CHAPTER 44
PENALTY AND INTEREST
[Prior to 12/17/86, Revenue Department[730]]

701—44.1(422) Penalty. See rule 701—10.6(421) for penalty for tax periods beginning on or after January 1, 1991. See rule 701—10.8(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.

701—44.2(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.

701—44.3(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.

701—44.4(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.

701—44.5(422) Waiver of penalty and interest related to certain casualty losses. For tax years beginning on or after January 1, 2008, but before January 1, 2009, the increase in the amount of casualty loss claimed as an itemized deduction authorized under Section 165(h) of the Internal Revenue Code, as modified by the Heartland Disaster Relief Act of 2008, Public Law No. 110-343, Section 706, cannot be taken for Iowa individual income tax purposes. If taxpayers filed their Iowa individual income tax return for the 2008 tax year and claimed the same amount of itemized deduction for casualty losses as allowed on the federal income tax return, taxpayers who amend their Iowa return for 2008 to claim a reduced amount of casualty losses for Iowa tax purposes will not be charged penalty and interest on the additional Iowa income tax due. If taxpayers had previously amended their Iowa return to report a reduced casualty loss for Iowa tax purposes and had paid penalty and interest related to the additional Iowa tax due, the amount of penalty and interest paid will be refunded by the department.

EXAMPLE: A taxpayer with $50,000 of federal adjusted gross income claimed a $15,000 itemized deduction for casualty losses on timely filed federal and Iowa income tax returns for 2008 based upon the changes to Section 165(h) of the Internal Revenue Code. Because Iowa did not adopt the changes to Section 165(h) of the Internal Revenue Code, taxpayer is only allowed a $9,900 itemized deduction for casualty losses for Iowa tax purposes for 2008. Taxpayer filed an amended Iowa return on August 1, 2010, for the 2008 tax year and paid $346 of additional Iowa income tax due to the reduced casualty loss deduction. Taxpayer will not owe any penalty for failure to timely pay the tax due, and the taxpayer will not owe any interest due to the late payment of tax.

This rule is intended to implement 2010 Iowa Acts, House File 2531, division XX.
[**ARC 9103B**, IAB 9/22/10, effective 10/27/10]

[Filed 12/12/74]

[Filed 12/10/76, Notice 9/22/76—published 12/29/76, effective 2/2/77]
[Filed emergency 6/6/80—published 6/25/80, effective 6/6/80]
[Filed emergency 7/17/80—published 8/6/80, effective 7/17/80]
[Filed 12/5/80, Notice 10/29/80—published 12/24/80, effective 1/28/81]
[Filed 9/11/81, Notice 8/5/81—published 9/30/81, effective 11/4/81]
[Filed 11/20/81, Notice 10/14/81—published 12/9/81, effective 1/13/82]
[Filed 12/13/81, Notice 11/25/81—published 1/20/82, effective 2/24/82]
[Filed 9/23/82, Notice 8/18/82—published 10/13/82, effective 11/17/82]
[Filed 11/19/82, Notice 10/13/82—published 12/8/82, effective 1/12/83]
[Filed 7/27/84, Notice 6/20/84—published 8/15/84, effective 9/19/84]
[Filed 10/19/84, Notice 9/12/84—published 11/7/84, effective 12/12/84]
[Filed 2/8/85, Notice 1/2/85—published 2/27/85, effective 4/3/85]
[Filed 5/31/85, Notice 4/24/85—published 6/19/85, effective 7/24/85]
[Filed 9/5/86, Notice 7/30/86—published 9/24/86, effective 10/29/86]
[Filed emergency 11/14/86—published 12/17/86, effective 11/14/86]
[Filed 1/4/91, Notice 11/28/90—published 1/23/91, effective 2/27/91]
[Filed 11/4/04, Notice 9/29/04—published 11/24/04, effective 12/29/04]
[Filed ARC 9103B (Notice ARC 8944B, IAB 7/28/10), IAB 9/22/10, effective 10/27/10]