

**422.4 Definitions controlling division.**

For the purpose of [this division](#) and unless otherwise required by the context:

1. a. “*Annual inflation factor*” means an index, expressed as a percentage, determined by the department by October 15 of the calendar year preceding the calendar year for which the factor is determined, which reflects the purchasing power of the dollar as a result of inflation during the fiscal year ending in the calendar year preceding the calendar year for which the factor is determined. In determining the annual inflation factor, the department shall use the annual percent change, but not less than zero percent, in the gross domestic product price deflator computed for the second quarter of the calendar year by the bureau of economic analysis of the United States department of commerce and shall add all of that percent change to one hundred percent. The annual inflation factor and the cumulative inflation factor shall each be expressed as a percentage rounded to the nearest one-tenth of one percent. The annual inflation factor shall not be less than one hundred percent.

b. “*Cumulative inflation factor*” means the product of the annual inflation factor for the 1988 calendar year and all annual inflation factors for subsequent calendar years as determined pursuant to [this subsection](#). The cumulative inflation factor applies to all tax years beginning on or after January 1 of the calendar year for which the latest annual inflation factor has been determined.

c. The annual inflation factor for the 1988 calendar year is one hundred percent.

2. a. “*Annual standard deduction factor*” means an index, expressed as a percentage, determined by the department by October 15 of the calendar year preceding the calendar year for which the factor is determined, which reflects the purchasing power of the dollar as a result of inflation during the fiscal year ending in the calendar year preceding the calendar year for which the factor is determined. In determining the annual standard deduction factor, the department shall use the annual percent change, but not less than zero percent, in the gross domestic product price deflator computed for the second quarter of the calendar year by the bureau of economic analysis of the United States department of commerce and shall add all of that percent change to one hundred percent. The annual standard deduction factor and the cumulative standard deduction factor shall each be expressed as a percentage rounded to the nearest one-tenth of one percent. The annual standard deduction factor shall not be less than one hundred percent.

b. “*Cumulative standard deduction factor*” means the product of the annual standard deduction factor for the 1989 calendar year and all annual standard deduction factors for subsequent calendar years as determined pursuant to [this subsection](#). The cumulative standard deduction factor applies to all tax years beginning on or after January 1 of the calendar year for which the latest annual standard deduction factor has been determined.

3. The term “*employer*” shall mean and include those who have a right to exercise control as to how, when, and where services are to be performed.

4. The word “*fiduciary*” means a guardian, trustee, executor, administrator, receiver, conservator, or any person, whether individual or corporate, acting in any fiduciary capacity for any person, trust, or estate.

5. The words “*fiscal year*” mean an accounting period of twelve months, ending on the last day of any month other than December.

6. The words “*foreign country*” mean any jurisdiction other than one embraced within the United States. The words “*United States*”, when used in a geographical sense, include the states, the District of Columbia, and the possessions of the United States.

7. The words “*head of household*” have the same meaning as provided by the Internal Revenue Code.

8. The words “*income year*” mean the calendar year or the fiscal year upon the basis of which the net income is computed under [this division](#).

9. The word “*individual*” means a natural person; and if an individual is permitted to file as a corporation, under the Internal Revenue Code, that fictional status is not recognized for purposes of [this chapter](#), and the individual’s taxable income shall be computed as required under the Internal Revenue Code relating to individuals not filing as a corporation, with the adjustments allowed by [this chapter](#).

10. The word “*nonresident*” applies only to individuals, and includes all individuals who are not “residents” within the meaning of [subsection 15](#) hereof.

11. “*Notice of assessment*” means a notice by the department to a taxpayer advising the taxpayer of an assessment of tax due.

12. The term “*other person*” shall mean that person or entity properly empowered to act in behalf of an individual payee and shall include authorized agents of such payees whether they be individuals or married couples.

13. The word “*paid*”, for the purposes of the deductions under [this division](#), means “paid or accrued” or “paid or incurred”, and the terms “*paid or incurred*” and “*paid or accrued*” shall be construed according to the method of accounting upon the basis of which the net income is computed under [this division](#). The term “*received*”, for the purpose of the computation of net income under [this division](#), means “received or accrued”, and the term “*received or accrued*” shall be construed according to the method of accounting upon the basis of which the net income is computed under [this division](#).

14. The word “*person*” includes individuals and fiduciaries.

15. The word “*resident*” applies only to individuals and includes, for the purpose of determining liability to the tax imposed by [this division](#) upon or with reference to the income of any tax year, any individual domiciled in the state, and any other individual who maintains a permanent place of abode within the state.

16. The words “*taxable income*” mean the net income as defined in [section 422.7](#) minus the deductions allowed by [section 422.9](#), in the case of individuals; in the case of estates or trusts, the words “*taxable income*” mean the taxable income as computed for federal income tax purposes under the Internal Revenue Code, but with the following adjustments:

a. Add back the personal exemption deduction taken in computing federal taxable income.

b. Make the adjustments specified in [section 422.7](#).

c. Add back Iowa income tax deducted in computing federal taxable income.

d. Subtract federal income taxes as provided in [section 422.9](#).

e. Add back the following percentage of the qualified business income deduction under section 199A of the Internal Revenue Code taken in calculating federal taxable income for the applicable tax year:

(1) For tax years beginning on or after January 1, 2019, but before January 1, 2021, seventy-five percent.

(2) For tax years beginning during the 2021 calendar year, fifty percent.

(3) For tax years beginning on or after January 1, 2022, twenty-five percent.

17. The words “*tax year*” mean the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the net income is computed under [this division](#).

a. If a taxpayer has made the election provided by section 441, subsection “*f*”, of the Internal Revenue Code, “*tax year*” means the annual period so elected, varying from fifty-two to fifty-three weeks.

b. If the effective date or the applicability of a provision of [this division](#) is expressed in terms of a tax year beginning, including, or ending with reference to a specified date which is the first or last day of a month, a tax year described in paragraph “*a*” of [this subsection](#) shall be treated as beginning with the first day of the calendar month beginning nearest to the first day of the tax year or as ending with the last day of the calendar month ending nearest to the last day of the tax year.

18. The word “*wages*” has the same meaning as provided by the Internal Revenue Code.

19. The term “*withholding agent*” means any individual, fiduciary, estate, trust, corporation, partnership or association in whatever capacity acting and including all officers and employees of the state of Iowa, or any municipal corporation of the state of Iowa and of any school district or school board of the state, or of any political subdivision of the state of Iowa, or any tax-supported unit of government that is obligated to pay or has control of paying or does pay to any resident or nonresident of the state of Iowa or the resident’s or nonresident’s agent any wages that are subject to the Iowa income tax in the hands of such resident or nonresident, or any of the above-designated entities making payment or having control of making such payment of any taxable Iowa income to any nonresident. The term

“withholding agent” shall also include an officer or employee of a corporation or association, or a member or employee of a partnership, who as such officer, employee, or member has the responsibility to perform an act under [section 422.16](#) and who subsequently knowingly violates the provisions of [section 422.16](#).

[C35, §6943-f4; C39, §**6943.036**; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.4; [81 Acts, ch 132, §1, 2, 9](#); [82 Acts, ch 1023, §1, 30, ch 1203, §1](#)]

[83 Acts, ch 179, §1, 2, 21, 23](#); [84 Acts, ch 1305, §26, 27](#); [87 Acts, 1st Ex, ch 1, §1](#); [87 Acts, 2nd Ex, ch 1, §1](#); [88 Acts, ch 1028, §2 – 4](#); [89 Acts, ch 268, §1](#); [94 Acts, ch 1107, §11](#); [94 Acts, ch 1133, §2, 16](#); [96 Acts, ch 1197, §1 – 4, 13, 18](#); [97 Acts, ch 111, §1, 8](#); [99 Acts, ch 152, §2, 40](#); [2002 Acts, ch 1119, §163](#); [2018 Acts, ch 1161, §70, 97, 98](#)

Referred to in [§257.22](#), [422.7\(41\)\(a\)](#), [422.9](#), [422.16](#), [422.32](#), [422D.3](#), [423.14A](#), [425.23](#), [476.20](#), [541B.2](#)

For future amendments to subsection 1, paragraphs b and c, and subsections 2 and 16, effective on or after January 1, 2023, contingent upon meeting certain net general fund revenue criteria, see [2018 Acts, ch 1161, §101 – 103, 133, 134](#)

2018 amendment to subsection 16 effective January 1, 2019, and applies to tax years beginning on or after that date; [2018 Acts, ch 1161, §97, 98](#)

Subsection 16 amended