY ASSESSMENT APPEAL BOARD

The State of Iowa Property Assessment Appeal Board (PAAB) is a State board created for the purpose of establishing a consistent, fair, and equitable property assessment appeal process. PAAB conducts administrative hearings with the statutory authority to review any final decision, finding, ruling, determination, or order of a local board of review relating to protests of an assessment, valuation, or application of an equalization order. The number of appeals received is typically higher in odd calendar years due to the property tax reassessment cycle.



Board Membership, Residence, and Term

Stewart Iverson, Chair	Clarion	April 30, 2017
Karen Oberman	Waukee	April 30, 2021
Camille Valley	Johnston	April 30, 2019