

Subject Modifying the time limit within which taxpayers must file a claim for a refund

Authors Norris and Davids

Analyst Sean Williams

Date April 8, 2026

Summary

Under current law, if taxpayers overpaid tax for a given year, they may file a claim for a refund of the overpayment within certain timeframes prescribed in law. The date by which a refund must be filed under current law is the later of the following:

- 3 ½ years from the date the return was due, including any extension granted.
- One year from the date of an order assessing tax or an order determining an appeal.
- One year from the date of a return filed by the commissioner, upon payment of tax penalties and interest shown on the commissioner-filed return.

H.F. 3697 strikes the second and third conditions in the list above, and instead allows a claim for a refund within two years from the date that tax penalties or interest was paid.

The bill additionally imposes the following limits on claims for a refund:

- Claims filed during the 3 ½ year period must not exceed the tax, penalties, and interest paid within that period.
- Claims not filed within the 3 ½ year period must not exceed the tax, penalties, and interest paid in the 2 years preceding the claim.
- If no claim was filed by the taxpayer, the refund must not exceed the amount allowed under the two limits above.

The bill also specifies that payments of tax made through withholding are considered paid on the last day prescribed by law for payment of tax by the taxpayer.

Finally, the bill also specifies that for the purposes of determining eligibility of a claim for a refund, returns filed prior to the last day prescribed for filing the return must be considered as filed on the last day. If the taxpayer applied for an extension, returns filed prior to the extended due date are considered filed on the extended due date.