

REVENUE DEPARTMENT[701]

Regulatory Analysis

Notice of Intended Action to be published: 701—Chapters 504 and 505
“Assessments, Refunds, Appeals; Estimated Tax for Corporations”

Iowa Code section(s) or chapter(s) authorizing rulemaking: 421.14 and 422.92

State or federal law(s) implemented by the rulemaking: Iowa Code sections 422.85, 422.86, 422.87, 422.88, 422.90, 422.91, and 422.92

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 this proposed rulemaking is to rescind and readopt Chapter 504 and rescind and reserve Chapter 505. Chapter 504 provides rules related to assessments, refunds, and appeals. These rules are not unique to corporation income tax and are largely duplicative of rules that existed for both individual income and franchise taxes. Therefore, the rules that exist in Chapter 504 are proposed to be rescinded, and the content will be moved into 701—Chapter 300, which is applicable to all three tax types, in a concurrent rulemaking (**RA 26-363**, IAB 10/28/26).

The Department proposes to move the existing rules from Chapter 505 to Chapter 504. This chapter provides definitions, examples, and other useful information not included in the Iowa Code that help both taxpayers and the Department understand how and when corporate income taxpayers must calculate and pay their quarterly Iowa estimated payments, as well as the application of penalties for underpayment or failure to pay and exceptions to those penalties. This information, formerly found in Chapter 505, has been revised to eliminate language that was outdated or repetitive of the Iowa Code.

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 significant costs to the public associated with the rules themselves. The rules do not impose additional payments, reporting, or recordkeeping requirements beyond what is already required by law.

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

Taxpayers, tax preparers, and Department staff will benefit from the proposed rulemaking.

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 of the proposed rulemaking beyond what is contained in the underlying statutes.

- **Qualitative description of impact:**

The rules provide guidance on how to calculate estimated payment amounts, understand how overpayments may be applied and, when applicable, understand how and when penalties and exceptions to those penalties apply.

3. **Costs to the State:**

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

The rules themselves impose no additional costs on the agency; they only clarify items relating to tax payments that the Department is already required by law to administer. The rules have no known impact on any other agency.

- **Anticipated effect on State revenues:**

There is no anticipated effect on State revenues.

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

Providing no guidance at all would likely increase costs to both taxpayers and the Department by generating requests for guidance and other questions that could otherwise have been answered by the rules, increasing the likelihood that taxpayers are given inconsistent guidance over time.

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

There are no known less costly or intrusive methods.

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

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

The alternatives are providing no guidance to taxpayers at all or providing this guidance on a more informal basis.

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

Providing no guidance at all would likely increase costs to both taxpayers and the Department by generating requests for guidance and other questions that could otherwise have been answered by the rules and increasing the likelihood that taxpayers are given inconsistent guidance over time. Issuing this guidance through less formal means may be beneficial to the agency by making it faster and easier to make changes to the guidance when needed but could be detrimental to the public by removing the oversight inherent in the rulemaking process.

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 deadlines and reporting requirements associated with these rules are imposed by the Iowa Code, and the Department has no authority to make exceptions not already contemplated by the law for small businesses.

Text of Proposed Rulemaking

ITEM 1. Rescind 701—Chapter 504 and adopt the following new chapter in lieu thereof:

CHAPTER 504
ESTIMATED TAX FOR CORPORATIONS

701—504.1(422) Who must pay estimated tax. Every corporate taxpayer must pay estimated tax if the amount of tax payable, less credits, can reasonably be expected to be more than \$1,000 for the calendar or fiscal year. Any amount of estimated tax paid is a credit against the amount of tax due on a final completed return.

This rule is intended to implement Iowa Code section 422.85.

701—504.2(422) Time for filing and payment of tax.

504.2(1) Time for filing.

a. General. Estimates may be paid in full at the time of the first filing or in four equal installments. The taxpayer may also elect to pay any installment prior to the date prescribed.

b. Calendar year. The first installment for a corporation filing on a calendar-year basis is due by April 30. The other installments, if applicable, shall be paid on or before June 30, September 30, and December 31, of the current year.

c. Fiscal year. The installment dates for a corporation filing on a fiscal-year basis are:

- (1) Installment No. 1. The last day of the fourth month of the fiscal year.
- (2) Installment No. 2. The last day of the sixth month of the fiscal year.
- (3) Installment No. 3. The last day of the ninth month of the fiscal year.
- (4) Installment No. 4. The last day of the twelfth month of the fiscal year.

504.2(2) Payment of estimated tax.

a. In general. Payments may be made electronically through GovConnectIowa or by check. Checks must be sent with a corporate income tax estimated payment voucher and mailed to Corporate Estimate Processing, P.O. Box 10466, Des Moines, Iowa 50306.

b. Electronic transfer payments. Installments shall be made electronically in a format and by means specified by the department when total corporate tax liability for the tax year prior to the tax year just completed exceeds \$80,000.

This rule is intended to implement Iowa Code section 422.85.

701—504.3(422) Special estimate periods.

504.3(1) Short taxable year. A corporation having a taxable year of less than 12 months shall pay estimated tax if anticipating an Iowa tax liability of more than \$1,000 for that short taxable year.

a. Short taxable year where a new corporation first commences doing business. In filing the first estimated tax payment, the taxpayer shall state the tax period that the estimated tax payment covers.

- (1) If the tax year is three months or less, no estimated tax payment need be made.

(2) If the tax year is greater than three months but not more than four months and the estimated tax payment is required to be made on the last day of the fourth month, the estimated tax shall be paid based upon the taxable income for the first three months.

(3) If the tax year is greater than four months but not more than six months and the first estimated tax payment is required to be made on the last day of the fourth month, the estimated tax shall be paid in two equal installments. The first installment shall be due the last day of the fourth month based on the first three months' taxable income annualized by multiplying the taxable income by the number of months in the tax year and dividing by three. The second installment shall be due the last day of the tax year.

If the first estimated tax payment is required to be made after the fourth month, the estimated tax payment shall be made on the last day of the tax year and the estimated tax shall be paid in one installment based upon the taxable income for the first four months if the tax year ends during the fifth month, or for the first five months if the tax year ends during the sixth month.

(4) If the tax year is greater than four months, but not more than nine months, and the first estimated tax payment is required to be made on the last day of the fourth month, the estimated tax shall be paid in three equal installments. The first installment shall be due the last day of the fourth month based on the first three months' taxable income annualized by multiplying the taxable income by the number of months in the tax year and dividing by three. The second installment shall be due the last day of the sixth month of the tax year. The third installment shall be due the last day of the tax year.

If the first estimated tax payment is required to be made on the last day of the sixth month of the tax year, the estimated tax shall be paid in two equal installments. The first installment shall be due on the last day of the sixth month based upon the first five months' taxable income annualized by multiplying the taxable income by the number of months in the tax year and dividing by five. The second installment shall be due on the last day of the tax year.

If the first estimated tax payment is required to be made after the last day of the sixth month of the tax year, the estimated tax payment shall be made on the last day of the tax year and the estimated tax shall be paid in one installment based on the taxable income for the first seven months if the tax year ends during the eighth month, or for the first eight months if the tax year ends during the ninth month.

(5) If the tax year is greater than four months, but not more than eleven months, and the first estimated tax payment is required to be made on the last day of the fourth month, the estimated tax shall be paid in four equal installments. The first installment shall be due the last day of the fourth month based upon the first three months' income annualized by multiplying the taxable income by the number of months in the tax year and dividing by three. The second installment shall be due on the last day of the sixth month of the tax year. The third installment shall be due on the last day of the ninth month of the tax year. The fourth installment shall be due the last day of the tax year.

If the first estimated tax payment is required to be made on the last day of the sixth month of the tax year, the estimated tax shall be paid in three equal installments. The first installment shall be due on the last day of the sixth month based upon the first five months' taxable income annualized by multiplying the taxable income by the number of months in the tax year and dividing by five. The second installment shall be due the last day of the ninth month of the tax year. The third installment shall be due on the last day of the tax year.

If the first estimated tax payment is required to be made on the last day of the ninth month of the tax year, the estimated tax shall be paid in two equal installments. The first installment shall be due on the last day of the ninth month, based upon the first eight months' taxable income annualized by multiplying the taxable income by the number of months in the tax year and dividing by eight. The second installment shall be due the last day of the tax year.

If the first estimated tax payment is required to be made after the last day of the ninth month of the tax year, the estimated tax payment shall be made on the last day of the tax year and the estimated tax shall be paid in one installment based upon the taxable income for the first nine months if the tax year ends during the tenth month or for the first ten months if the tax year ends during the eleventh month.

(6) If, during the tax year, the taxpayer determines that its tax year will be different than the tax year specified in its original payment of estimated tax, the remaining estimated tax payments, if any, shall be based upon the above schedule.

b. Short taxable year where the taxpayer is liquidated during the tax year or where under any provision of the Internal Revenue Code the taxpayer is required to file a return for a period of less than 12 months.

(1) If the tax year is 3 months or less, no estimated tax payment need be made.

(2) If the tax year is greater than 3 months, an estimated tax payment shall be made the same as if the taxpayer's tax year is a full 12 months except that the final installment shall be due the last day of the tax year.

(3) Special exception to penalty. If the taxpayer uses the exception under Iowa Code section 422.89(1) to avoid the penalty for underpayment of estimated tax, no penalty will accrue if the following conditions are met:

1. The total amount of all payments of estimated tax made on or before the last date prescribed for the payment of estimated tax equals the prior year's tax multiplied by the number of months in the short tax year and divided by 12, and

2. A return for the preceding tax year of a full 12 months showing a tax liability was filed by the taxpayer.

504.3(2) Reserved.

This rule is intended to implement Iowa Code section 422.92.

701—504.4(422) Penalties.

504.4(1) *Underpayment penalty.*

a. A penalty is imposed for underpayment of the estimated tax by the taxpayer regardless of whether there was reasonable cause for the underpayment.

b. The amount of the underpayment penalty is determined at the statutory rate upon the amount of underpayment of the estimated tax for the period from the date the amount is required to be paid until the last day of the fourth month following the close of the income year, or the date the underpayment is paid, whichever is earlier.

EXAMPLE: A calendar year corporation is required to make four equal estimated payments of \$2,500 in the current year to meet the exception to the underpayment of estimated tax penalty. The corporation does not make a first quarter estimated payment that was due on April 30, but makes an estimated payment of \$5,000 for the second quarter on June 30. The corporation is subject to the underpayment of estimated tax penalty for the period from April 30 to June 30, when the underpayment was paid.

504.4(2) *Exception to imposition of the underpayment penalty.*

a. In general. The underpayment penalty will not be imposed for any underpayment if, on or before the date prescribed for payment, the total amount of all payments made of the estimated tax equals or exceeds the amount that would have been required to be paid on or before such date if the estimated tax were the least of the following amounts:

(1) The tax shown on the return for the preceding taxable year, provided that the preceding taxable year was a taxable year of 12 months and a return showing a tax liability was filed for such year;

(2) An amount equal to a tax determined on the basis of the tax rates for the taxable year but otherwise on the basis of the facts shown on the return for the preceding taxable year if the taxable year was a taxable year of 12 months or, if the preceding taxable year was a taxable year of less than 12 months, then by placing the income on an annual basis and the law applicable to the preceding year, in the case of a taxpayer required to file a return for the preceding taxable year; or

(3) An amount equal to 100 percent of the tax determined by placing on an annual basis the net income for the first 3, 5, 6, 8, 9, or 11 months of the taxable year, whichever is applicable. The net income so determined shall be placed on an annual basis by multiplying it by 12, and dividing

the resulting amount by the number of months in the taxable year for which the net income was so determined.

b. Statement of exception. If there has been an underpayment of the amount of the estimated tax, and the taxpayer believes that one or more of the exceptions to the penalty applies, the taxpayer should attach a statement showing the applicability of any exception upon which the taxpayer relies.

This rule is intended to implement Iowa Code sections 422.88 and 422.89.

701—504.5(422) Overpayment of estimated tax.

504.5(1) *Credit to next year's tax.* In lieu of claiming a refund, the taxpayer may elect to have the overpayment credited to the next year's tax liability. The election cannot be changed after the end of the calendar year in which the return is due, including any extension of time to file. If the taxpayer elects to have the overpayment credited to the next year's tax liability, the overpayment will be credited to the first installment if the overpayment arose on or before the due date of the return. If the overpayment arises after the due date of the return, the overpayment will be credited to the first installment due after the date of payment. The taxpayer may, by a written election included with the filing of the return, elect to have the overpayment credited to a different installment.

504.5(2) *Estimated tax carryforwards and how the carryforward amounts are affected under different circumstances.*

a. Estimated tax carryforward and how the amount of carryover credit is affected by error on return. If an Iowa return is timely filed 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 1: Corporation X filed its return on April 20, showing an overpayment of \$400 and a credit to the next year's estimated tax of \$400. During processing of the return, it was determined that a deduction was taken in error. Correction of this error resulted in an overpayment of \$200 instead of \$400. Thus, the amount credited to the taxpayer's estimated payments for the following year was \$200 instead of the \$400 shown on the return form.

b. Estimated tax credit carryover; the carryforward amount affected by amended return. A taxpayer timely files an original return 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 before the last day of the year in which the return is due. Thus, if an amended return for a calendar year filer is filed by September 30 of the year in which it was due, the amount shown as a credit to estimated tax from that amended return will be the amount credited to the taxpayer's estimated tax for the following year.

EXAMPLE 2: Corporation X filed its original September 30 return on January 15 of the following year with an overpayment of \$500 and all of the overpayment credited to its estimated tax for the following tax year ending September 30. Later, in the year the return was filed, X determined that it had failed to claim a deduction on the return. Therefore, X filed an amended Iowa return for the tax year ending September 30 of the prior year on July 15, showing an overpayment of \$700 and a credit to estimated tax of the same amount. X's amended return was filed on or before the end of the year in which the original return was due, so the \$700 credit to X's estimated tax for the next tax year ending September 30 from the amended return was allowed.

Note that if the amended return had not been filed until sometime in January, only the credit from X's original return would have been applied to X's estimated payments for the tax year ending September 30. Since the amended return would have been filed too late for purposes of crediting the overpayment to the taxpayer's estimated tax for the next year, the department would issue X a refund

of \$200 that is the portion of the overpayment from the amended return that had not been credited to estimated tax from the original return for tax year that was amended.

c. Estimated tax carryforward and how the 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. Other liabilities with the state that are subject to setoff are those liabilities described in Iowa Code section 421.65.

EXAMPLE 3: Corporation Z timely filed its Iowa return showing an overpayment of \$400 and a credit to the following year's estimated tax of \$400. During processing of Z's return, it was determined that Z had a liability of \$150 from a prior year's Iowa return. Thus, \$150 of the current year's overpayment was offset against the tax liability from the prior year's return. The remaining portion of the current year's overpayment of \$250 was credited to Z's estimated tax for the next year.

This rule is intended to implement Iowa Code section 422.91.

ITEM 2. Rescind and reserve **701—Chapter 505**.