

701—61.6 (422) Overpayment of estimated tax.

61.6(1) *Refund of overpayment of estimated tax.* Any overpayment of estimated tax, at the taxpayer's election, of \$5 or more will be refunded with interest without a claim for refund being filed. If the overpayment is less than \$5, it will be refunded only if the taxpayer files a claim for refund within 12 months after the due date of the return.

61.6(2) *Interest on refunds of overpayments of estimated tax.* Interest begins to accrue on 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 latest. The rate of interest shall be that set forth in rule 701—10.2(421).

61.6(3) *Credit to next year's tax.* In lieu of claiming a refund, the taxpayer may elect to have the overpayment credited to the next year's tax liability. The election may not be changed after the due date for filing the return considering any extension of time to file. If the taxpayer elects to have the overpayment credited to the next year's tax liability, the overpayment will be credited to the first installment if the overpayment arose on or before the due date of the return. If the overpayment arises after the due date of the return, the overpayment will be credited to the first installment due after the date of payment. The taxpayer may by a written election included with the filing of the return elect to have the overpayment credited to a different installment. Revenue Ruling 84-58.

This subrule is effective for tax years beginning on or after January 1, 1984.

61.6(4) *Estimated tax carryforwards and how the carryforward amounts are affected under different circumstances.*

a. Estimated tax carryforward and how the amount of carryover credit is affected by error on return. If a state return is timely filed 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: Financial Institution X filed its 1994 return on April 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 interest from municipal bonds 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 Financial Institution X of the error and advised that only \$200 was being credited to the taxpayer's estimated tax for 1995 instead of the \$400 shown on the return.

b. Estimated tax credit carryover, the carryforward amount affected by amended return. A taxpayer timely files an original return 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 before the last day of the following tax year. Thus, if an amended return for tax year ending September 30, 1995, is filed by September 30, 1996, the amount shown as a credit to estimated tax from that amended return will be the amount credited to the taxpayer's September 30, 1996, estimated tax, instead of the amount credited from the original September 30, 1995, return.

EXAMPLE: Financial Institution Y filed its original September 30, 1995, return on January 15, 1996, with an overpayment of \$500 and all of the overpayment credited to its estimated tax for the tax year ending September 30, 1996. Later, in 1996, Y determined that it had failed to claim a deduction on the return for depreciation on some business equipment it acquired in tax year ending September 30, 1995. Therefore, Y filed an amended Iowa return for tax year ending on September 30, 1995, on July 15, 1996, showing an overpayment of \$700 and a credit to estimated tax of the same amount. Y's amended return was filed on or before September 30, 1996, so the \$700 credit to Y's estimated tax for tax year ending September 30, 1996, from the amended return was allowed.

Note that if the amended return had not been filed until sometime in October 1996, the credit from Y's original return would have been applied to Y's estimated payments for tax year ending September 30, 1996. 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 Y 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 tax year ending September 30, 1995.

c. Estimated tax carryforward and how the 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 district court debts, and any other debts of the taxpayer with a board, commission, department, or other administrative office or unit of the state of Iowa.

EXAMPLE: Financial Institution Z filed its 1994 Iowa return in April 1995 showing an overpayment of \$400 and a credit to 1995 estimated tax of \$400. During processing of Financial Institution Z's 1994 return it was determined that Financial Institution Z had a liability of \$150 from its 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 Financial Institution Z's estimated tax for 1995.

61.6(5) *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, 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.

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This rule is intended to implement Iowa Code section 422.91.