

CHAPTER 306  
PENALTY AND INTEREST  
[Prior to 12/17/86, Revenue Department[730]]  
[Prior to 11/2/22, see Revenue Department[701] Ch 44]

Chapter rescission date pursuant to Iowa Code section 17A.7: 1/1/28

**701—306.1(422) Penalty.** See rule 701—10.6(421) for penalty for tax periods beginning on or after January 1, 1991. See rule 701—10.7(421) for statutory exemptions to penalty for tax periods beginning on or after January 1, 1991.

This rule is intended to implement Iowa Code sections 421.27 and 422.25.

[Editorial change: IAC Supplement 11/2/22; Editorial change: IAC Supplement 10/18/23]

**701—306.2(422) Computation of interest on unpaid tax.** Interest shall accrue on tax due from the original due date of the return. Interest on refunds of any portion of the tax imposed by statute which has been erroneously refunded and which is recoverable by the department shall bear interest as provided by law from the date of payment of the refund, with each fraction of a month considered to be an entire month. See rule 701—10.2(421) for the statutory interest rate.

All payments shall be first applied to the penalty and then to the interest, and the balance, if any, to the amount of tax due.

This rule is intended to implement Iowa Code sections 421.7 and 422.25.

[Editorial change: IAC Supplement 11/2/22]

**701—306.3(422) Computation of interest on refunds resulting from net operating losses.** If the amount of tax is reduced as a result of a net operating loss or net capital loss, interest shall accrue on the refund resulting from the loss carryback beginning on the date a claim for refund or amended return carrying back the net operating loss or net capital loss is filed with the department or on the first day of the second calendar month following the date of the actual payment, whichever is later.

This rule is intended to implement Iowa Code section 422.25.

[Editorial change: IAC Supplement 11/2/22]

**701—306.4(422) Computation of interest on overpayments.** If the amount of tax determined to be due by the department is less than the amount paid, the excess to be refunded will accrue interest from the first day of the second calendar month following the date of payment or the date the return was due to be filed or was filed, whichever is the later.

This rule is intended to implement Iowa Code section 422.25.

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