

**421.27 Penalties.**1. *Failure to timely file a return or deposit form.*

a. If a person fails to file with the department on or before the due date a return or deposit form there shall be added to the tax shown due or required to be shown due a penalty of ten percent of the tax shown due or required to be shown due.

b. In the case of a specified business with no tax shown due or required to be shown due that fails to timely file an income return, the specified business shall pay the greater of the following penalty amounts:

(1) Two hundred dollars.

(2) An amount equal to ten percent of the imputed Iowa liability of the specified business, not to exceed twenty-five thousand dollars.

c. The penalty, if assessed pursuant to paragraph “a” or “b”, shall be waived by the department upon a showing of any of the following conditions:

(1) An amount of tax greater than zero is required to be shown due and at least ninety percent of the tax required to be shown due has been paid by the due date of the tax.

(2) Those taxpayers who are required to file quarterly returns, or monthly or semimonthly deposit forms may have one late return or deposit form within a three-year period. The use of any other penalty exception will not count as a late return or deposit form for purposes of this exception.

(3) The death of a taxpayer, death of a member of the immediate family of the taxpayer, or death of the person directly responsible for filing the return and paying the tax, when the death interferes with timely filing.

(4) The onset of serious, long-term illness or hospitalization of the taxpayer, of a member of the immediate family of the taxpayer, or of the person directly responsible for filing the return and paying the tax.

(5) Destruction of records by fire, flood, or other act of God.

(6) The taxpayer presents proof that the taxpayer relied upon applicable, documented, written advice specifically made to the taxpayer, to the taxpayer’s preparer, or to an association representative of the taxpayer from the department, state department of transportation, county treasurer, or federal internal revenue service, whichever is appropriate, that has not been superseded by a court decision, ruling by a quasi-judicial body, or the adoption, amendment, or repeal of a rule or law.

(7) Reliance upon results in a previous audit was a direct cause for the failure to file where the previous audit expressly and clearly addressed the issue and the previous audit results have not been superseded by a court decision, or the adoption, amendment, or repeal of a rule or law.

(8) Under rules prescribed by the director, the taxpayer presents documented proof of substantial authority to rely upon a particular position or upon proof that all facts and circumstances are disclosed on a return or deposit form.

(9) The return, deposit form, or payment is timely, but erroneously, mailed with adequate postage to the internal revenue service, another state agency, or a local government agency and the taxpayer provides proof of timely mailing with adequate postage.

(10) The tax has been paid by the wrong licensee and the payments were timely remitted to the department for one or more tax periods prior to notification by the department.

(11) The failure to file was discovered through a sanctioned self-audit program conducted by the department.

(12) If the availability of funds in payment of tax required to be made through electronic funds transfer is delayed and the delay of availability is due to reasons beyond the control of the taxpayer. “*Electronic funds transfer*” means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, that is initiated through an electronic terminal telephone, computer, magnetic tape, or similar device for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account.

(13) The failure to file a timely inheritance tax return resulting solely from a disclaimer that required the personal representative to file an inheritance tax return. The penalty shall be waived if such return is filed and any tax due is paid within the later of nine months from

the date of death or sixty days from the delivery or filing of the disclaimer pursuant to [section 633E.12](#).

(14) That an Iowa inheritance tax return is filed for an estate within the later of nine months from the date of death or sixty days from the filing of a disclaimer by the beneficiary of the estate refusing to take the property or right or interest in the property.

2. *Failure to timely pay the tax shown due, or the tax required to be shown due, with the filing of a return or deposit form.* If a person fails to pay the tax shown due or required to be shown due, on a return or deposit form on or before the due date there shall be added to the tax shown due or required to be shown due a penalty of five percent of the tax due. The penalty, if assessed, shall be waived by the department upon a showing of any of the following conditions:

a. At least ninety percent of the tax required to be shown due has been paid by the due date of the tax.

b. The taxpayer voluntarily files an amended return and pays all tax shown to be due on the return prior to any contact by the department, except under a sanctioned self-audit program conducted by the department.

c. (1) Except in the case of a final federal partnership adjustment governed by subparagraph (2), the taxpayer voluntarily files an amended return which includes a copy of the federal document showing the final disposition or final federal adjustments and pays any additional Iowa tax due within one hundred eighty days of the final determination date of the federal government's audit. For purposes of this subparagraph, "*final determination date*" means the same as defined in [section 422.25](#).

(2) (a) In the case of a final federal partnership adjustment arising from a partnership level audit, with respect to the audited partnership or a direct partner or indirect partner of the audited partnership, the audited partnership, direct partner, or indirect partner voluntarily and timely complies with its reporting and payment requirements under [section 422.25A, subsection 4 or 5](#).

(b) As used in this subparagraph, all words and phrases defined in [section 422.25A](#) shall have the same meaning given them by that section.

d. The taxpayer presents proof that the taxpayer relied upon applicable, documented, written advice specifically made to the taxpayer, to the taxpayer's preparer, or to an association representative of the taxpayer from the department, state department of transportation, county treasurer, or federal internal revenue service, whichever is appropriate, that has not been superseded by a court decision, ruling by a quasi-judicial body, or the adoption, amendment, or repeal of a rule or law.

e. Reliance upon results in a previous audit was a direct cause for the failure to pay the tax required to be shown due where the previous audit expressly and clearly addressed the issue and the previous audit results have not been superseded by a court decision, or the adoption, amendment, or repeal of a rule or law.

f. Under rules prescribed by the director, the taxpayer presents documented proof of substantial authority to rely upon a particular position or upon proof that all facts and circumstances are disclosed on a return or deposit form.

g. The return, deposit form, or payment is timely, but erroneously, mailed with adequate postage to the internal revenue service, another state agency, or a local government agency and the taxpayer provides proof of timely mailing with adequate postage.

h. The tax has been paid by the wrong licensee and the payments were timely remitted to the department for one or more tax periods prior to notification by the department.

i. That an Iowa inheritance tax return is filed for an estate within the later of nine months from the date of death or sixty days from the filing of a disclaimer by the beneficiary of the estate refusing to take the property or right or interest in the property.

3. *Audit deficiencies.* If any person fails to pay the tax required to be shown due with the filing of a return or deposit and the department discovers the underpayment, there shall be added to the tax required to be shown due a penalty of five percent of the tax required to be shown due. The penalty, if assessed, shall be waived by the department upon a showing of any of the following conditions:

a. At least ninety percent of the tax required to be shown due has been paid by the due date.

b. The taxpayer presents proof that the taxpayer relied upon applicable, documented, written advice specifically made to the taxpayer, to the taxpayer's preparer, or to an association representative of the taxpayer from the department, state department of transportation, county treasurer, or federal internal revenue service, whichever is appropriate, that has not been superseded by a court decision, ruling by a quasi-judicial body, or the adoption, amendment, or repeal of a rule or law.

c. Reliance upon results in a previous audit was a direct cause for the failure to pay the tax shown due or required to be shown due where the previous audit expressly and clearly addressed the issue and the previous audit results have not been superseded by a court decision, or the adoption, amendment, or repeal of a rule or law.

d. Under rules prescribed by the director, the taxpayer presents documented proof of substantial authority to rely upon a particular position or upon proof that all facts and circumstances are disclosed on a return or deposit form.

4. *Willful failure to file or deposit.*

a. (1) In case of willful failure to file a return or deposit form with the intent to evade tax or a filing requirement, or in case of willfully filing a false return or deposit form with the intent to evade tax, in lieu of the penalties otherwise provided in [this section](#), a penalty of seventy-five percent shall be added to the amount shown due or required to be shown as tax on the return or deposit form.

(2) In case of a willful failure by a specified business to file an income return with no tax shown due or required to be shown due with intent to evade a filing requirement, or in case of willfully filing a false income return with no tax shown due or required to be shown due with the intent to evade reporting of Iowa-source income, the penalty imposed shall be the greater of the following amounts:

(a) One thousand five hundred dollars.

(b) An amount equal to seventy-five percent of the imputed Iowa liability of the specified business.

(3) If penalties are applicable for failure to file a return or deposit form and failure to pay the tax shown due or required to be shown due on the return or deposit form, the penalty provision for failure to file shall be in lieu of the penalty provisions for failure to pay the tax shown due or required to be shown due on the return or deposit form, except in the case of willful failure to file a return or deposit form or willfully filing a false return or deposit form with intent to evade tax.

b. The penalties imposed under [this subsection](#) are not subject to waiver.

5. *Failure to remit on extension.* If a person fails to remit at least ninety percent of the tax required to be shown due by the time an extension for further time to file a return is made, there shall be added to the tax shown due or required to be shown due a penalty of ten percent of the tax due.

6. *Liability — fraudulent practice.* A person who makes an erroneous application for refund, credit, reimbursement, rebate, or other payment shall be liable for any overpayment received or tax liability reduced plus interest at the rate in effect under [section 421.7](#).

a. In addition, a person commits a fraudulent practice and is liable for a penalty equal to seventy-five percent of the refund, credit, exemption, reimbursement, rebate, or other payment or benefit being claimed if the person does any of the following:

(1) Willfully makes a false or frivolous application for refund, credit, exemption, reimbursement, rebate, or other payment or benefit with intent to evade tax or with intent to receive a refund, credit, exemption, reimbursement, rebate, or other payment or benefit, to which the person is not entitled.

(2) Willfully submits any false information, document, or document containing false information in support of an application for refund, credit, exemption, reimbursement, rebate, or other payment or benefit with the intent to evade tax.

(3) Willfully submits with any false information, document, or document containing false information in support of an application for refund with the intent to receive a refund, credit,

exemption, reimbursement, rebate, or other payment benefit, to which the person is not entitled.

b. Payments, penalties, and interest due under [this subsection](#) may be collected and enforced in the same manner as the tax imposed.

7. *Failure to use required form.* If a person fails to remit payment of taxes in the form required by the rules of the director, there shall be added to the amount of the tax a penalty of five percent of the amount of tax shown due or required to be shown due. The penalty imposed by [this subsection](#) shall be waived if the taxpayer did not receive notification of the requirement to remit tax payments electronically or if the electronic transmission of the payment was not in a format or by means specified by the director and the payment was made before the taxpayer was notified of the requirement to remit tax payments electronically.

8. *Additional penalty.* In addition to the penalties imposed by [this section](#), if a taxpayer fails to file a return within ninety days of written notice by the department that the taxpayer is required to do so, there shall be added to the amount shown due or required to be shown due a penalty in the amount of one thousand dollars.

9. *Definitions.* As used in [this section](#):

a. *“Imputed Iowa liability”* means any of the following:

(1) In the case of corporations other than corporations described in [section 422.34](#) or [section 422.36, subsection 5](#), the corporation’s Iowa net income after the application of the Iowa business activity ratio, if applicable, multiplied by the top income tax rate imposed under [section 422.33](#) for the tax year.

(2) In the case of financial institutions as defined in [section 422.61](#), the financial institution’s Iowa net income after the application of the Iowa business activity ratio, if applicable, multiplied by the franchise tax rate imposed under [section 422.63](#) for the tax year.

(3) In this case of all other entities, including corporations described in [section 422.36, subsection 5](#), and all other entities required to file an information return under [section 422.15, subsection 2](#), the entity’s Iowa net income after the application of the Iowa business activity ratio, if applicable, multiplied by the top income tax rate imposed under [section 422.5A](#) for the tax year.

b. *“Income return”* means an income tax return or information return required under [section 422.15, subsection 2](#), or [section 422.36, 422.37](#), or [422.62](#).

c. *“Specified business”* means a partnership or other entity required to file an information return under [section 422.15, subsection 2](#), a corporation required to file a return under [section 422.36](#) or [422.37](#), or a financial institution required to file a return under [section 422.62](#).

86 Acts, ch 1007, §20; 89 Acts, ch 6, §3; 90 Acts, ch 1172, §6, 7, 14 – 16; 90 Acts, ch 1232, §6, 29; 91 Acts, ch 97, §45; 91 Acts, ch 159, §4 – 6; 94 Acts, ch 1165, §9; 96 Acts, ch 1167, §2, 8; 2007 Acts, ch 134, §1, 28; 2007 Acts, ch 186, §6, 7; 2010 Acts, ch 1193, §124; 2018 Acts, ch 1161, §17, 20; 2020 Acts, ch 1118, §3 – 5, 32, 33, 61, 71

Referred to in [§422.16](#), [422.25](#), [422.25C](#), [423.31](#), [423.40](#), [425.29](#), [437A.13](#), [437B.9](#), [450.63](#), [452A.65](#), [453A.28](#), [453A.46](#)

Fraudulent practices, see [§714.8 – 714.14](#)

Legislative intent regarding 2018 amendment; [2018 Acts, ch 1161, §19](#)

2020 amendments to subsections 1 and 4 apply to tax years beginning on or after January 1, 2022; 2020 Acts, ch 1118, §33

2020 amendment to subsection 2, paragraph c applies to federal adjustments and federal partnership adjustments that have a final determination date after July 1, 2020; 2020 Acts, ch 1118, §71

Subsection 8 applies to any return for which a written notice that the taxpayer is required to file such return is issued by the department on or after January 1, 2022; 2020 Acts, ch 1118, §32

Subsection 9 applies to tax years beginning on or after January 1, 2022; 2020 Acts, ch 1118, §33

Subsection 1 amended

Subsection 2, paragraph c amended

Subsections 4 and 6 amended

NEW subsections 8 and 9