CHAPTER 49
ESTIMATED INCOME TAX FOR INDIVIDUALS
[Prior to 12/17/86, Revenue Department [730]]

701—49.1(422) Who must pay estimated income tax.

49.1(1) General rule. For tax years beginning on or after January 1, 1990, estimated payments are required if the taxpayer’s income tax liability attributable to incomes not subject to withholding is expected to be $200 or more. The amount of estimated tax paid must be used as a credit on the taxpayer’s individual income tax return.

49.1(2) Joint estimate payments by married taxpayers. A husband and wife may make a joint estimate tax payment on one form as if they were one taxpayer. If a joint estimate payment is made, but the husband and wife elect to file separate returns or separately on the combined return form, the estimate tax paid for the tax year by the husband and wife shall be allocated between the spouses on their returns in the proportion that each spouse’s net income not subject to withholding tax relates to the combined net income of both spouses not subject to withholding tax.

49.1(3) Separate estimate tax payments by married taxpayers. A husband and wife may each make separate estimate payments. If separate estimate payments are made by married taxpayers, each spouse is to claim only the estimate payments made by that spouse.

49.1(4) Examples of types of taxpayers who may be required to make estimate payments. Listed below are examples of various types of taxpayers who may be required to make estimated tax payments. The list is for illustrative purposes and is not deemed to be all-inclusive.

1. Self-employed. An individual having taxable income from a trade or business where the individual has control of the work, the services rendered, and the fees and charges for services rendered or merchandise sold.

2. Retiree. An individual receiving pensions, annuities, and social security benefits or other incomes not subject to withholding after the taxpayer has withdrawn from active employment.

3. Farmers and fishers. Individuals deriving at least two-thirds of yearly income from farming or fishing activities.

4. Nonresident. Any individual who resides out of state and receives taxable income from an Iowa source which is not subject to withholding.

5. Beneficiaries of estates and trusts. Any resident or nonresident individual who is the recipient of income from an estate or trust from an Iowa source.

6. Taxpayers with income in addition to wages. An individual drawing salary or wages subject to withholding tax, having additional taxable income from an Iowa source which is not subject to withholding, such as interest, dividends, capital gains, rents, royalties, business income, or farm income.

7. Agricultural worker. Any worker receiving a wage or salary for agricultural labor which is excluded by law for withholding tax purposes.

This rule is intended to implement Iowa Code section 422.16.
[ARC 0337C, IAB 9/19/12, effective 10/24/12]

701—49.2(422) Time for filing and payment of tax.

49.2(1) Time for filing.

a. General rule. The date for filing the first estimate tax payment is on or before the last day of the fourth month of the tax year. The estimate tax form is to be sent to: Estimate Processing, Iowa Department of Revenue, P.O. Box 10466, Des Moines, Iowa 50306.

b. Special rule for farmers and fishers. If the estimated gross income of a taxpayer from farming or fishing is at least two-thirds of the estimated gross income from all sources for the taxable year, one of the following three methods is available to the taxpayer for satisfying the requirement to make estimate tax payments.

(1) Make the first estimate payment on April 30 and make the other three payments by the dates specified under subrule 49.2(2).

(2) Make the entire estimate payment for the tax year by January 15 of the subsequent tax year and file the individual income tax return by April 30 of the subsequent tax year.
(3) File the individual income tax return and pay the tax in full on or before March 1 of the subsequent tax year.

c. Amended estimate payments.

(1) General rule. Whenever a taxpayer who is required to make estimate payments has reason to believe that the anticipated income tax liability on which the estimate payments are based has increased or decreased, any subsequent estimate payments should be amended or adjusted accordingly.

(2) Example. A married couple is making joint estimate tax payments on a calendar year basis, anticipating taxable income of $8,500, with an estimated tax liability of $300. The taxpayers paid the first quarter installment of $75 by the due date of April 30 of the current year and the second installment of $75 on June 30. On July 15, real estate owned jointly by the taxpayers is sold, creating additional taxable income for the year of $7,500. The new tax liability for the tax year is $900 less the estimate payments of $150 already paid for the first and second quarters. There is a balance of $750 to be paid in two equal installments of $375 each by September 30 of the current year and by January 31 of the succeeding year.

49.2(2) Payment of estimated tax.

a. General rule. Estimated tax due for the tax year may be paid in full on the date on which the first payment is due or in four equal installments. The taxpayer may elect to pay any installment prior to the date when the installment is due.

b. Calendar-year installments. The first estimate tax payment is due by April 30. The other installments shall be paid on or before June 30 and September 30 of the current year, and on or before January 31 of the succeeding year.

c. Fiscal-year installments. The installment dates for a taxpayer filing estimate tax payments on a fiscal-year basis are:

- Installment No. 1. The last day of the fourth month of the fiscal year.
- Installment No. 2. The last day of the sixth month of the fiscal year.
- Installment No. 3. The last day of the ninth month of the fiscal year.
- Installment No. 4. The last day of the first month of the next fiscal year.

This rule is intended to implement Iowa Code section 422.16.

701—49.3(422) Estimated tax for nonresidents.

49.3(1) General rule. Except as noted in 49.3(2), payers of Iowa income to nonresidents of Iowa are required to withhold Iowa income tax and to remit the tax to the department. See rule 701—46.4(422) for withholding on payments to nonresidents.

49.3(2) Estimate payments in lieu of withholding. Nonresidents who prefer to pay estimated tax in lieu of having state income tax withheld by a state withholding agent must obtain a certificate or release from withholding. The nonresident estimated tax form must be accompanied by full payment and must include a list of the name(s) and address(es) of any tenant or farm manager, or cooperative elevator, or other Iowa agent or payer from which the taxpayer anticipates receiving income. The total gross income anticipated for the year must also be shown on the nonresident estimated tax form.

After the department’s receipt of and approval of the completed nonresident estimate tax form with the full payment of the tax shown due on the form, the certificate of release from withholding will be forwarded to the withholding agent or payer designated on the form. Since the nonresident estimate form is filed for the purpose of obtaining a release from withholding, the form must be filed prior to the time of the transactions which would subject the taxpayer to the state withholding tax requirements. The nonresident estimate tax form and payment should be mailed to Estimate Processing, Iowa Department of Revenue, P.O. Box 10466, Des Moines, Iowa 50306.

49.3(3) Example. Nonresident estimated tax payments may be illustrated with the following example:

A nonresident individual owns a farm in Iowa which is operated by a farm manager. For tax purposes the farm manager is considered to be the Iowa withholding agent when distributing proceeds from the farm to the nonresident. A crop is sold through the local farm cooperative elevator and a check is issued to the farm manager, who then sends the check to the nonresident. Before doing so, Iowa income taxes
must be withheld from the gross proceeds and remitted to the Iowa department of revenue for deposit and credit to the income tax liability of the nonresident, unless the farm manager has possession of a certificate of release from withholding issued by the department of revenue. In the event that the farm cooperative elevator sends the check for payment of the crops directly to the nonresident, the cooperative becomes the withholding agent.

**49.3(4) Election by withholding agents to make estimated payments on behalf of nonresident taxpayers with net incomes from agricultural commodities or products.** Effective for tax years beginning on or after January 1, 1989, withholding agents such as farm management companies can elect to make estimated tax payments on behalf of nonresidents for net incomes that the nonresidents will have for the tax year from sales of agricultural commodities or products. If the withholding agent elects to make the estimated tax payments for the nonresident taxpayers, the estimated tax payments should be submitted to the department of revenue on or before the last day of the first month after the end of the tax year of the nonresidents. The estimated payments should be sent with Form IA 1040ES (45-002) and mailed to: Estimate Processing, Iowa Department of Revenue, P.O. Box 10466, Des Moines, Iowa 50306. Net income from agricultural commodities or products means net incomes from those agricultural commodities or products described in paragraph “a” of 701—subrule 46.4(6). If the estimated tax payments made on behalf of the nonresident taxpayers by the withholding agents are not sufficient to pay the Iowa income taxes on the net incomes of the nonresidents from the agricultural commodities or products, the nonresidents may be subject to penalties for underpayment of estimated taxes.

This rule is intended to implement Iowa Code sections 422.16 and 422.17.

**701—49.4(422) Special estimated tax periods.**

**49.4(1) Short taxable year.** A taxpayer having a taxable year of less than 12 months must make estimated tax payments if anticipating an Iowa tax liability of $50 or more for that short tax year if that tax year began prior to January 1, 1990. In the case of short tax years beginning on or after January 1, 1990, taxpayers would be required to make estimated payments if their anticipated Iowa tax liabilities were $200 or more from incomes not subject to withholding.

**49.4(2) Part-year resident.**

a. General rule. Part-year residents moving into or out of the state must determine their Iowa estimated tax on the ratio of income from Iowa sources not subject to withholding tax to incomes from all sources.

b. Example. An individual moving into the state on April 15, having taxable income from an Iowa source which is not subject to withholding and an expected tax liability of $150, must make the first estimate payment of $50 by June 30 and pay the remaining balance of $100 in two equal installments of $50 each by September 30 and by January 31 of the succeeding year if the tax year for which the estimated payments were made began prior to January 1, 1990. A similar procedure for making estimate payments would be followed for tax years beginning on or after January 1, 1990, when no estimate payments would be required unless the anticipated state income tax liability for the balance of the tax year would be $200 or more.

This rule is intended to implement Iowa Code section 422.16.

**701—49.5(422) Reporting forms.**

**49.5(1) Resident forms.** Blank estimate tax forms are available from the department for resident taxpayers making state estimate payments.

**49.5(2) Nonresident forms.** A special nonresident estimate tax form with instructions is available from the department for any nonresident wishing to make estimate tax payments in lieu of having Iowa income tax withheld by an Iowa withholding agent. The estimated payment should be submitted with the certificate or the release from withholding described in subrule 49.3(2).

This rule is intended to implement Iowa Code section 422.16.

[ARC 1883C, IAB 2/18/15, effective 3/25/15]
701—49.6(422) Penalty—Underpayment of estimated tax. The civil penalty provided by the Internal Revenue Code for underpayment of federal estimated tax also applies to persons required to make payments of estimated tax under provisions of the Iowa Code. The Iowa penalty for underpayment of estimated tax is computed on Form IA 2210 for individual taxpayers other than farmers and fishers and Form IA 2210F for individuals who have two-thirds of their gross annual incomes from farming or fishing activities.

49.6(1) Exceptions which may avoid the underpayment penalty. The following are the two exceptions under which taxpayers may avoid the penalty for underpayment of estimated tax:

a. Current year payments equal or exceed prior year’s liability. Taxpayers may avoid the penalty for underpayment of estimated tax if the estimated payments and other tax payments for the current tax year, such as withholding tax, are equal to or exceed the tax liability for the prior tax year. The prior tax year must cover a 12-month period and there must have been a tax liability on the return for the prior year. For tax years beginning on or after January 1, 1987, the requirement that the return for the prior tax year must have had a tax liability is eliminated although the return must have covered a 12-month period.

b. Current year payments equal or exceed 80 percent, or 90 percent for tax years beginning on or after January 1, 1987, of the tax on the taxpayer’s annualized income. Taxpayers may also avoid the penalty for underpayment of estimated tax, if their tax payments for the tax year are equal to or exceed 80 percent of the tax on the taxpayer’s annualized income for periods from the first of the tax year to the end of the month preceding the month in which an installment of estimated tax is due. For tax years beginning on or after January 1, 1987, taxpayers may avoid the penalty for underpayment of estimated tax if their tax payments for the tax year are equal to or exceed 90 percent of the tax on the taxpayer’s annualized income.

49.6(2) Waiver of penalty for underpayment of estimated tax. The following are two situations under which the penalty for underpayment of estimated tax may be waived for tax years beginning on or after January 1, 1986:

a. The underpayment was due to casualty, disaster, or other unusual circumstances and imposition of the penalty would be against equity and good conscience.

b. The underpayment was made by an individual who retired after having attained age 62, or who became disabled in the tax year for which the estimated payment was due or in the preceding tax year, and the underpayment was due to reasonable cause and not due to willful neglect.


This rule is intended to implement Iowa Code section 422.16.

701—49.7(422) Estimated tax carryforwards and how the carryforward amounts are affected under different circumstances. For tax years beginning on or after January 1, 1994, taxpayers that timely file their Iowa returns and have overpayments shown on their returns may elect to have the overpayments credited to their estimated tax payments for the following tax year.

For purposes of this rule, filing a return for a calendar-year period on or before the last day of the year in which the return is due will constitute timely filing of that return for purposes of being eligible to have an overpayment from that return applied to the estimated tax payments for the next tax year. The 1994 Iowa return is due on May 1, 1995, because the regular due date of April 30 falls on Sunday. Therefore, if a taxpayer files the 1994 return on or before December 31, 1995, showing an overpayment on the return, the taxpayer can elect to have the overpayment credited to the taxpayer’s estimated tax for the 1995 calendar year.

However, if a taxpayer files the 1994 return anytime after the end of the 1995 calendar year with an overpayment shown on the return, the overpayment will be refunded to the taxpayer notwithstanding that the taxpayer has shown that the overpayment is to be credited to estimated tax for 1995.

Example 1. Mark Jones filed his 1994 return on October 31, 1995, showing an overpayment of $400, and a credit to 1995 estimated tax for $400. Because the 1994 return was filed on or before December 31, 1995, Mr. Jones’ election to credit the $400 overpayment to 1995 estimated tax was honored.
EXAMPLE 2. Fred Mack filed his 1994 and 1995 Iowa returns in March 1996. The 1994 return showed an overpayment of $300 and credit to 1995 estimated tax of $300. The 1995 return showed an overpayment of $200 which was determined from estimated payments of $800, including the $300 credit from the 1994 return. The overpayment from the 1994 return was to be refunded because the taxpayer had filed that return after the deadline for crediting overpayments to estimated payments for 1994 returns. Because the $300 credit to 1995 estimated tax was not allowed, there was tax due of $100 on the 1995 return. The tax due for 1995 was satisfied with part of the refund from the 1994 return.

The following subrules show how the amounts of tax carryforwards from overpayments shown on state returns are affected by certain circumstances:

49.7(1) Estimated tax carryforward and how amount of carryover credit is affected by error on return. If a state return is filed timely with an overpayment shown on the return and the overpayment is to be credited to the taxpayer’s estimated payments for the following year, the amount credited to estimated payments will be affected by an error on the return. Thus, if the error on the return is corrected and results in a smaller overpayment than was shown when the return was filed, the credit to estimated tax from the return will be reduced accordingly.

EXAMPLE. Mike Green filed his 1994 return on March 20, 1995, showing an overpayment of $400 and a credit to 1995 estimated tax of $400. During processing of the return, it was determined that the federal income tax refund received was subtracted from net income instead of being added to net income. Correction of this error resulted in an overpayment of $200 instead of $400. Thus, the amount credited to the taxpayer’s estimated payments for 1995 was $200 instead of the $400 shown on the return form. The department notified Mr. Green of the error and advised him that only $200 was being credited to the taxpayer’s estimated tax for 1995 instead of the $400 shown on the return.

49.7(2) Estimated tax credit carryover, carryforward amount affected by amended return. A taxpayer files an original return timely with an overpayment and with the overpayment credited to the following year’s estimated tax payments. If the taxpayer files an amended return correcting an error on the original return and with a different amount credited to estimated tax than on the original return, the credit amount from the amended return will be credited to estimated tax, if the amended return is filed on or before the end of the year in which the return is due. Thus, if an amended 1994 return is filed by December 31, 1995, the amount shown as a credit to estimated tax from that amended return will be the amount credited to the taxpayer’s 1995 estimated tax, instead of the amount credited from the original 1994 return.

EXAMPLE. Velma Fox filed her original 1994 return on April 15, 1995, with an overpayment of $500 and all of that overpayment credited to her estimated tax for 1995. Later, in 1995, Ms. Fox determined that she had failed to claim a deduction on the return for depreciation on some business equipment she acquired in 1994. Therefore, she filed an amended 1994 Iowa return on October 31, 1995, showing an overpayment of $700 and a credit to 1995 estimated tax of the same amount. Ms. Fox’s amended return was filed on or before December 31, 1995, so the $700 credit to Ms. Fox’s 1995 estimated tax from the amended return was allowed.

Note that if the amended return had not been filed until sometime in January 1996, the credit from Ms. Fox’s original return would have been applied to Ms. Fox’s estimated payments for 1995. Since the amended return would have been filed too late for purposes of crediting the overpayment to the taxpayer’s estimated tax for the next year, the department would issue Ms. Fox a refund of $200 which is the portion of the overpayment from the amended return that had not been credited to estimated tax from the original return for 1994.

49.7(3) Estimated tax carryforward and how amount of carryover credit is affected by state tax liability or other state liability of the taxpayer. A taxpayer who files an Iowa return with an overpayment shown on the return and elects to have the overpayment credited to the taxpayer’s estimated tax for the next tax year will not have the overpayment credited to estimated tax if the taxpayer has tax liabilities or other liabilities with the state that are subject to setoff. Other liabilities with the state that are subject to setoff are those liabilities described in Iowa Code section 8A.504. These liabilities are for debts owed the state for public assistance overpayments, defaults on guaranteed student or parental college
loans, district court debts, delinquent child support, and any other debts of the taxpayer with a board, commission, department, or other administrative office or unit of the state of Iowa.

**EXAMPLE 1.** Rose Peters filed her 1994 Iowa return in April 1995 showing an overpayment of $400 and a credit to 1995 estimated tax of $400. During processing of Rose’s 1994 return it was determined that she had a liability of $150 from her 1993 Iowa return. Thus, $150 of the 1994 overpayment was offset against the tax liability from the 1993 return. The remaining portion of the 1994 overpayment of $250 was credited to Ms. Peters’ estimated tax for 1995.

**EXAMPLE 2.** Mike Moore filed his 1994 Iowa return in May 1995 with an overpayment of $500, a credit to 1995 estimated tax of $300 and a refund of $200. Mr. Moore is a “self-employed individual” as that phrase is to be understood for the purposes of Iowa Code section 252B.5, subsection 8, as amended by 2003 Iowa Acts, House File 534, section 220. During processing it was determined that Mr. Moore had a liability for unpaid child support of $1,000. After Mr. Moore was notified by the child support recovery unit of the department of human services that the overpayment from the 1994 return was going to be applied to the child support liability, the entire overpayment of $500 was set off against Mr. Moore’s liability for unpaid child support. Thus, since the $300 credit to estimated tax was set off against the delinquent child support, there was no credit to estimated tax for 1995. Responsibility for offsetting this type of obligation remains, as of July 1, 2003, with the department of revenue and has not been transferred to the department of administrative services.

**49.7(4) Accrual of interest on an assessment of additional tax.** If the taxpayer has not elected to have an overpayment credited to an installment other than the first installment, interest shall accrue on an assessment of additional tax as follows: If the overpayment was credited to the first installment, interest on an assessment of additional tax shall accrue from the due date of the return. If the overpayment was credited to an installment due after the overpayment arose, interest shall accrue from the date the return was filed. Interest on that portion of an assessment greater than the overpayment shall accrue from the due date of the return.

If the taxpayer has elected to have an overpayment of estimated tax credited to an installment other than the first installment, interest shall accrue on any assessment of additional tax up to the amount of the overpayment from the date the return was filed with the department. Interest on any assessment of additional tax greater than the amount of the overpayment shall accrue from the due date of the return, *Avon Products, Inc. v. United States*, 588 F.2d 342 (2nd Cir. 1978), Revenue Ruling 84-58.

This rule is intended to implement Iowa Code section 422.16.

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