RA 26-368

REVENUE DEPARTMENT[701]

Regulatory Analysis

Notice of Intended Action to be published: 701—Chapter 308
"Estimated Income Tax for Individuals"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 422.16
State or federal law(s) implemented by the rulemaking: Iowa Code sections 422.16 and 422.17

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

November 18, 2026 9 to 10 a.m.	Via videoconference call: meet.google.com/sbm-ihix-ere

Public Comment

Any interested person may submit written or oral comments concerning this Regulatory Analysis, which must be received by the Department of Revenue no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

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Purpose and Summary

The purpose of the proposed rulemaking is to rescind Chapter 308 and to adopt a new Chapter 308 in its place. This chapter contains rules focused on the administration and remittance of income tax via the payment of estimated tax under Iowa Code section 422.16. After review, the Department determined the rules aid the public's understanding of this topic and provide guidance and direction to the public regarding the administration and application of the law. The Department proposes revisions to the text of the rules for clarification and organization and to remove portions of the rules that the Department determined are unnecessary, obsolete, or duplicative of statutory language.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**

- **Classes of persons that will bear the costs of the proposed rulemaking:**

There are no costs of the proposed rulemaking beyond what is imposed by the underlying statute; therefore, no classes of persons have been identified to bear the costs.

- **Classes of persons that will benefit from the proposed rulemaking:**

The public benefits from the proposed rulemaking because the rulemaking will reduce confusion and provide guidance aiding the public's understanding on the imposition and administration of individual income tax.

2. **Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:**

- **Quantitative description of impact:**

There is no economic impact associated with the proposed rulemaking beyond what is already contained in statute.

- **Qualitative description of impact:**

The proposed rulemaking will reduce uncertainty about when or whether the underlying statutes and any administrative rules are applicable. Without the proposed rulemaking, confusion could occur, which could lead to potential errors.

3. **Costs to the State:**

- **Implementation and enforcement costs borne by the agency or any other agency:**

There are no costs to the agency to implement the proposed rulemaking beyond those that would otherwise be required to administer the underlying statutes.

- **Anticipated effect on State revenues:**

There is no anticipated effect on State revenues. However, the proposed rulemaking provides guidance on the imposition and administration of fiduciary income tax, making it more likely that the correct amount of tax will be collected and remitted.

4. **Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:**

The cost of inaction would be the failure to keep this chapter updated through the continued existence of unnecessary, obsolete, or duplicative statutory language. The benefit of the proposed rulemaking is reducing confusion and aiding the public's understanding on this topic.

5. **Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:**

The proposed rulemaking is neither costly nor intrusive. The Department considered the option of not having rules explaining the imposition and administration of the laws related to estimated tax but determined that the rules provide useful guidance to the public.

6. **Alternative methods considered by the agency:**

- **Description of any alternative methods that were seriously considered by the agency:**

The Department considered not providing the rules in this chapter, but it ultimately determined the public would be served best by the guidance within the proposed chapter.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

The absence of rules on the imposition and administration of the laws related to estimated tax remittance would lead to confusion for those affected, as would leaving the rules in this chapter as is. This would likely lead to the overcollection or collection of the wrong amount of tax.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

The proposed rulemaking does not have a substantial impact on small business because it does not make any distinctions based upon size. The rules do not impose any requirements beyond what is imposed by the underlying statutes.

Text of Proposed Rulemaking

ITEM 1. Rescind 701—Chapter 308 and adopt the following **new** chapter in lieu thereof:

CHAPTER 308
ESTIMATED INCOME TAX FOR INDIVIDUALS

701—308.1(422) Who must pay estimated income tax.

308.1(1) *General.* Estimated payments are required if the taxpayer's income tax liability attributable to incomes not subject to withholding is expected to be $1,000 or more.

308.1(2) *Separate estimated tax payments by spouses.* Spouses may each make separate estimated payments. If separate estimated payments are made by married taxpayers, each spouse is to claim only the estimated payments made by that spouse.

308.1(3) *Examples of types of taxpayers who may be required to make estimated payments.* Listed below are examples of various types of taxpayers who may be required to make estimated tax payments. The list is for illustrative purposes and is not deemed to be all-inclusive.

a. Self-employed. A resident individual having taxable income from a trade or business where the individual has control of the work, the services rendered, and the fees and charges for services rendered or merchandise sold.

b. Nonresident. An individual who resides out of state and receives taxable income from an Iowa source that is not subject to withholding or to the composite tax requirements under Iowa Code section 422.16B.

c. Beneficiaries of estates and trusts. An individual who is the recipient of income from an estate or trust from an Iowa source.

d. Taxpayers with income in addition to wages. An individual drawing salary or wages subject to withholding tax, who has additional taxable income from an Iowa source that is not subject to withholding, such as interest, dividends, capital gains, rents, royalties, business income, or farm income.

e. Agricultural worker. An individual receiving a wage or salary for agricultural labor that is excluded by law for withholding tax purposes.

This rule is intended to implement Iowa Code section 422.16.

701—308.2(422) Payment of estimated tax.

308.2(1) *General.* Estimated tax due for the tax year may be paid in full on the date on which the first payment is due or in four equal installments. The taxpayer may elect to pay any installment prior to the date when the installment is due.

308.2(2) *Form of payment.* The estimated tax payment is to be submitted to the department's online portal GovConnectIowa or sent by mail to the address specified on the form.

308.2(3) *Calendar year installments.* The first estimated tax payment is due by April 30. The other installments shall be paid on or before June 30 and September 30 of the current year, and on or before January 31 of the succeeding year.

308.2(4) *Fiscal year installments.* The installment dates for a taxpayer filing estimated tax payments on a fiscal year basis are:

Installment No. 1. The last day of the fourth month of the fiscal year.

Installment No. 2. The last day of the sixth month of the fiscal year.

Installment No. 3. The last day of the ninth month of the fiscal year.

Installment No. 4. The last day of the first month of the next fiscal year.

308.2(5) *Special rule for farmers and fishers.* A farmer or fisher required to make estimated tax payments may use one of the following three methods:

a. Make the first estimated payment on April 30 and make the other three payments by the dates specified under subrule 308.2(3).

b. Make the entire estimated payment for the tax year by January 15 of the subsequent tax year and file the individual income tax return by April 30 of the subsequent tax year.

c. File the individual income tax return and pay the tax in full on or before March 1 of the subsequent tax year.

308.2(6) *Amended estimated payments.* Whenever a taxpayer required to make estimated payments believes that the anticipated income tax liability on which the estimated payments are based has changed, any subsequent estimated payments should be amended or adjusted accordingly.

EXAMPLE: A married couple is making joint estimated tax payments on a calendar year basis, anticipating an estimated tax liability of $1,000. The taxpayers paid the first quarter installment of $250 by the due date of April 30 of the current year and the second installment of $250 on June 30. On July 15, real estate owned jointly by the taxpayers was sold, creating additional tax liability for the year of $1,200. The total tax liability for the tax year is $2,200 ($1,000 + $1,200), the remaining balance due is $1,700 ($2,200 less the estimated tax payments paid of $500). The balance of $1,700 is to be paid in two equal installments of $850 each by September 30 of the current year and by January 31 of the succeeding year.

This rule is intended to implement Iowa Code section 422.16.

701—308.3(422) Estimated tax for nonresidents.

308.3(1) Estimated payments in lieu of withholding. Nonresidents who prefer to pay estimated tax in lieu of having state income tax withheld by a state withholding agent must obtain a release letter from withholding. The nonresident claim for release from withholding form must be accompanied by full payment and must include a list of the name(s) and address(es) of any Iowa agent or payer from which the taxpayer anticipates receiving income. The total gross income anticipated for the year must also be shown on the nonresident estimated tax form.

308.3(2) After the department's receipt and approval of the completed nonresident estimated tax form with the full payment of the tax shown due on the form, the certificate of release from withholding will be forwarded to the withholding agent or payer designated on the form. Since the nonresident estimated form is filed for the purpose of obtaining a release from withholding, the form must be filed prior to the time of the transactions that would subject the taxpayer to the state withholding tax requirements. The nonresident estimated tax form and payment should be submitted as specified on the form.

EXAMPLE: A nonresident individual owns a farm in Iowa that is operated by a farm manager. For tax purposes, the farm manager is considered to be the Iowa withholding agent when distributing proceeds from the farm to the nonresident. A crop is sold through the local farm cooperative elevator, and a check is issued to the farm manager, who then sends the check to the nonresident. Before doing so, Iowa income taxes are withheld from the gross proceeds and remitted to the department for deposit and credit to the income tax liability of the nonresident, unless the farm manager has possession of a certificate of release from withholding issued by the department.

308.3(3) Election by withholding agents to make estimated payments on behalf of nonresident taxpayers with net incomes from agricultural commodities or products. Withholding agents can elect to make estimated tax payments on behalf of nonresidents for net incomes that the nonresidents will have for the tax year from sales of agricultural commodities or products. If the withholding agent elects to make the estimated tax payments for the nonresident taxpayers, the estimated tax payments should be submitted to the department on or before the last day of the first month after the end of the tax year of the nonresidents. Net income from agricultural commodities or products means net incomes from those agricultural commodities or products described in 701—paragraph 307.5(6)*"a."*

If the estimated tax payments made on behalf of the nonresident taxpayers by the withholding agents are not sufficient to pay the Iowa income taxes on the net incomes of the nonresidents from the agricultural commodities or products, the nonresidents may be subject to penalties for underpayment of estimated taxes.

This rule is intended to implement Iowa Code sections 422.16 and 422.17.

701—308.4(422) Special estimated tax periods.

308.4(1) *Short taxable year.* A taxpayer having a taxable year of less than 12 months must make estimated tax payments if anticipating an Iowa tax liability of $1,000 or more for that short tax year.

308.4(2) *Part-year resident.* Part-year residents moving into or out of the state must determine their Iowa estimated tax on the ratio of income from Iowa sources not subject to withholding tax to income from all sources.

EXAMPLE: An individual moving into the state on April 15, having taxable income from an Iowa source that is not subject to withholding and an expected tax liability of $1,500, must make the first estimated payment of $500 by June 30 and pay the remaining balance of $1,000 in two equal installments of $500 each by September 30 and by January 31 of the succeeding year.

This rule is intended to implement Iowa Code section 422.16.

701—308.5(422) Nonresident reporting forms. A nonresident estimated tax form with instructions is available from the department for any nonresident wishing to make estimated tax payments in lieu of having Iowa income tax withheld by an Iowa withholding agent. The estimated payment should be submitted with the certificate or the release from withholding described in subrule 308.3(1).

This rule is intended to implement Iowa Code section 422.16.

701—308.6(422) Penalty—underpayment of estimated tax.

308.6(1) *Underpayment penalty computation.* The Iowa penalty for underpayment of estimated tax is computed on Form IA 2210F for individuals who have two-thirds of their gross annual incomes from farming or fishing activities and Form IA 2210 or Form 2210 for all other individual taxpayers.

308.6(2) *Exceptions that may avoid the underpayment penalty.* The following are exceptions under which taxpayers may avoid the penalty for underpayment of estimated tax:

a. Current year payments equal or exceed prior year's liability. Taxpayers may avoid the penalty for underpayment of estimated tax if the estimated tax payments and other tax payments for the current tax year are equal to or exceed the tax liability for the prior tax year. The payments must equal or exceed 110 percent of the prior year's tax if the individual's federal adjusted gross income exceeds $150,000. For purposes of this exception, the prior tax year must cover a 12-month period.

b. Current year payments equal or exceed 90 percent of the tax on the taxpayer's annualized income. Taxpayers may avoid the penalty for underpayment of estimated tax, if their tax payments for the tax year are equal to or exceed 90 percent of the tax on the taxpayer's annualized income for periods from the first of the tax year to the end of the month preceding the month in which an installment of estimated tax is due.

c. Casualty, disaster or unusual circumstance. A taxpayer may avoid the penalty for underpayment tax if the underpayment was due to casualty, disaster, or other unusual circumstances and imposition of the penalty would be against equity and good conscience.

d. Elderly or disabled. A taxpayer may avoid the penalty for underpayment tax if the underpayment was made by an individual who retired after having attained age 62, or who became disabled in the tax year for which the estimated payment was due or in the preceding tax year, and the underpayment was due to reasonable cause and not due to willful neglect.

This rule is intended to implement Iowa Code section 422.16.

701—308.7(422) Estimated tax carryforwards and how the carryforward amounts are affected under different circumstances.

308.7(1) *Estimated tax carryforwards, generally.* Taxpayers that file their Iowa returns prior to the last day of the next tax year and have overpayments shown on their returns may elect to have the overpayments credited to their estimated tax payments for the following tax year.

EXAMPLE 1: Taxpayer A filed a 2024 return on time, showing an overpayment of $400, and a credit to 2025 estimated tax for $400. Because the 2024 return was filed on or before December 31, 2025, Taxpayer A's election to credit the $400 overpayment to 2025 estimated tax was honored.

EXAMPLE 2: Taxpayer B filed 2023 and 2024 Iowa returns in March 2025. The 2023 return showed an overpayment of $300 and credit to 2024 estimated tax of $300. The 2024 return showed an overpayment of $200 that was determined from estimated payments of $800, including the $300 credit from the 2023 return. The overpayment from the 2023 return was to be refunded because the taxpayer had filed that return after the deadline for crediting overpayments to estimated payments for 2023 returns. Because the $300 credit to 2024 estimated tax was not allowed, there was tax due of $100 on the 2024 return. The tax due for 2024 was satisfied with part of the refund from the 2023 return.

308.7(2) *Estimated tax carryforward and how amount of carryover credit is affected by error on return.* If an Iowa return is filed timely with an overpayment shown on the return and the overpayment is to be credited to the taxpayer's estimated payments for the following year, the amount credited to estimated payments will be affected by an error on the return. Thus, if the error on the return is corrected and results in a smaller overpayment than was shown when the return was filed, the credit to estimated tax from the return may be reduced accordingly.

EXAMPLE: Taxpayer C filed a 2024 return on March 20, 2025, showing an overpayment of $400 and a credit to 2025 estimated tax of $400. During processing of the return, it was determined that an error resulted in an overpayment of $200 instead of $400. Thus, the amount credited to the taxpayer's estimated payments for 2025 was $200 instead of the $400 shown on the return. The department notified Taxpayer C of the error and advised that only $200 was being credited to Taxpayer C's estimated tax for 2025 instead of the $400 shown on the return.

308.7(3) *Estimated tax credit carryover, carryforward amount affected by amended return.* A taxpayer files an original return timely with an overpayment and with the overpayment credited to the following year's estimated tax payments. If the taxpayer files an amended return correcting an error on the original return and with a different amount credited to estimated tax than on the original return, the credit amount from the amended return will be credited to estimated tax, if the amended return is filed on or before the end of the year in which the return is due.

EXAMPLE: Taxpayer D filed an original 2024 return on April 15, 2025, with an overpayment of $500 and all of that overpayment credited to estimated tax for 2025. Later in 2025, Taxpayer D discovered a failure to claim a deduction on the return. Therefore, Taxpayer D filed an amended 2024 Iowa return on October 31, 2025, showing an overpayment of $700 and a credit to 2025 estimated tax of the same amount. Taxpayer D's amended return was filed on or before December 31, 2025, so the $700 credit to Taxpayer D's 2025 estimated tax from the amended return was allowed. Note that if the amended return had not been filed until sometime in January 2026, the credit from Taxpayer D's original return would have been applied to Taxpayer D's estimated payments for 2025. Since the amended return would have been filed too late for purposes of crediting the overpayment to Taxpayer D's estimated tax for the next year, the department would issue Taxpayer D a refund of $200, which is the portion of the overpayment from the amended return that had not been credited to estimated tax from the original return for 2024.

308.7(4) *Estimated tax carryforward and how amount of carryover credit is affected by state tax liability or other state liability of the taxpayer.* A taxpayer who files an Iowa return with an overpayment shown on the return and elects to have the overpayment credited to the taxpayer's estimated tax for the next tax year will not have the overpayment credited to estimated tax if the taxpayer has tax liabilities or other liabilities with the state that are subject to setoff as described in Iowa Code section 421.65.

EXAMPLE 1: Taxpayer E filed a 2024 Iowa return in April 2025 showing an overpayment of $400 and a credit to 2025 estimated tax of $400. During processing of Taxpayer E's 2024 return it was

determined that Taxpayer E had a liability of $150 from the 2023 Iowa return. Thus, $150 of the 2024 overpayment was offset against the tax liability from the 2023 return. The remaining portion of the 2024 overpayment of $250 was credited to Taxpayer E's estimated tax for 2025.

EXAMPLE 2: Taxpayer F filed a 2024 Iowa return in May 2025 with an overpayment of $500, a credit to 2025 estimated tax of $300 and a refund of $200. During processing, it was determined that Taxpayer F had a liability that is subject to setoff under Iowa Code section 421.65 of $1,000. After Taxpayer F was notified that the overpayment from the 2024 return was going to be applied to the liability subject to setoff, the entire overpayment of $500 was set off against Taxpayer F's liability. Thus, since the $300 credit to estimated tax was set off against the liability, there was no credit to estimated tax for 2025.

308.7(5) *Accrual of interest on an assessment of additional tax.* If the taxpayer has not elected to have an overpayment credited to an installment other than the first installment, interest shall accrue on an assessment of additional tax as follows: If the overpayment was credited to the first installment, interest on an assessment of additional tax shall accrue from the due date of the return. If the overpayment was credited to an installment due after the overpayment arose, interest shall accrue from the date the return was filed. Interest on that portion of an assessment greater than the overpayment shall accrue from the due date of the return.

This rule is intended to implement Iowa Code section 422.16.