

421.27 Penalties.1. *Failure to timely file a return.*

a. If a person fails to file a return with the department on or before the due date, there shall be added to the tax remaining unpaid by the due date a penalty of five percent of the remaining unpaid tax.

b. In the case of a specified business with no tax 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 five 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 in addition to any other penalty provided by law.

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

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

(2) (a) A taxpayer who is required to file a monthly or quarterly return may have one late return or one late payment within a three-year period.

(b) If the taxpayer receives a waiver of a penalty under this subparagraph, the taxpayer must make timely filings and payments for three years prior to being eligible for receiving another waiver under this subparagraph. If the taxpayer receives a waiver under this subparagraph, the waiver shall apply to penalties assessed under [this subsection](#) and [subsection 2](#).

(c) The use of any other penalty exception shall not count as a late return or late payment for purposes of receiving a waiver by the taxpayer under this subparagraph.

(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 of a return or timely payment of tax.

(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 when such illness or hospitalization interferes with the timely filing of a return or timely payment of tax.

(5) Destruction of records by fire, flood, or other act of God when the destruction interferes with the timely filing of a return or timely payment of tax.

(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 the reliance was the direct cause of the failure to file or failure to pay, and that the advice 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 or the failure to pay 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.

(9) The return 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) 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 tax due.* If a person fails to pay the tax due on or before the due date, there shall be added to the tax remaining unpaid by the due date a penalty of five percent of the unpaid tax. The penalty shall be in addition to any other penalty provided by law. The penalty, if assessed, shall be waived by the department upon a showing by the taxpayer of any of the following conditions:

a. Any reason listed under [subsection 1](#), paragraph “d”, except [subsection 1](#), paragraph “d”, subparagraph (11).

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 shall have the same meaning as defined in [section 422.25A](#).

3. *Audit and examination deficiencies.* If any person fails to pay the tax due and the department discovers the underpayment, there shall be added to the tax a penalty of five percent of the unpaid tax, which shall be in lieu of the penalty in [subsection 2](#). The penalty, if assessed, shall be waived by the department upon a showing by the taxpayer of any of the following conditions:

a. At least ninety percent of the tax 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 the reliance was the direct cause for the failure to pay, and that the advice 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 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.

4. *Willful failure to file or pay.*

a. (1) In case of willful failure to file a return with the intent to evade tax or a filing requirement, willful failure to pay with the intent to evade tax, or in case of willfully filing a false return with the intent to evade tax, in lieu of the penalties otherwise provided in

[this section](#), there shall be added to the tax remaining unpaid by the due date a penalty of seventy-five percent of the unpaid tax.

(2) In case of a willful failure by a specified business to file an income return with no tax due with intent to evade a filing requirement, or in case of willfully filing a false income return with no tax 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.

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 due by the time an extension for further time to file a return is made, there shall be added to the tax due a penalty of ten percent of the unpaid tax.

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 or with intent to receive a refund, credit exemption, reimbursement, rebate, or other payment or benefit, to which the person is not entitled.

(3) Willfully submits with any false information, document, or document containing false information in support of an application for refund with the intent to evade tax or with 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.

c. Penalties imposed under [this subsection](#) are not subject to waiver.

7. *Failure to use required form or manner.* If a person fails to remit payment of taxes in the form or manner 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 the payment remitted in the incorrect form or manner not to exceed five hundred dollars per instance of incorrect form or manner of payment. The penalty shall be in addition to any other penalty provided by law. 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 demand issued by the department pursuant to the rules implementing [this subsection](#) that the taxpayer is required to do so, there shall be added to the amount due a penalty in the amount of one thousand dollars. The penalty shall be waived by the department upon a showing of good reason as defined by the department by rule.

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, less any Iowa tax credits available to the corporation.

(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, less any Iowa tax credits available to the financial institution.

(3) In the 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, less any Iowa tax credits available to the entity.

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; 2021 Acts, ch 76, §66; 2021 Acts, ch 80, §256; 2021 Acts, ch 86, §20; 2021 Acts, ch 151, §2

Referred to in [§422.16, 422.16B, 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](#)

See Code editor's note on simple harmonization at the beginning of this Code volume

Section amended