

422.16 Withholding of income tax at source — penalties — interest — declaration of estimated tax — bond.

1. As used in [this section](#), unless the context otherwise requires, “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 [this section](#) and who subsequently knowingly violates the provisions of [this section](#). The term “withholding agent” shall also include every employer as defined in [this subchapter](#) and further defined in the Internal Revenue Code.

2. a. (1) Every withholding agent paying wages to an Iowa resident, or nonresident working in Iowa, shall deduct and withhold from the wages an amount which will approximate the annual tax liability of the person on a calendar year basis, calculated on the basis of tables to be prepared by the department and schedules or percentage rates, based on the wages, to be prescribed by the department.

(2) Every employee or other person shall declare to the withholding agent the amount of the employee’s or other person’s withholding allowance to be used in applying the tables and schedules or percentage rates. However, the amount of withholding allowance declared shall not exceed the amount to which the employee or other person is entitled except as allowed under sections 3402(m)(1) and 3402(m)(3) of the Internal Revenue Code and as allowed by rules prescribed by the director. The claiming of an amount of withholding allowance in excess of entitlement is a serious misdemeanor.

b. (1) In the case of a nonresident having income subject to taxation by Iowa, but not subject to withholding of such tax under [this subsection](#) or subject to the provisions of [section 422.16B](#), a withholding agent shall withhold from such income at the same rate as provided in [this subsection](#). A withholding agent and nonresident shall be subject to the provisions of [this section](#), according to the context, except that a withholding agent may be absolved of the requirement to withhold taxes from the income of a nonresident upon receipt of a certificate from the department issued in accordance with the provisions of [section 422.17](#).

(2) In the case of a nonresident having income from a trade or business carried on by the nonresident in whole or in part within the state of Iowa, the nonresident shall be considered to be subject to the provisions of this paragraph unless such trade or business is of such nature that the business entity itself, as a withholding agent, is required to and does withhold Iowa income tax from the distributions made to such nonresident from such trade or business.

c. For the purposes of [this subsection](#), at a rate specified by the department, state income tax shall be withheld from pensions, annuities, other similar periodic payments, and other income payments under sections 3402(o), 3402(p), 3402(s), 3405(a), 3405(b), and 3405(c) of the Internal Revenue Code made to Iowa residents if the payments are subject to Iowa tax.

d. For the purposes of [this subsection](#), state income tax shall be withheld on winnings in excess of six hundred dollars derived from gambling activities authorized under [chapter 99B](#) or [99G](#). State income tax shall be withheld on winnings in excess of one thousand dollars from gambling activities authorized under [chapter 99D](#). State income tax shall be withheld on winnings in excess of one thousand two hundred dollars derived from slot machines authorized under [chapter 99F](#).

e. For the purposes of [this subsection](#), state income tax shall be withheld at the rate described in [section 422.5](#) from supplemental wages of an employee in those circumstances in which the employer treats the supplemental wages as wholly separate from regular wages

for purposes of withholding and federal income tax is withheld from the supplemental wages under section 3402(g) of the Internal Revenue Code.

3. a. A withholding agent is not required to withhold state income tax from payments subject to taxation made to a nonresident for commodity credit certificates, grain, livestock, domestic fowl, or other agricultural commodities or products sold to a withholding agent by a nonresident or the nonresident's representative, if the withholding agent provides on forms prescribed by the department information relating to the sales required by the department to determine the state income tax liabilities of a nonresident. However, a withholding agent may elect to make estimated tax payments on behalf of a nonresident on the basis of the net income of the nonresident from the agricultural commodities or products, if the estimated tax payments are made on or before the last day of the first month after the end of the tax years of the nonresident.

b. Nonresidents engaged in any facet of feature film, television, or educational production using the film or videotape disciplines in the state are not subject to Iowa withholding if the employer has applied to the department for exemption from the withholding requirement and the department has determined that any nonresident receiving wages would be entitled to a credit against Iowa income taxes paid.

c. Individuals described in [section 29C.24](#) are not subject to withholding, as provided in that section.

4. a. A withholding agent required to deduct and withhold tax under [subsection 2](#) shall file a return on or before the last day of the month following the quarterly period on forms prescribed by the director and remit to the department the amount of tax due at the following frequencies:

(1) A withholding agent shall remit income tax withheld on a quarterly basis if the withholding agent withholds less than six thousand dollars annually and no more than five hundred dollars in any one month. Payment shall be due on the same day as the quarterly return.

(2) A withholding agent shall remit income tax withheld on a monthly basis if the withholding agent withholds more than five hundred dollars in any one month and not more than five thousand dollars in a semimonthly period. Payment shall be made on or before the fifteenth day of the month following the month of withholding, except that a deposit for the third month in a calendar quarter shall be due on the same day as the quarterly return.

(3) A withholding agent shall remit income tax withheld on a semimonthly basis if the withholding agent withholds more than five thousand dollars in a semimonthly period. The first semimonthly deposit for the period from the first of the month through the fifteenth of the month is due on the twenty-fifth day of the month in which the withholding occurs. The second monthly deposit for the period from the sixteenth of the month through the end of the month is due on the tenth day of the month following the month in which the withholding occurs.

(4) A withholding agent may elect to remit on an annual basis if the withholding agent employs not more than two employees and expects to employ the employees for the full calendar year. The electing withholding agent shall remit the full amount of income taxes required to be withheld from the wages of the employees for the full calendar year with the quarterly return for the first calendar quarter. The amount to be paid shall be computed as if the employees were employed for the full calendar year for the same wages and with the same pay periods as prevailed during the first quarter of the year with respect to such employees. The electing withholding agent shall only remit the lump sum payment with the written consent of all employees involved. The withholding agent shall be entitled to recover from the employee any part of the lump sum payment that represents an advance to the employee. If a withholding agent pays a lump sum with the first quarterly return, the withholding agent shall be excused from filing further quarterly returns for the calendar year involved unless the withholding agent hires other or additional employees.

b. Every withholding agent on or before February 15 following the close of the calendar year in which the withholding occurs shall send to the department copies of income statements required by [subsection 8](#). At the discretion of the director, the withholding agent

shall not be required to send income statements if the information is available from the internal revenue service or other state or federal agencies.

c. If the director has reason to believe that the collection of the tax provided for in [subsection 2](#) is in jeopardy, the director may require the withholding agent to file a return as required in paragraph “a”, and pay the tax at any time, in accordance with [section 422.30](#). The director may authorize incorporated banks, trust companies, or other depositories authorized by law which are depositories or financial agents of the United States or of this state, to receive any tax imposed under [this chapter](#), in the manner, at the times, and under the conditions the director prescribes. The director shall also prescribe the manner, times, and conditions under which the receipt of the tax by those depositories is to be treated as payment of the tax to the department.

d. The director, in cooperation with the department of management, may periodically change the filing and remittance thresholds by administrative rule if in the best interest of the state and the taxpayer.

5. Every withholding agent who fails to withhold or pay to the department any sums required by [this chapter](#) to be withheld and paid, shall be personally, individually, and corporately liable to the state of Iowa, and any sum withheld in accordance with the provisions of [subsection 2](#), shall be deemed to be held in trust for the state of Iowa. Notwithstanding [section 489.304](#), [this subsection](#) applies to a member or manager of a limited liability company.

6. In the event a withholding agent fails to withhold and pay over to the department any amount required to be withheld under [subsection 2](#), such amount may be assessed against such withholding agent in the same manner as prescribed for the assessment of income tax under the provisions of [this subchapter](#) and [subchapter VI](#).

7. Whenever the director determines that any withholding agent has failed to withhold or pay over to the department sums required to be withheld under [subsection 2](#), the unpaid amount shall be a lien as described in [section 422.26](#), shall attach to the property of that withholding agent, and in all other respects the procedure with respect to such lien shall apply as set forth in [section 422.26](#).

8. a. Every withholding agent required to deduct and withhold tax under [subsection 2](#) shall furnish to each employee, nonresident, or other person with respect to the income paid by the employer or withholding agent to each employee, nonresident, or other person during the calendar year, on or before January 31 of the succeeding year, or, in the case of an employee, if the employment of the employee is terminated before the close of the calendar year, within thirty days from the day on which the last payment of wages or other taxable income is made, if requested by the employee, but not later than January 31 of the following year, an income statement showing all of the following:

(1) The name and address of the employer or withholding agent, and the taxpayer identification number of the employer or withholding agent.

(2) The name of the employee, nonresident, or other person and the taxpayer identification number of that employee, nonresident, or other person, together with the last known address of the employee, nonresident, or other person to whom wages or other taxable income has been paid during the period.

(3) The gross amount of wages or other taxable income paid to the employee, nonresident, or other person.

(4) The total amount deducted and withheld as tax under the provisions of [subsection 2](#).

(5) The total amount of federal income tax withheld.

b. An income statement required to be furnished by [this subsection](#) with respect to any wages or other taxable Iowa income or any additional information required to be displayed on the income statement shall be in such form or forms as the director may prescribe by rule.

9. A withholding agent shall be liable for the payment of the tax required to be deducted and withheld or the amount actually deducted, whichever is greater, under [subsection 2](#). Any amount deducted and withheld as tax under [subsection 2](#) during any calendar year upon the wages of any employee, nonresident, or other person shall be allowed as a credit to the employee, nonresident, or other person against the tax imposed by [section 422.5](#) for the tax

year in which it was withheld, irrespective of whether or not such tax has been, or will be, paid by the withholding agent to the department as provided by [this chapter](#).

10. a. If the amount of income tax withheld by the withholding agent on behalf of an employee, nonresident, or other person after complying with [this section](#) is more than the income tax liability of said employee, nonresident, or other person as determined under the provisions of [this subchapter](#), the overpayment of tax may first be credited against any income tax or installment payment then due the state of Iowa by the employee, nonresident, or other person for the tax year, and any balance of one dollar or more shall be refunded to the employee, nonresident, or other person with interest in accordance with [section 421.60, subsection 2](#), paragraph “e”.

b. Amounts less than one dollar shall be refunded to the taxpayer, nonresident, or other person only upon written application, in accordance with [section 422.73](#), and only if the application is filed within twelve months after the due date of the return.

c. Refunds in the amount of one dollar or more provided for by [this subsection](#) shall be paid by the treasurer of state by warrants drawn by the director of the department of administrative services, or an authorized employee of the department of administrative services, and the taxpayer’s return of income shall constitute a claim for refund for this purpose, except in respect to amounts of less than one dollar. There is appropriated, out of any funds in the state treasury not otherwise appropriated, a sum sufficient to carry out the provisions of [this subsection](#).

11. a. In addition to any other penalty provided by law, a withholding agent required to furnish or file an income statement required by [this chapter](#) is subject to a civil penalty of five hundred dollars for each occurrence of the following:

(1) Willful failure to furnish an employee, nonresident, or other person with an income statement.

(2) Willfully furnishing an employee, nonresident, or other person with a false or fraudulent income statement.

(3) Willful failure to file an income statement with the department.

(4) Willfully filing a false or fraudulent income statement with the department.

b. A withholding agent is subject to the penalty as provided in [section 421.27](#). Any penalty assessed under [section 421.27](#) shall be in addition to the tax or additional tax due under [this section](#). The taxpayer shall also pay interest on the tax or additional tax at the rate in effect under [section 421.7](#), for each month counting each fraction of a month as an entire month, computed from the date the semimonthly, monthly, or quarterly deposit form was required to be filed. The penalty and interest become a part of the tax due from the withholding agent.

c. If any withholding agent, being a domestic or foreign corporation, required under the provisions of [this section](#) to withhold on wages or other taxable Iowa income subject to [this chapter](#), fails to withhold the amounts required to be withheld, make the required returns or remit to the department the amounts withheld, the director may, having exhausted all other means of enforcement of the provisions of [this chapter](#), certify such fact or facts to the secretary of state, who shall thereupon cancel the articles of incorporation or foreign registration statement, as the case may be, of such corporation, and the rights of such corporation to carry on business in the state of Iowa shall cease. The secretary of state shall immediately notify by registered mail such domestic or foreign corporation of the action taken by the secretary of state. The provisions of [section 422.40, subsection 3](#), shall be applicable.

d. The department shall, upon request of any fiduciary, furnish said fiduciary with a certificate of acquittance showing that no liability as a withholding agent exists with respect to the estate or trust for which said fiduciary acts, provided the department has determined that there is no such liability.

12. a. (1) Taxpayers filing a return shall make estimated tax payments if their Iowa income tax liability can reasonably be expected to amount to two hundred dollars or more for the year.

(2) In the cases of farmers and fishermen, the exceptions provided in the Internal Revenue Code with respect to making estimated payments apply.

b. (1) The estimated tax shall be paid in quarterly installments. The first installment shall

be paid on or before the last day of the fourth month of the taxpayer's tax year for which the estimated payments apply. The other installments shall be paid on or before the last day of the sixth month of the tax year, the last day of the ninth month of the tax year, and the last day of the first month after the tax year. A taxpayer may elect to pay an installment prior to the due date.

(2) If a taxpayer filing a return has reason to believe that the taxpayer's Iowa income tax may increase or decrease, either for purposes of meeting the requirement to make estimated tax payments or for the purpose of increasing or decreasing estimated tax payments, the taxpayer shall increase or decrease any subsequent estimated tax payments accordingly.

(3) Any tax still payable after applying credits for taxes paid through withholding, estimated tax, and composite return tax, is due and payable on or before the end of the fourth month following the close of the tax year.

c. If a taxpayer is unable to make the taxpayer's estimated tax payments, the payments may be made by a duly authorized agent, or by the guardian or other person charged with the care of the person or property of the taxpayer.

d. (1) Estimated tax paid is a credit against the amount of tax found payable on a final, completed return, as provided in [subsection 10](#), relating to the credit for the tax withheld against the tax found payable on a return properly and correctly prepared under [sections 422.5 through 422.25](#).

(2) Any overpayment of one dollar or more shall be refunded to the taxpayer and the return constitutes a claim for refund for this purpose. Amounts less than one dollar shall not be refunded.

(3) The method provided by section 6654 of the Internal Revenue Code for determining what is applicable to the addition to tax for underpayment of the tax payable applies to persons required to make payments of estimated tax under [this section](#) except the amount to be added to the tax for underpayment of estimated tax is an amount determined at the rate in effect under [section 421.7](#). This addition to tax specified for underpayment of the tax payable is not subject to waiver provisions relating to reasonable cause, except as provided in the Internal Revenue Code. Underpayment of estimated tax shall be determined in the same manner as provided under the Internal Revenue Code and the exceptions in the Internal Revenue Code also apply.

e. In lieu of claiming a refund, the taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return for the taxable year credited to the taxpayer's tax liability for the following taxable year.

13. The director shall enter into an agreement with the secretary of the treasury of the United States with respect to withholding of income tax as provided by [this chapter](#), pursuant to an Act of Congress, section 1207 of the Tax Reform Act of 1976, Pub. L. No. 94-455, amending 5 U.S.C. §5517.

14. a. The director may, when necessary and advisable in order to secure the collection of the tax required to be deducted and withheld or the amount actually deducted, whichever is greater, require a withholding agent to file with the director a bond, issued by a surety company authorized to conduct business in this state and approved by the insurance commissioner as to solvency and responsibility, in an amount as the director may fix, to secure the payment of the tax and penalty due or which may become due. In lieu of the bond, securities shall be kept in the custody of the department and may be sold by the director at public or private sale, without notice to the depositor, if it becomes necessary to do so in order to recover any tax and penalty due. Upon a sale, any surplus above the amounts due under [this section](#) shall be returned to the withholding agent who deposited the securities.

b. If the withholding agent fails to file the bond as requested by the director to secure collection of the tax, the withholding agent is subject to penalty for failure to file the bond. The penalty is equal to fifteen percent of the tax the withholding agent is required to withhold on an annual basis. However, the penalty shall not exceed five thousand dollars.

15. The director may allow additional time for filing documents required under [this](#)

section with the department in the case of illness, disability, absence, or if good cause is shown.

[C39, §6943.048; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.16; 81 Acts, ch 131, §4 – 6, ch 133, §1, 4; 82 Acts, ch 1022, §1, 2, 8, ch 1023, §29, ch 1180, §2, 8]

83 Acts, ch 160, §3, 4; 83 Acts, ch 179, §11; 84 Acts, ch 1173, §4; 86 Acts, ch 1007, §23 – 25; 86 Acts, ch 1208, §1; 86 Acts, ch 1241, §16; 87 Acts, ch 115, §55; 87 Acts, ch 214, §4; 87 Acts, 1st Ex, ch 1, §26; 88 Acts, ch 1028, §25, 26; 88 Acts, ch 1157, §1; 89 Acts, ch 6, §4, 5; 89 Acts, ch 251, §17, 18; 90 Acts, ch 1172, §8; 90 Acts, ch 1248, §11

[Unnumbered paragraph 2 of subsection 1 was inadvertently deleted in the 1991 Code and 1991 Code Supplement]

91 Acts, ch 215, §4, 8; 92 Acts, 2nd Ex, ch 1001, §238; 94 Acts, ch 1165, §13 – 15, 45, 47, 48; 99 Acts, ch 151, §6, 89; 2002 Acts, ch 1151, §6; 2003 Acts, ch 145, §286; 2003 Acts, ch 178, §111, 121; 2003 Acts, ch 179, §142; 2004 Acts, ch 1101, §46; 2005 Acts, ch 140, §40, 73; 2006 Acts, ch 1010, §101; 2007 Acts, ch 185, §3; 2007 Acts, ch 186, §16; 2008 Acts, ch 1162, §135, 154, 155; 2008 Acts, ch 1184, §54; 2013 Acts, ch 30, §86; 2015 Acts, ch 116, §28 – 30; 2016 Acts, ch 1095, §5, 14, 15; 2018 Acts, ch 1161, §5, 15, 16, 126, 133, 134; 2020 Acts, ch 1062, §94; 2021 Acts, ch 151, §12, 13, 15; 2021 Acts, ch 177, §1; 2022 Acts, ch 1032, §58, 59; 2022 Acts, ch 1061, §19 – 22; 2023 Acts, ch 5, §8 – 10; 2023 Acts, ch 66, §99; 2023 Acts, ch 115, §17; 2024 Acts, ch 1094, §6, 16, 17

Referred to in §15.497, 29C.24, 99B.8, 99D.16, 99F.18, 99G.31, 260E.5, 260G.4A, 260J.1, 403.19A, 421.62, 422.4, 422.16B, 422.17, 422.38, 904.809

A taxpayer making an election under section 422.16C is not required to make estimated tax payments for a tax year beginning prior to May 11, 2023; see 2023 Acts, ch 78, §4

2024 amendment to subsection 2, paragraph e applies to tax years beginning on or after January 1, 2025; 2024 Acts, ch 1094, §17

2024 amendment to subsection 2, paragraph e effective January 1, 2025; 2024 Acts, ch 1094, §16

Subsection 2, paragraph e amended