

CHAPTER 422

INDIVIDUAL INCOME, CORPORATE, AND FRANCHISE TAXES

Referred to in [§15E.204](#), [16.78](#), [63A.2](#), [85.61](#), [159A.14](#), [214A.36](#), [316.12](#), [404A.3](#), [421.62](#), [423.14A](#), [533.329](#)

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422.3 Definitions controlling chapter.

For the purpose of [this chapter](#) and unless otherwise required by the context:

1. “Book”, “list”, “record”, or “schedule” kept by a county auditor, assessor, treasurer, recorder, sheriff, or other county officer means the county system as defined in [section 445.1](#).
2. “Court” means the district court in the county of the taxpayer’s residence.
3. “Department” means the department of revenue.
4. “Director” means the director of revenue.
5. “Internal Revenue Code” means one of the following:
 - a. For tax years beginning during the 2019 calendar year, “Internal Revenue Code” means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended and in effect on March 24, 2018. This definition shall not be construed to include any amendment to the Internal Revenue Code enacted after the date specified in the preceding sentence, including any amendment with retroactive applicability or effectiveness.
 - b. For tax years beginning on or after January 1, 2020, “Internal Revenue Code” means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986, as amended.
6. The word “taxpayer” includes any person, corporation, or fiduciary who is subject to a tax imposed by [this chapter](#).

[C35, §6943-f3; C39, §6943.035; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.3]

84 Acts, ch 1305, §25; 85 Acts, ch 230, §3; 86 Acts, ch 1213, §8; 86 Acts, ch 1245, §439; 88 Acts, ch 1028, §1; 89 Acts, ch 285, §2; 90 Acts, ch 1171, §1; 91 Acts, ch 215, §1; 92 Acts, ch 1219, §1; 93 Acts, ch 113, §1; 94 Acts, ch 1166, §1; 95 Acts, ch 152, §2; 96 Acts, ch 1166, §2, 4; 97 Acts, ch 135, §3, 9; 98 Acts, ch 1078, §3, 10; 99 Acts, ch 95, §3, 12, 13; 2000 Acts, ch 1146, §3, 9, 11; 2000 Acts, ch 1148, §1; 2001 Acts, ch 127, §3, 9, 10; 2002 Acts, ch 1069, §3, 10, 14; 2002 Acts, ch 1119, §200, 201; 2003 Acts, ch 139, §3; 2003 Acts, ch 145, §286; 2004 Acts, 1st Ex, ch 1001, §37, 41, 42; 2005 Acts, ch 24, §3, 10, 11; 2006 Acts, ch 1140, §3, 10, 11; 2007 Acts, ch 12, §3, 7, 8; 2008 Acts, ch 1011, §3, 9; 2011 Acts, ch 41, §1, 5, 6; 2012 Acts, ch 1007, §3, 7, 8; 2013 Acts, ch 1, §2, 7, 8; 2014 Acts, ch 1076, §2, 6, 7; 2015 Acts, ch 1, §2, 7, 8; 2017 Acts, ch 157, §3; 2018 Acts, ch 1161, §69, 97, 98

Referred to in §7C.3, 8A.438, 16.1, 16.26, 96.3, 97A.5, 97B.1A, 99B.1, 99B.27, 99D.7, 99D.8, 99F.1, 99F.6, 256.198, 256.201, 260C.14, 262.21, 273.3, 294.10A, 294.16, 411.5, 425.23, 450.1, 450B.1, 504B.5, 511.39, 513B.3, 535B.2, 538A.2, 557B.1, 633.266, 633A.5107, 633E.4, 634.5, 725.12

For applicable definition of Internal Revenue Code for a tax year prior to 2019, refer to Iowa Acts and Code for that year

SUBCHAPTER II

PERSONAL NET INCOME TAX

Referred to in §15.293A, 15.319, 15.355, 15.496, 15.508, 15.524, 15.533, 15E.27, 15E.28, 15E.52, 15E.62, 15E.305, 15E.364, 16.64, 16.82, 16.82A, 28A.24, 29C.24, 35A.13, 100B.13, 190B.103, 235A.2, 237A.31, 257.21, 404A.2, 422.1, 422.38, 422.39, 422.73, 422.85, 422.110, 422D.2, 422D.3, 476B.2, 476B.6, 476B.7, 476C.4, 476C.6, 483A.1A

422.4 Definitions controlling subchapter.

For the purpose of [this subchapter](#) and unless otherwise required by the context:

1. a. “Annual inflation factor” means an index, expressed as a percentage, determined by the department by October 15 of the calendar year preceding the calendar year for which the factor is determined, which reflects the purchasing power of the dollar as a result of inflation during the fiscal year ending in the calendar year preceding the calendar year for which the factor is determined. In determining the annual inflation factor, the department shall use the annual percent change, but not less than zero percent, in the gross domestic product price deflator computed for the second quarter of the calendar year by the bureau of economic analysis of the United States department of commerce and shall add all of that percent change to one hundred percent. The annual inflation factor and the cumulative inflation factor shall each be expressed as a percentage rounded to the nearest one-tenth of one percent. The annual inflation factor shall not be less than one hundred percent.
- b. “Cumulative inflation factor” means the product of the annual inflation factor for the

calendar year beginning on January 1, 2023, and all annual inflation factors for subsequent calendar years as determined pursuant to [this subsection](#). The cumulative inflation factor applies to all tax years beginning on or after January 1 of the calendar year for which the latest annual inflation factor has been determined.

c. The annual inflation factor for the calendar year beginning on January 1, 2023, is one hundred percent.

2. The term “*employer*” shall mean and include those who have a right to exercise control as to how, when, and where services are to be performed.

3. The word “*fiduciary*” means a guardian, trustee, executor, administrator, receiver, conservator, or any person, whether individual or corporate, acting in any fiduciary capacity for any person, trust, or estate.

4. The words “*fiscal year*” mean an accounting period of twelve months, ending on the last day of any month other than December.

5. The words “*foreign country*” mean any jurisdiction other than one embraced within the United States. The words “*United States*”, when used in a geographical sense, include the states, the District of Columbia, and the possessions of the United States.

6. The words “*head of household*” have the same meaning as provided by the Internal Revenue Code.

7. The words “*income year*” mean the calendar year or the fiscal year upon the basis of which the net income is computed under [this subchapter](#).

8. The word “*individual*” means a natural person; and if an individual is permitted to file as a corporation, under the Internal Revenue Code, that fictional status is not recognized for purposes of [this chapter](#), and the individual’s taxable income shall be computed as required under the Internal Revenue Code relating to individuals not filing as a corporation, with the adjustments allowed by [this chapter](#).

9. The word “*nonresident*” applies only to individuals, and includes all individuals who are not “*residents*” within the meaning of [subsection 14](#).

10. “*Notice of assessment*” means a notice by the department to a taxpayer advising the taxpayer of an assessment of tax due.

11. The term “*other person*” shall mean that person or entity properly empowered to act in behalf of an individual payee and shall include authorized agents of such payees whether they be individuals or married couples.

12. The word “*paid*”, for the purposes of the deductions under [this subchapter](#), means “*paid or accrued*” or “*paid or incurred*”, and the terms “*paid or incurred*” and “*paid or accrued*” shall be construed according to the method of accounting upon the basis of which the net income is computed under [this subchapter](#). The term “*received*”, for the purpose of the computation of net income under [this subchapter](#), means “*received or accrued*”, and the term “*received or accrued*” shall be construed according to the method of accounting upon the basis of which the net income is computed under [this subchapter](#).

13. The word “*person*” includes individuals and fiduciaries.

14. The word “*resident*” applies only to individuals and includes, for the purpose of determining liability to the tax imposed by [this subchapter](#) upon or with reference to the income of any tax year, any individual domiciled in the state, and any other individual who maintains a permanent place of abode within the state.

15. “*Taxable income*” means, in the case of individuals, the net income as defined in [section 422.7](#) minus the deduction allowed by [section 422.9](#), if available. “*Taxable income*” means, in the case of estates or trusts, the taxable income without a deduction for personal exemption as computed for federal income tax purposes under the Internal Revenue Code, but with the adjustments specified in [section 422.7](#), and the deduction allowed by [section 422.9](#), if available.

16. The words “*tax year*” mean the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the net income is computed under [this subchapter](#).

a. If a taxpayer has made the election provided by section 441, subsection “*f*”, of the Internal Revenue Code, “*tax year*” means the annual period so elected, varying from fifty-two to fifty-three weeks.

b. If the effective date or the applicability of a provision of [this subchapter](#) is expressed in

terms of a tax year beginning, including, or ending with reference to a specified date which is the first or last day of a month, a tax year described in paragraph “a” of [this subsection](#) shall be treated as beginning with the first day of the calendar month beginning nearest to the first day of the tax year or as ending with the last day of the calendar month ending nearest to the last day of the tax year.

17. The word “wages” has the same meaning as provided by the Internal Revenue Code.

18. The term “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 [section 422.16](#) and who subsequently knowingly violates the provisions of [section 422.16](#).

[C35, §6943-f4; C39, §6943.036; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.4; [81 Acts, ch 132, §1, 2, 9](#); [82 Acts, ch 1023, §1, 30, ch 1203, §1](#)]

[83 Acts, ch 179, §1, 2, 21, 23](#); [84 Acts, ch 1305, §26, 27](#); [87 Acts, 1st Ex, ch 1, §1](#); [87 Acts, 2nd Ex, ch 1, §1](#); [88 Acts, ch 1028, §2 – 4](#); [89 Acts, ch 268, §1](#); [94 Acts, ch 1107, §11](#); [94 Acts, ch 1133, §2, 16](#); [96 Acts, ch 1197, §1 – 4, 13, 18](#); [97 Acts, ch 111, §1, 8](#); [99 Acts, ch 152, §2, 40](#); [2002 Acts, ch 1119, §163](#); [2018 Acts, ch 1161, §70, 97, 98, 101 – 103, 133, 134](#); [2019 Acts, ch 152, §1, 15](#); [2020 Acts, ch 1062, §94](#); [2021 Acts, ch 76, §69](#); [2021 Acts, ch 177, §1](#)

Referred to in [§257.22](#), [422.7\(27\)\(a\)](#), [422.25A](#), [422.32](#), [422D.3](#), [423.14A](#), [425.23](#), [476.20](#), [502.511](#), [541B.2](#)

2018 amendments to subsection 1, paragraphs b and c, strike of subsection 2, and strike and rewrite of subsection 15, are effective January 1, 2023, and apply to tax years beginning on or after that date; [2018 Acts, ch 1161, §133, 134](#); [2021 Acts, ch 177, §1](#)

422.5 Tax imposed — exclusions — alternate tax rate.

1. a. A tax is imposed upon every resident and nonresident of the state which tax shall be levied, collected, and paid annually upon and with respect to the entire taxable income as defined in [this subchapter](#) at a rate of three and eight-tenths percent.

b. (1) The tax imposed upon the taxable income of a nonresident shall be computed by reducing the amount determined pursuant to paragraph “a” by the amounts of nonrefundable credits under [this subchapter](#) and by multiplying this resulting amount by a fraction of which the nonresident’s net income allocated to Iowa, as determined in [section 422.8, subsection 2](#), paragraph “a”, is the numerator and the nonresident’s total net income computed under [section 422.7](#) is the denominator. This subparagraph also applies to individuals who are residents of Iowa for less than the entire tax year.

(2) (a) The tax imposed upon the taxable income of a resident shareholder in an S corporation or of an estate or trust with a situs in Iowa that is a shareholder in an S corporation, which S corporation has in effect for the tax year an election under subchapter S of the Internal Revenue Code and carries on business within and without the state, may be computed by reducing the amount determined pursuant to paragraph “a” by the amounts of nonrefundable credits under [this subchapter](#) and by multiplying this resulting amount by a fraction of which the resident’s or estate’s or trust’s net income allocated to Iowa, as determined in [section 422.8, subsection 2](#), paragraph “b”, is the numerator and the resident’s or estate’s or trust’s total net income computed under [section 422.7](#) is the denominator. If a resident shareholder, or an estate or trust with a situs in Iowa that is a shareholder, has elected to take advantage of this subparagraph (2), and for the next tax year elects not to take advantage of this subparagraph, the resident or estate or trust shareholder shall not reelect to take advantage of this subparagraph for the three tax years immediately following the first tax year for which the shareholder elected not to take advantage of this subparagraph, unless the director consents to the reelection. This subparagraph also applies to individuals who are residents of Iowa for less than the entire tax year.

(b) This subparagraph (2) shall not affect the amount of the taxpayer's checkoffs under [this subchapter](#), the credits from tax provided under [this subchapter](#), and the allocation of these credits between spouses if the taxpayers filed separate returns.

2. a. The tax shall not be imposed on a resident or nonresident whose net income, as defined in [section 422.7](#), is thirteen thousand five hundred dollars or less in the case of married persons filing jointly, heads of household, and surviving spouses or nine thousand dollars or less in the case of all other persons; but in the event that the payment of tax under [this subchapter](#) would reduce the net income to less than thirteen thousand five hundred dollars or nine thousand dollars as applicable, then the tax shall be reduced to that amount which would result in allowing the taxpayer to retain a net income of thirteen thousand five hundred dollars or nine thousand dollars as applicable. The preceding sentence does not apply to estates or trusts. For the purpose of [this subsection](#), the entire net income, including any part of the net income not allocated to Iowa, shall be taken into account. In calculating net income for purposes of [this subsection](#), any amount of itemized or standard deduction, personal exemption deduction, or qualified business income deduction that was allowed as a deduction in computing federal taxable income under the Internal Revenue Code shall be added back. If the combined net income of a husband and wife exceeds thirteen thousand five hundred dollars, neither of them shall receive the benefit of [this subsection](#), and it is immaterial whether they file a joint return or separate returns. However, if a husband and wife file separate returns and have a combined net income of thirteen thousand five hundred dollars or less, neither spouse shall receive the benefit of this paragraph, if one spouse has a net operating loss and elects to carry back or carry forward the loss as provided under the Internal Revenue Code or in [section 422.9](#). A person who is claimed as a dependent by another person as defined in [section 422.12](#) shall not receive the benefit of [this subsection](#) if the person claiming the dependent has net income exceeding thirteen thousand five hundred dollars or nine thousand dollars as applicable or the person claiming the dependent and the person's spouse have combined net income exceeding thirteen thousand five hundred dollars or nine thousand dollars as applicable.

b. In lieu of the computation in [subsection 1](#), or in paragraph "a" of [this subsection](#), if the married persons' filing jointly, head of household's, or surviving spouse's net income exceeds thirteen thousand five hundred dollars, the regular tax imposed under [this subchapter](#) shall be the lesser of the alternate state individual income tax rate of four and three-tenths percent times the portion of the net income in excess of thirteen thousand five hundred dollars or the regular tax liability computed without regard to this sentence. Taxpayers electing to file separately shall compute the alternate tax described in this paragraph using the total net income of the spouses. The alternate tax described in this paragraph does not apply if one spouse elects to carry back or carry forward a net operating loss as provided under the Internal Revenue Code or in [section 422.9](#).

3. a. The tax shall not be imposed on a resident or nonresident who is at least sixty-five years old on December 31 of the tax year and whose net income, as defined in [section 422.7](#), is thirty-two thousand dollars or less in the case of married persons filing jointly, heads of household, and surviving spouses or twenty-four thousand dollars or less in the case of all other persons; but in the event that the payment of tax under [this subchapter](#) would reduce the net income to less than thirty-two thousand dollars or twenty-four thousand dollars as applicable, then the tax shall be reduced to that amount which would result in allowing the taxpayer to retain a net income of thirty-two thousand dollars or twenty-four thousand dollars as applicable. The preceding sentence does not apply to estates or trusts. For the purpose of [this subsection](#), the entire net income, including any part of the net income not allocated to Iowa, shall be taken into account. In calculating net income for purposes of [this subsection](#), any amount of itemized or standard deduction, personal exemption deduction, or qualified business income deduction that was allowed as a deduction in computing federal taxable income under the Internal Revenue Code shall be added back. If the combined net income of a husband and wife exceeds thirty-two thousand dollars, neither of them shall receive the benefit of [this subsection](#), and it is immaterial whether they file a joint return or separate returns. However, if a husband and wife file separate returns and have a combined net income of thirty-two thousand dollars or less, neither spouse shall receive

the benefit of this paragraph, if one spouse has a net operating loss and elects to carry back or carry forward the loss as provided under the Internal Revenue Code or in [section 422.9](#). A person who is claimed as a dependent by another person as defined in [section 422.12](#) shall not receive the benefit of [this subsection](#) if the person claiming the dependent has net income exceeding thirty-two thousand dollars or twenty-four thousand dollars as applicable or the person claiming the dependent and the person's spouse have combined net income exceeding thirty-two thousand dollars or twenty-four thousand dollars as applicable.

b. In lieu of the computation in [subsection 1 or 2](#), if the married persons' filing jointly, head of household's, or surviving spouse's net income exceeds thirty-two thousand dollars, the regular tax imposed under [this subchapter](#) shall be the lesser of the alternate state individual income tax rate of four and three-tenths percent times the portion of the net income in excess of thirty-two thousand dollars or the regular tax liability computed without regard to this sentence. Taxpayers electing to file separately shall compute the alternate tax described in this paragraph using the total net income of the spouses. The alternate tax described in this paragraph does not apply if one spouse elects to carry back or carry forward a net operating loss as provided under the Internal Revenue Code or in [section 422.9](#).

c. [This subsection](#) applies even though one spouse has not attained the age of sixty-five, if the other spouse is at least sixty-five at the end of the tax year.

4. The tax levied under [this section](#) shall be computed and collected as provided in [this subchapter](#).

5. The provisions of [this subchapter](#) shall apply to all salaries received by federal officials or employees of the United States government as provided for herein.

6. The state income tax of a taxpayer whose net income includes the gain or loss from the forfeiture of an installment real estate contract, the transfer of real or personal property securing a debt to a creditor in cancellation of that debt, or from the sale or exchange of property as a result of actual notice of foreclosure where the fair market value of the taxpayer's assets exceeds the taxpayer's liabilities immediately before such forfeiture, transfer, or sale or exchange shall not be greater than such excess, including any asset transferred within one hundred twenty days prior to such forfeiture, transfer, or sale or exchange. For purposes of [this subsection](#), in the case of married taxpayers, except in the case of a husband and wife who live apart at all times during the tax year, the assets and liabilities of both spouses shall be considered in determining if the fair market value of the taxpayer's assets exceed the taxpayer's liabilities.

7. a. In addition to the other taxes imposed by [this section](#), a tax is imposed, except under paragraph "b", on the amount of a lump sum distribution for which the taxpayer has elected under section 402(e) of the Internal Revenue Code to be separately taxed for federal income tax purposes for the tax year. The rate of tax is equal to twenty-five percent of the separate federal tax imposed on the amount of the lump sum distribution. A nonresident is liable for this tax only on that portion of the lump sum distribution allocable to Iowa. The total amount of the lump sum distribution subject to separate federal tax shall be included in net income for purposes of determining eligibility under [subsections 2 and 3](#), as applicable, except the amount of the lump sum distribution exempt from state tax in paragraph "b" shall not be included.

b. The amount of a lump sum distribution that is received from a governmental or other pension or retirement plan, including defined benefit or defined contribution plans, annuities, individual retirement accounts, plans maintained or contributed to by an employer, or maintained or contributed to by a self-employed person as an employer, and deferred compensation plans or any earnings attributable to the deferred compensation plans is exempt from state tax imposed under paragraph "a" if received by a person who is disabled, or is fifty-five years of age or older, or is the surviving spouse of an individual or is a survivor having an insurable interest in an individual who would have qualified for the exemption under [this subsection](#) for the tax year.

8. In the case of income derived from the sale or exchange of livestock which qualifies under section 451(e) of the Internal Revenue Code because of drought, the taxpayer may elect to include the income in the taxpayer's net income in the tax year following the year of the sale or exchange in accordance with rules prescribed by the director.

9. If an individual's federal income tax was forgiven for a tax year under section 692 of the Internal Revenue Code, because the individual was killed while serving in an area designated by the president of the United States or the United States Congress as a combat zone, the individual was missing in action and presumed dead, or the individual was killed outside the United States in a terroristic or military action while the individual was a military or civilian employee of the United States, the individual's Iowa income tax is also forgiven for the same tax year.

10. If a taxpayer repays in the current tax year certain amounts of income that were subject to tax under [this subchapter](#) in a prior year and a tax benefit would be allowed under similar circumstances under section 1341 of the Internal Revenue Code, a tax benefit shall be allowed on the Iowa return. The tax benefit shall be the reduced tax for the current tax year due to the deduction for the repaid income or the reduction in tax for the prior year or years due to exclusion of the repaid income. The reduction in tax shall qualify as a refundable tax credit on the return for the current year pursuant to rules prescribed by the director.

11. For tax years beginning on or after January 1, 2023, a taxpayer shall use the same filing status for Iowa income tax purposes as the taxpayer used for federal income tax purposes.

[C35, §6943-f5; C39, §6943.037; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.5; 81 Acts, ch 132, §3; 82 Acts, ch 1023, §2, 31, ch 1064, §1, 2, ch 1226, §1, 2, 6]

83 Acts, ch 101, §86; 83 Acts, ch 179, §3, 20, 22; 85 Acts, ch 243, §1, 2; 86 Acts, ch 1213, §9; 86 Acts, ch 1232, §1; 86 Acts, ch 1236, §3, 4; 87 Acts, ch 214, §2; 87 Acts, 1st Ex, ch 1, §2; 87 Acts, 2nd Ex, ch 1, §2, 3; 88 Acts, ch 1028, §5 – 11; 89 Acts, ch 228, §4, 5; 89 Acts, ch 251, §11; 89 Acts, ch 268, §2, 3; 89 Acts, ch 296, §41; 91 Acts, ch 159, §7; 91 Acts, ch 196, §1; 92 Acts, 2nd Ex, ch 1001, §217, 218, 224; 96 Acts, ch 1166, §3, 4; 96 Acts, ch 1197, §14, 15, 18; 96 Acts, ch 1219, §27; 97 Acts, ch 8, §1, 2; 97 Acts, ch 111, §2 – 4, 7, 8; 97 Acts, ch 158, §11, 49; 99 Acts, ch 151, §4, 89; 2003 Acts, ch 139, §4; 2006 Acts, ch 1112, §1 – 3, 5; 2006 Acts, ch 1158, §8 – 10; 2007 Acts, ch 126, §65, 112, 116; 2009 Acts, ch 41, §263; 2009 Acts, ch 133, §135; 2011 Acts, ch 41, §17, 23, 24; 2012 Acts, ch 1021, §72; 2013 Acts, ch 140, §120, 123, 124; 2014 Acts, ch 1116, §1, 2, 5; 2017 Acts, ch 157, §4; 2018 Acts, ch 1161, §71, 72, 74, 97, 98, 104 – 106, 133, 134; 2020 Acts, ch 1062, §94; 2021 Acts, ch 80, §257, 258; 2021 Acts, ch 177, §1; 2022 Acts, ch 1002, §12 – 14, 17, 18, 25, 26, 28, 29; 2023 Acts, ch 115, §7, 12; 2024 Acts, ch 1094, §2 – 5, 16, 17; 2025 Acts, ch 148, §55 – 57

Referred to in §2.48, 257.21, 421.27, 422.6, 422.7(5)(b), 422.8, 422.10, 422.13, 422.16, 422.16B, 422.16C, 422.21, 422.25A, 422D.2

2018 amendments to subsection 1, paragraph b, subparagraph (2), subparagraph division (b), and to subsections 2 and 3, and striking former subsection 2, are effective January 1, 2023, and apply to tax years beginning on or after that date; 2018 Acts, ch 1161, §133, 134; 2021 Acts, ch 177, §1

2022 amendments to subsection 2, paragraphs a and b effective January 1, 2023, and apply to tax years beginning on or after that date; 2022 Acts, ch 1002, §12, 17, 18, 25, 28, 29

2022 amendments to subsection 3, paragraphs a and b effective January 1, 2023, and apply to tax years beginning on or after that date; 2022 Acts, ch 1002, §13, 17, 18, 26, 28, 29

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

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

2024 amendment to subsection 3, paragraph b applies to tax years beginning on or after January 1, 2025; 2024 Acts, ch 1094, §17

2024 strike of former subsection 6 applies to tax years beginning on or after January 1, 2025; 2024 Acts, ch 1094, §17

2025 amendment to subsection 7 applies retroactively to January 1, 2025, for tax years beginning on or after that date; 2025 Acts, ch 148, §57

Subsection 7 amended

422.5A Tax rates. Repealed by 2024 Acts, ch 1094, §15 – 17.

2024 repeal applies to tax years beginning on or after January 1, 2025; 2024 Acts, ch 1094, §17

422.6 Income from estates or trusts.

1. The tax imposed by [section 422.5](#) less the amounts of nonrefundable credits allowed under [this subchapter](#) apply to and are a charge against estates and trusts with respect to their taxable income, and the rates are the same as those applicable to individuals. The fiduciary shall make the return of income for the estate or trust for which the fiduciary acts, whether the income is taxable to the estate or trust or to the beneficiaries. However, for tax years ending after August 5, 1997, if the trust is a qualified preneed funeral trust as set forth in section 685 of the Internal Revenue Code and the trustee has elected the special tax treatment under section 685 of the Internal Revenue Code, neither the trust nor the beneficiary is subject to Iowa income tax on income accruing to the trust.

2. The beneficiary of a trust who receives an accumulation distribution shall be allowed

credit without interest for the Iowa income taxes paid by the trust attributable to the accumulation distribution in a manner corresponding to the provisions for credit under the federal income tax relating to accumulation distributions as contained in the Internal Revenue Code. The trust is not entitled to a refund of taxes paid on the distributions. The trust shall maintain detailed records to verify the computation of the tax.

[C35, §6943-f6; C39, §**6943.038**; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.6]

83 Acts, ch 179, §4, 25; 84 Acts, ch 1305, §28; 88 Acts, ch 1028, §12; 89 Acts, ch 251, §12; 91 Acts, ch 159, §8; 97 Acts, ch 23, §42; 98 Acts, ch 1078, §4, 11; 99 Acts, ch 95, §4, 12, 13; 2002 Acts, ch 1145, §8; 2006 Acts, ch 1158, §11; 2019 Acts, ch 24, §104; 2020 Acts, ch 1062, §94

Referred to in §422.14, 422.16, 422.25A

422.7 “Net income” — how computed.

The term “*net income*” means the taxable income as properly computed for federal income tax purposes under section 63 of the Internal Revenue Code, with the following adjustments:

1. Subtract interest and dividends from federal securities.
2. Add interest and dividends from foreign securities and from securities of state and other political subdivisions exempt from federal income tax under the Internal Revenue Code, except for those securities the interest and dividends from which are exempt from taxation by the state of Iowa as otherwise provided by law, including:
 - a. Vision Iowa program bonds pursuant to [section 12.71, subsection 8, Code 2020](#).
 - b. School infrastructure program bonds pursuant to [section 12.81, subsection 8](#).
 - c. Iowa jobs program revenue bonds pursuant to [section 12.87, subsection 8](#).
 - d. Iowa utilities commission and Iowa consumer advocate building project bonds pursuant to [section 12.91, subsection 9](#).
 - e. Iowa finance authority beginning farmer loan program bonds pursuant to [section 16.64, subsection 2](#).
 - f. Water pollution control works and drinking facilities financing program bonds pursuant to [section 16.131, subsection 5](#).
 - g. Iowa prison infrastructure revenue bonds pursuant to [section 12.80, subsection 3](#), and [section 16.177, subsection 8](#).
 - h. Quad cities interstate metropolitan authority bonds pursuant to [section 28A.24](#).
 - i. Iowa finance authority 911 program bonds pursuant to [section 34A.20, subsection 6](#).
 - j. Soil and water conservation subdistrict bonds pursuant to [section 161A.22](#).
 - k. Community college residence hall and dormitory bonds pursuant to [section 260C.61](#).
 - l. Community college bond program bonds pursuant to [section 260C.71, subsection 6](#).
 - m. Higher education loan authority bonds pursuant to [section 261A.27](#).
 - n. State board of regents bonds pursuant to sections [262.41](#), [262.51](#), [262.60](#), [262A.8](#), and [263A.6](#).
 - o. Interstate bridges bonds pursuant to [section 313A.36](#).
 - p. Aviation authority bonds pursuant to [section 330A.16](#).
 - q. County health center bonds pursuant to [section 331.441, subsection 2](#), paragraph “c”, subparagraph (7).
 - r. Rural water district bonds pursuant to [section 357A.15](#).
 - s. Urban renewal bonds pursuant to [section 403.9, subsection 2](#).
 - t. Municipal housing project bonds pursuant to [section 403A.12](#).
 - u. Natural hazard mitigation financing program bonds pursuant to [section 16.232, subsection 4](#).
3. Add any federal net operating loss deduction carried over from a taxable year beginning prior to January 1, 2023.
4. Individual taxpayers and married taxpayers who file a joint return or separate returns for Iowa income tax purposes may avail themselves of the disability income exclusion and shall compute the amount of the disability income exclusion subject to the limitations for joint federal income tax return filers provided by section 105(d) of the Internal Revenue Code. The disability income exclusion provided in section 105(d) of the Internal Revenue Code, as amended up to and including December 31, 1982, continues to apply for state income tax purposes for tax years beginning on or after January 1, 1984.

5. a. For tax years beginning in the 2023 calendar year, subtract the amount of federal income taxes paid during the tax year to the extent payment is for a tax year beginning prior to January 1, 2023, and add any federal income tax refunds received during the tax year to the extent the federal income tax was deducted for a tax year beginning prior to January 1, 2023. Federal income taxes paid for a tax year in which an Iowa return was not required to be filed shall not be subtracted.

b. Notwithstanding any other provision of law to the contrary, amounts subtracted or added pursuant to [this subsection](#) shall not be included in the calculation of net income for purposes of [section 422.5, subsection 2 or 3, or section 422.13](#).

6. a. If the adjusted gross income includes income or loss from a small business operated by the taxpayer, an additional deduction shall be allowed in computing the income or loss from the small business if the small business hired for employment in the state during its annual accounting period ending with or during the taxpayer's tax year any of the following:

(1) An individual with a disability domiciled in this state at the time of the hiring who meets any of the following conditions:

(a) Has a physical or mental impairment which substantially limits one or more major life activities.

(b) Has a record of that impairment.

(c) Is regarded as having that impairment.

(2) An individual domiciled in this state at the time of the hiring who meets any of the following conditions:

(a) Has been convicted of a felony in this or any other state or the District of Columbia.

(b) Is on parole pursuant to [chapter 906](#).

(c) Is on probation pursuant to [chapter 907](#), for an offense other than a simple misdemeanor.

(d) Is in a work release program pursuant to [chapter 904, subchapter IX](#).

(3) An individual, whether or not domiciled in this state at the time of the hiring, who is on parole or probation and to whom the interstate compact for adult offender supervision under [chapter 907B](#) applies.

b. (1) The amount of the additional deduction is equal to sixty-five percent of the wages paid to individuals, but shall not exceed twenty thousand dollars per individual, named in paragraph "a", subparagraphs (1), (2), and (3) who were hired for the first time by that business during the annual accounting period for work done in the state. This additional deduction is allowed for the wages paid to those individuals successfully completing a probationary period during the twelve months following the date of first employment by the business and shall be deducted at the close of the annual accounting period.

(2) The additional deduction shall not be allowed for wages paid to an individual who was hired to replace an individual whose employment was terminated within the twelve-month period preceding the date of first employment. However, if the individual being replaced left employment voluntarily without good cause attributable to the employer or if the individual was discharged for misconduct in connection with the individual's employment as determined by the department of workforce development, the additional deduction shall be allowed.

(3) A taxpayer who is a partner of a partnership or a shareholder of a subchapter S corporation, may deduct that portion of wages qualified under [this subsection](#) paid by the partnership or subchapter S corporation based on the taxpayer's pro rata share of the profits or losses from the partnership or subchapter S corporation.

c. For purposes of [this subsection](#):

(1) "Physical or mental impairment" means any physiological disorder or condition, cosmetic disfigurement, or anatomical loss affecting one or more of the body systems or any mental or psychological disorder, including intellectual disability, organic brain syndrome, emotional or mental illness, and specific learning disabilities.

(2) (a) "Small business" means a profit or nonprofit business, including but not limited to an individual, partnership, corporation, joint venture, association, or cooperative, to which the following apply:

(i) It is not an affiliate or subsidiary of a business dominant in its field of operation.

(ii) It has twenty or fewer full-time equivalent positions and not more than the equivalent

of three million dollars in annual gross revenues as computed for the preceding fiscal year or as the average of the three preceding fiscal years.

(iii) It does not include the practice of a profession.

(b) “*Small business*” includes an employee-owned business which has been an employee-owned business for less than three years or which meets the conditions of subparagraph division (a), subparagraph subdivisions (i) through (iii).

(c) For purposes of this definition, “*dominant in its field of operation*” means having more than twenty full-time equivalent positions and more than three million dollars in annual gross revenues, and “*affiliate or subsidiary of a business dominant in its field of operation*” means a business which is at least twenty percent owned by a business dominant in its field of operation, or by partners, officers, directors, majority stockholders, or their equivalents, of a business dominant in that field of operation.

7. a. If the adjusted gross income includes income or loss from a business operated by the taxpayer, and if the business does not qualify for the adjustment under [subsection 6](#), an additional deduction shall be allowed in computing the income or loss from the business if the business hired for employment in the state during its annual accounting period ending with or during the taxpayer’s tax year either of the following:

(1) An individual domiciled in this state at the time of the hiring who meets any of the following conditions:

(a) Has been convicted of a felony in this or any other state or the District of Columbia.

(b) Is on parole pursuant to [chapter 906](#).

(c) Is on probation pursuant to [chapter 907](#), for an offense other than a simple misdemeanor.

(d) Is in a work release program pursuant to [chapter 904, subchapter IX](#).

(2) An individual, whether or not domiciled in this state at the time of the hiring, who is on parole or probation and to whom the interstate compact for adult offender supervision under [chapter 907B](#) applies.

b. The amount of the additional deduction is equal to sixty-five percent of the wages paid to individuals, but shall not exceed twenty thousand dollars per individual, named in paragraph “a”, subparagraphs (1) and (2) who were hired for the first time by that business during the annual accounting period for work done in the state. This additional deduction is allowed for the wages paid to those individuals successfully completing a probationary period during the twelve months following the date of first employment by the business and shall be deducted at the close of the annual accounting period.

c. The additional deduction shall not be allowed for wages paid to an individual who was hired to replace an individual whose employment was terminated within the twelve-month period preceding the date of first employment. However, if the individual being replaced left employment voluntarily without good cause attributable to the employer or if the individual was discharged for misconduct in connection with the individual’s employment as determined by the department of workforce development, the additional deduction shall be allowed.

d. A taxpayer who is a partner of a partnership or a shareholder of a subchapter S corporation, may deduct that portion of wages qualified under [this subsection](#) paid by the partnership or subchapter S corporation based on the taxpayer’s pro rata share of the profits or losses from the partnership or subchapter S corporation.

e. The department shall develop and distribute information concerning the deduction available for businesses employing persons named in paragraph “a”, subparagraphs (1) and (2).

8. Subtract, to the extent included, the amount of social security benefits taxable under section 86 of the Internal Revenue Code.

9. Add interest and dividends from regulated investment companies exempt from federal income tax under the Internal Revenue Code and subtract the loss on the sale or exchange of a share of a regulated investment company held for six months or less to the extent the loss was disallowed under section 852(b)(4)(B) of the Internal Revenue Code.

10. a. Subtract, to the extent included, the amount of a federal, state, or local grant provided to a communications service provider, if the grant is used to install broadband

infrastructure that facilitates broadband service in targeted service areas at or above the download and upload speeds.

b. As used in [this subsection](#), “broadband infrastructure”, “communications service provider”, and “targeted service area” mean the same as defined in [section 8.76](#), respectively.

11. Add, to the extent deducted for federal tax purposes, charitable contributions under section 170 of the Internal Revenue Code to the extent such contribution was made to an organization for the purpose of deposit in the Iowa education savings plan trust established in [chapter 12D](#), and the taxpayer designated that any part of the contribution be used for the direct benefit of any dependent of the taxpayer or any other single beneficiary designated by the taxpayer.

12. a. Subtract, to the extent included, income resulting from the payment by an employer of the taxpayer, whether paid to the taxpayer or to a lender, of principal or interest on any qualified education loan incurred by the taxpayer.

b. If the taxpayer has a deduction in computing federal taxable income under section 221 of the Internal Revenue Code for interest on a qualified education loan, the taxpayer shall recompute for purposes of [this subsection](#) the amount of the deduction under paragraph “a” by not subtracting any amount of income resulting from the employer’s payment of interest on a qualified education loan that was also deducted by the taxpayer under section 221 of the Internal Revenue Code.

c. For purposes of [this subsection](#), “qualified education loan” means the same as defined in section 221 of the Internal Revenue Code.

13. a. For purposes of [this subsection](#):

(1) “Farming business” means the production, care, growing, harvesting, preservation, handling, or storage of crops or forest or fruit trees; the production, care, feeding, management, and housing of livestock; or horticulture, all for intended profit.

(2) “Held” shall be determined with reference to the holding period provisions of section 1223 of the Internal Revenue Code and the federal regulations pursuant thereto.

(3) “Livestock” means the same as defined in [section 717.1](#).

(4) “Materially participated” means the same as “material participation” in section 469(h) of the Internal Revenue Code, except that section 469(h)(3) of the Internal Revenue Code shall not apply.

(5) (a) “Real property used in a farming business” means all tracts of land and the improvements and structures located on such tracts which are in good faith used primarily for a farming business. Buildings which are primarily used or intended for human habitation are deemed to be used in a farming business when the building is located on or adjacent to the parcel used in the farming business. Land and the nonresidential improvements and structures located on such land that shall be considered to be used primarily in a farming business include but are not limited to land, improvements, or structures used for the storage or maintenance of farm machinery or equipment, for the drying, storage, handling, or preservation of agricultural crops, or for the storage of farm inputs, feed, or manure. Real property used in a farming business shall also include woodland, wasteland, pastureland, and idled land used for the conservation of natural resources including soil and water.

(b) Real property classified as agricultural property for Iowa property tax purposes, except real property described in [section 441.21, subsection 12](#), paragraph “a” or “b”, shall be presumed to be real property used in a farming business. However, this presumption is rebuttable if the department shows by a preponderance of evidence that the real property did not meet the requirements of subparagraph division (a).

(6) “Relative” means a person that satisfies one or more of the following conditions:

(a) The individual is related to the taxpayer by consanguinity or affinity within the second degree as determined by common law.

(b) The individual is a lineal descendent of the taxpayer. For purposes of this subparagraph division, “lineal descendent” means children of the taxpayer, including legally adopted children and biological children, stepchildren, grandchildren, great-grandchildren, and any other lineal descendent of the taxpayer.

(c) An entity in which an individual who satisfies the conditions of either subparagraph division (a) or (b) has a legal or equitable interest as an owner, member, partner, or beneficiary.

(7) “Retired farmer” means an individual who is disabled or who is fifty-five years of age or older and who no longer materially participates in a farming business when an exclusion and deduction is claimed under [this subsection](#).

b. Subtract the net capital gain from the sale of real property used in a farming business if one of the following conditions are satisfied:

(1) The taxpayer has materially participated in a farming business for a minimum of ten years and has held the real property used in a farming business for a minimum of ten years. If the taxpayer is a retired farmer, the taxpayer is considered to meet the material participation requirement if the taxpayer materially participated in a farming business for ten years or more in the aggregate, prior to making an election under [this subsection](#).

(2) The taxpayer has held the real property used in a farming business which is sold to a relative of the taxpayer.

c. For a taxpayer who is a retired farmer, subtract the net capital gain from the sale of cattle or horses held by the taxpayer for breeding, draft, dairy, or sporting purposes for a period of twenty-four months or more from the date of acquisition; but only if the taxpayer materially participated in the farming business for five of the eight years preceding the farmer’s retirement or disability and who has sold all or substantially all of the taxpayer’s interest in the farming business by the time the election under this paragraph is made.

d. For a taxpayer who is a retired farmer, subtract the net capital gain from the sale of breeding livestock, other than cattle and horses, if the livestock is held by the taxpayer for a period of twelve months or more from the date of acquisition; but only if the taxpayer materially participated in the farming business for five of the eight years preceding the farmer’s retirement or disability and has sold all or substantially all of the taxpayer’s interest in the farming business by the time the election under this paragraph is made.

e. A taxpayer who is a retired farmer may make, subject to the limitations described in paragraphs “f” and “g”, a single, lifetime election to exclude all qualifying capital gains under paragraphs “b”, “c”, and “d”.

f. A taxpayer who is a retired farmer who elects to exclude capital gains under paragraph “b”, “c”, or “d” shall not claim the beginning farmer tax credit under [section 422.11E](#) or the exclusion for net income received pursuant to a farm tenancy agreement in [subsection 14](#), in the tax year in which this election is made or in any subsequent year.

g. A taxpayer who is a retired farmer who claims the beginning farmer tax credit under [section 422.11E](#) shall not, in the same year, make an election under [this subsection](#). A taxpayer who is a retired farmer and who elects to exclude the net income received from a farm tenancy agreement under [subsection 14](#), shall not, in the same tax year or in any subsequent tax year, make the election under [this subsection](#).

h. Married individuals who file separate state income tax returns shall allocate their combined annual net capital gain exclusion under paragraphs “b”, “c”, and “d” to each spouse in the proportion that each spouse’s respective net capital gain bears to the total net capital gain.

i. The department shall establish criteria, by rule, relating to whether and how a surviving spouse may claim the income exclusion for which a deceased retired farmer would have been eligible under [this subsection](#).

14. a. Subtract, to the extent included, net income received by an eligible individual pursuant to a farm tenancy agreement covering real property held by the eligible individual for ten or more years, if the eligible individual materially participated in a farming business for ten or more years in the aggregate.

b. An individual who elects to exclude income received pursuant to a farm tenancy agreement under [this subsection](#) shall not claim any of the following in the tax year in which the election is made or in any succeeding year:

(1) The capital gain exclusion under [subsection 13](#).

(2) The beginning farmer tax credit under [section 422.11E](#).

c. Married individuals who file separate state income tax returns shall allocate their combined annual exclusion limit to each spouse in the proportion that each spouse’s respective net income from a farm tenancy agreement bears to the total net income from a farm tenancy agreement.

d. The department shall establish criteria, by rule, relating to whether and how a surviving spouse may claim the income exclusion for which a deceased eligible individual would have been eligible under [this subsection](#).

e. Net income from a farm tenancy agreement earned, received, or reported by an entity taxed as a partnership for federal tax purposes, an S corporation, or a trust or estate is not eligible for the election and deduction in [this subsection](#), even if such net income ultimately passes through to an eligible individual.

f. For purposes of [this subsection](#):

(1) “*Eligible individual*” means an individual who is disabled or who is fifty-five years of age or older at the time the election is made, who no longer materially participates in a farming business at the time the election is made, and who, as an owner-lessor, is party to a farm tenancy agreement.

(2) “*Farm tenancy agreement*” means a written agreement outlining the rights and obligations of an owner-lessor and a tenant-lessee where the tenant-lessee has a farm tenancy as defined in [section 562.1A](#). A “*farm tenancy agreement*” includes cash leases, crop share leases, or livestock share leases.

(3) “*Farming business*” means the production, care, growing, harvesting, preservation, handling, or storage of crops or forest or fruit trees; the production, care, feeding, management, and housing of livestock; or horticulture, all intended for profit.

(4) “*Held*” shall be determined with reference to the holding period provisions of section 1223 of the Internal Revenue Code and the federal regulations pursuant thereto.

(5) “*Livestock*” means the same as defined in [section 717.1](#).

(6) “*Materially participated*” means the same as “*material participation*” in section 469(h) of the Internal Revenue Code, except that section 469(h)(3) of the Internal Revenue Code shall not apply.

15. Subtract, to the extent included, the amount of federal Segal AmeriCorps education award payments.

16. Subtract, to the extent included, payments received by an individual providing unskilled in-home health-related care services pursuant to [section 249.3, subsection 2, paragraph “a”, subparagraph \(2\)](#), to a member of the individual caregiver’s family. For purposes of [this subsection](#), a member of the individual caregiver’s family includes a spouse, parent, stepparent, child, stepchild, brother, stepbrother, sister, stepsister, lineal ancestor, or lineal descendant, and such persons by marriage or adoption. A health care professional licensed by an examination board designated in [section 147.13, subsections 1 through 10](#), is not eligible for the exemption authorized in [this subsection](#).

17. If the taxpayer is owner of an individual development account certified under [chapter 541A](#) at any time during the tax year, deductions of all of the following shall be allowed:

a. Contributions made to the account by persons and entities, other than the taxpayer, as authorized in [chapter 541A](#).

b. The amount of any state match payments authorized under [section 541A.3, subsection 1](#).

c. Earnings from the account.

18. a. For a taxpayer who is sixty-five years of age or older and whose net income is less than one hundred thousand dollars, subtract, to the extent not otherwise deducted in computing federal taxable income, the amounts paid by the taxpayer for the purchase of health benefits coverage or insurance for the taxpayer or taxpayer’s spouse or dependent.

b. For purposes of [this subsection](#), “*net income*” means net income as properly computed under [this section](#) without regard to the deduction in [this subsection](#) and with the following additional adjustments:

(1) Add back any amount of pensions or other retirement income received from any source which is not taxable under [this subchapter](#), including but not limited to amounts deductible under [subsections 8, 19, 20, and 21](#).

(2) Add back any amount of itemized or standard deduction, personal exemption deduction, or qualified business income deduction that was allowed as a deduction from federal adjusted gross income in computing federal taxable income under the Internal Revenue Code.

19. a. Subtract, to the extent included, the total amount received from a governmental or other pension or retirement plan, including defined benefit or defined contribution plans, annuities, individual retirement accounts, plans maintained or contributed to by an employer, or maintained or contributed to by a self-employed person as an employer, and deferred compensation plans or any earnings attributable to the deferred compensation plans received by a person who is any of the following:

(1) Disabled.

(2) Fifty-five years of age or older.

(3) The surviving spouse of an individual or a survivor having an insurable interest in an individual who would have qualified for the exemption under [this subsection](#) for the tax year.

b. Married taxpayers who file separate state income tax returns shall allocate their combined annual exclusion amount to each spouse in the proportion that each spouse's respective income received from a pension or retirement plan bears to the total combined pension or retirement pay received.

c. (1) A taxpayer who is not disabled or fifty-five years of age or older and who receives a pension amount provided pursuant to [section 97B.49B](#) or [97B.49C](#), or [chapter 97A](#), [410](#), or [411](#) as a surviving spouse may exclude the amount received from the pension in the tax year as a result of the death of the decedent, regardless of whether the decedent would have qualified for the exemption in the tax year.

(2) A taxpayer who is not disabled or fifty-five years of age or older and who receives other pension or retirement pay not specified in subparagraph (1) as a surviving spouse or as a survivor with an insurable interest in an individual who would have qualified for the exemption for the tax year may only exclude the amount received from a pension or retirement plan in the tax year as a result of the death of the decedent.

20. a. Subtract, to the extent included, retirement pay received by a taxpayer from the federal government for military service performed in the armed forces, the armed forces military reserve, or national guard.

b. The exclusion of retirement pay under [this subsection](#) is in addition to any exclusion provided under [subsection 19](#).

21. a. Subtract, to the extent included, amounts received as survivor benefits by a taxpayer from the federal government pursuant to 10 U.S.C. §1447, et seq.

b. The exclusion of survivor benefits under [this subsection](#) is in addition to any exclusion provided under [subsection 19](#).

22. a. Subtract the maximum contribution that may be deducted for Iowa income tax purposes as a participant in the Iowa educational savings plan trust pursuant to [section 12D.3, subsection 1](#). For purposes of this paragraph, a participant who makes a contribution on or before the date prescribed in [section 422.21](#) for making and filing an individual income tax return, excluding extensions, or the date for making and filing an individual income tax return determined by the director pursuant to an order issued under [section 421.17, subsection 30](#), may elect to be deemed to have made the contribution on the last day of the preceding calendar year. The director, after consultation with the treasurer of state, shall prescribe by rule the manner and method by which a participant may make an election authorized by the preceding sentence.

b. Add the amount resulting from the cancellation of a participation agreement refunded to the taxpayer as a participant in the Iowa educational savings plan trust to the extent previously deducted as a contribution to the trust.

c. (1) Add, to the extent previously deducted as a contribution to the trust, the amount resulting from a withdrawal or transfer made by the taxpayer from the Iowa educational savings plan trust for purposes other than any of the following:

(a) The payment of qualified higher education expenses.

(b) The payment of tuition to an elementary or secondary school if the tuition amounts are qualified education expenses.

(c) A change in beneficiaries under, or transfer to another account within, the Iowa educational savings plan trust, or a transfer to the Iowa ABLE savings plan trust, provided such change or transfer is permitted under [section 12D.6, subsection 5](#).

(d) The payment of expenses for fees, books, supplies, and equipment required for the participation of a beneficiary in an apprenticeship program.

(e) The payment of qualified education loan repayments.

(f) (i) A recontribution of a refund of any qualified higher education expenses from an eligible educational institution to the extent that such refund has been recontributed to the Iowa educational savings plan trust described in [chapter 12D](#) and meets all of the following criteria:

(A) The recontribution is made to the same account from which the original withdrawal was made.

(B) The recontribution occurs within sixty days of the date of refund.

(C) The recontribution amount does not exceed the amount refunded by the eligible educational institution.

(ii) A deduction under paragraph “a” shall not be taken for the amount of the recontribution.

(g) A direct trustee-to-trustee transfer to a Roth individual retirement account in accordance with the rules under section 529(c)(3)(E) of the Internal Revenue Code.

(2) For purposes of this paragraph:

(a) “*Apprenticeship program*” means a program registered and certified with the United States secretary of labor under section 1 of the National Apprenticeship Act, 29 U.S.C. §50.

(b) “*Elementary or secondary school*” means all of the following:

(i) An elementary or secondary school in this state which is accredited under [section 256.11](#), and adheres to the provisions of the federal Civil Rights Act of 1964 and [chapter 216](#).

(ii) An elementary or secondary school located out of state that educates a beneficiary who meets the definition of “*children requiring special education*” in [section 256B.2](#), if the elementary or secondary school is accredited under the laws of the state in which it is located and adheres to the federal Civil Rights Act of 1964 and applicable state law analogous to [chapter 216](#).

(c) “*Qualified education expenses*” and “*tuition*” all mean the same as defined in [section 12D.1, subsection 2](#).

(d) “*Qualified education loan*” means the same as defined in [section 12D.1, subsection 2](#).

(e) “*Qualified education loan repayments*” means amounts paid as principal or interest on any qualified education loan of the beneficiary or a sibling of the beneficiary. The repayment amounts shall not exceed ten thousand dollars in the aggregate for the beneficiary or the sibling, respectively.

(f) (i) “*Qualified higher education expenses*” means the same as defined in section 529(e)(3) of the Internal Revenue Code.

(ii) For purposes of this subparagraph division (c), “*Internal Revenue Code*” means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended and in effect on January 1, 2020. This definition shall not be construed to include any amendment to the Internal Revenue Code enacted after the date specified in the preceding sentence, including any amendment with retroactive applicability or effectiveness.

(g) “*Sibling*” means the same as defined in [section 12D.1, subsection 2](#).

23. Subtract, to the extent included, income from interest and earnings received from the Iowa educational savings plan trust created in [chapter 12D](#).

24. a. (1) Subtract the amount contributed during the tax year on behalf of a designated beneficiary that is a resident of this state to the Iowa ABLE savings plan trust or to the qualified ABLE program with which the state has contracted pursuant to [section 12I.10](#), not to exceed the maximum contribution level established in [section 12I.3, subsection 1](#), paragraph “d”, or [section 12I.10, subsection 2](#), paragraph “a”, as applicable.

(2) This paragraph “a” shall not apply to any amount of contribution that represents a transfer from the Iowa educational savings plan trust created in [chapter 12D](#) that meets the requirements of [subsection 22](#), paragraph “c”, subparagraph (1), subparagraph division (c), and that was previously deducted as a contribution to the Iowa educational savings plan trust.

b. Add the amount resulting from the cancellation of a participation agreement refunded to the taxpayer as an account owner in the Iowa ABLE savings plan trust or the qualified

ABLE program with which the state has contracted pursuant to [section 12I.10](#) to the extent previously deducted pursuant to [this subsection](#) by the taxpayer or any other person as a contribution to the trust or qualified ABLE program, or to the extent the amount was previously deducted by the taxpayer or any other person pursuant to [subsection 22](#), paragraph “a”, and qualified as a transfer under paragraph “a”, subparagraph (2), of [this subsection](#).

c. Add the amount resulting from a withdrawal made by a taxpayer from the Iowa ABLE savings plan trust or the qualified ABLE program with which the state has contracted pursuant to [section 12I.10](#) for purposes other than the payment of qualified disability expenses to the extent previously deducted pursuant to [this subsection](#) by the taxpayer or any other person as a contribution to the trust or qualified ABLE program, or to the extent the amount was previously deducted by the taxpayer or any other person pursuant to [subsection 22](#), paragraph “a”, and qualified as a transfer under paragraph “a”, subparagraph (2), of [this subsection](#).

25. Subtract, to the extent included, income from interest and earnings received from the Iowa ABLE savings plan trust created in [chapter 12I](#), or received by a resident account owner from a qualified ABLE program with which the state has contracted pursuant to [section 12I.10](#).

26. Subtract, to the extent not otherwise excluded, the amount of withdrawals from qualified retirement plan accounts made during the tax year if the taxpayer or taxpayer’s spouse is a member of the Iowa national guard or reserve forces of the United States who is ordered to national guard duty or federal active duty. In addition, a penalty for such withdrawals shall not be assessed by the state.

27. a. Subject to the restrictions in paragraph “b”, subtract the sum of the following amounts:

(1) The amount of contributions made by an account holder during the tax year to the account holder’s first-time homebuyer savings accounts, not to exceed the following annual limit:

(a) (i) For married taxpayers who file a joint return and maintain a joint first-time homebuyer savings account, four thousand dollars.

(ii) For any other account holder, two thousand dollars.

(b) For the tax year beginning in the 2018 calendar year and for each subsequent tax year, the director shall multiply each dollar amount set forth in subparagraph division (a), subparagraph subdivisions (i) and (ii), by the latest cumulative inflation factor, shall round off the resulting product to the nearest one dollar, and shall incorporate the result into the income tax forms and instructions for each tax year. For purposes of this subparagraph division, “*cumulative inflation factor*” means the product of the annual inflation factor for the 2018 calendar year and all annual inflation factors for subsequent calendar years as determined by [section 422.4, subsection 1](#), paragraph “a”. The cumulative inflation factor applies to all tax years beginning on or after January 1 of the calendar year for which the latest annual inflation factor has been determined. Notwithstanding any other provision, the annual inflation factor for the 2018 calendar year is one hundred percent.

(2) To the extent included, income from interest received from the account holder’s first-time homebuyer savings accounts.

b. (1) The subtraction in paragraph “a” shall not exceed the following aggregate lifetime limit:

(a) For married taxpayers who file a joint return and maintain a joint first-time homebuyer savings account, an amount equal to the product of the deductible amount determined for the year in paragraph “a”, subparagraph (1), subparagraph division (a), subparagraph subdivision (i), multiplied by ten.

(b) For any other account holder, an amount equal to the product of the deductible amount determined for the year in paragraph “a”, subparagraph (1), subparagraph division (a), subparagraph subdivision (ii), multiplied by ten.

(2) The subtraction in paragraph “a” shall not be allowed to an account holder upon one of the following dates, whichever occurs first:

(a) January 1 of the tenth calendar year after the calendar year during which the account holder first opened a first-time homebuyer savings account.

(b) The date on which funds within an account holder's first-time homebuyer savings account are withdrawn for purposes other than the payment or reimbursement of the designated beneficiary's eligible home costs in connection with a qualified home purchase. Any amount transferred between different first-time homebuyer savings accounts of the same account holder by a person other than the account holder shall not be considered a withdrawal for purposes of this subparagraph division (b).

c. (1) Add, to the extent previously deducted under paragraph "a", subparagraph (1), the amount withdrawn during the tax year from an account holder's first-time homebuyer savings account for purposes other than the payment or reimbursement of the designated beneficiary's eligible home costs in connection with a qualified home purchase.

(2) For purposes of this paragraph "c", any amount remaining in an account holder's first-time homebuyer savings account on January 1 of the tenth calendar year after the calendar year during which the account holder first opened a first-time homebuyer savings account shall be considered immediately withdrawn under subparagraph (1).

(3) For purposes of this paragraph "c", the transfer of amounts between different first-time homebuyer accounts of the same account holder by a person other than the account holder shall not cause such transfer to be considered a withdrawal under subparagraph (1).

d. For any amount considered a withdrawal required to be added to net income pursuant to paragraph "c", the account holder shall be assessed a penalty equal to ten percent of the amount of the withdrawal. The penalty shall not apply to withdrawals made by reason of the death of the account holder, or to withdrawals made pursuant to a garnishment, levy, or other order, including but not limited to an order in bankruptcy following a filing for protection under the federal bankruptcy code, 11 U.S.C. §101 et seq.

e. Add, to the extent deducted for federal tax purposes, interest, taxes, and other miscellaneous expenses to the extent such amounts are eligible home costs in connection with a qualified home purchase that were paid or reimbursed from funds in a first-time homebuyer savings account.

f. For purposes of [this subsection](#), "account holder", "designated beneficiary", "eligible home costs", "first-time homebuyer savings account", and "qualified home purchase" mean the same as defined in [section 541B.2](#).

28. Subtract, to the extent included, military student loan repayments received by the taxpayer serving on active duty in the national guard or armed forces military reserve or on active duty status in the armed forces.

29. Subtract, to the extent included, all pay received by the taxpayer from the federal government for military service performed while on active duty status in the armed forces, the armed forces military reserve, or the national guard.

30. a. If the taxpayer, while living, donates one or more of the taxpayer's human organs to another human being for immediate human organ transplantation during the tax year, subtract, to the extent not otherwise excluded, the following unreimbursed expenses incurred by the taxpayer and related to the taxpayer's organ donation:

- (1) Travel expenses.
- (2) Lodging expenses.
- (3) Lost wages.

b. The maximum amount that may be deducted under paragraph "a" is ten thousand dollars. A taxpayer shall only take the deduction under [this subsection](#) once. If a deduction is taken under [this subsection](#), the amount of expenses shall not be considered medical care expenses under section 213 of the Internal Revenue Code for state tax purposes.

c. For purposes of [this subsection](#), "human organ" means all or part of a liver, pancreas, kidney, intestine, lung, or bone marrow.

31. Subtract, to the extent included, the amount of any grant provided pursuant to the injured veterans grant program pursuant to [section 35A.14](#).

32. Subtract, to the extent included, amounts received from the veterans trust fund for any of the following items:

- a. Travel expenses pursuant to [section 35A.13, subsection 8](#), paragraph "a".
- b. Unemployment assistance pursuant to [section 35A.13, subsection 8](#), paragraph "c".

33. Subtract, to the extent not otherwise deducted in computing federal taxable income,

the amounts paid by the taxpayer to the department of veterans affairs for the purpose of providing grants under the injured veterans grant program established in [section 35A.14](#). Amounts subtracted under [this subsection](#) shall not be used by the taxpayer in computing the amount of charitable contributions as defined by section 170 of the Internal Revenue Code.

34. Subtract, to the extent included, income from interest and earnings received from a burial trust fund as defined in [section 523A.102](#).

35. Subtract, to the extent included, the amount of victim compensation awards paid under the victim compensation program, victim restitution payments received pursuant to [chapter 910](#) or [915](#), and any damages awarded by a court, and received by the taxpayer, in a civil action filed by the victim against the offender, during the tax year.

36. Subtract, to the extent included, the amount of any biodiesel production refund provided pursuant to [section 423.4](#).

37. A taxpayer who is an eligible educator as defined in section 62(d)(1) of the Internal Revenue Code is allowed to take the deduction for certain expenses of elementary and secondary school teachers allowed under section 62(a)(2)(D) of the Internal Revenue Code in computing net income for state tax purposes in excess of the amount of the taxpayer's deduction for certain expenses of elementary and secondary school teachers for federal tax purposes allowed under section 62(a)(2)(D) of the Internal Revenue Code, but not to exceed five hundred dollars.

38. Any adjustment subtracted from federal taxable income for an adjustment year pursuant to section 6225 of the Internal Revenue Code and the regulations thereunder shall be added back in computing net income of the partnership and the partners for state tax purposes for the adjustment year.

39. a. Section 163(j) of the Internal Revenue Code does not apply in computing net income for state tax purposes. If the taxpayer's federal adjusted gross income for the tax year was increased or decreased by reason of the application of section 163(j) of the Internal Revenue Code, the taxpayer shall recompute net income for state tax purposes under rules prescribed by the director.

b. For any tax year in which paragraph "a" does not apply, a taxpayer shall not be permitted to deduct any amount of interest expense paid or accrued in a previous taxable year that is allowed as a deduction in the current taxable year by reason of the carryforward of disallowed business interest provisions of section 163(j)(2) of the Internal Revenue Code, if either of the following apply:

(1) The interest expense was originally paid or accrued during a tax year in which paragraph "a" applied.

(2) The interest expense was originally paid or accrued during a tax year in which the taxpayer was not required to file an Iowa return.

40. Notwithstanding any other provision of law to the contrary, any funds received by a student through a higher education institution to support the student's financial needs as a result of the COVID-19 pandemic pursuant to §§3504, 18004, or 18008 of Pub. L. No. 116-136 shall not be included in the student's Iowa net income for any tax year ending after March 27, 2020.

41. Reserved.

42. a. Subtract the following percentage of the net capital gain from the sale or exchange of capital stock of a qualified corporation for which an election is made by an employee-owner:

(1) For the tax year beginning in the 2023 calendar year, thirty-three percent.

(2) For the tax year beginning in the 2024 calendar year, sixty-six percent.

(3) For tax years beginning on or after January 1, 2025, one hundred percent.

b. (1) An employee-owner is entitled to make one irrevocable lifetime election to exclude the net capital gain from the sale or exchange of capital stock of one qualified corporation which capital stock was acquired by the employee-owner while employed and on account of employment by such qualified corporation.

(2) The election shall apply to all subsequent sales or exchanges of qualifying capital stock of the elected corporation within fifteen years of the date of the election, provided that the subsequent sales or exchanges were of capital stock in the same qualified corporation and

were acquired by the employee-owner while employed and on account of employment by such qualified corporation.

(3) The election shall apply to qualifying capital stock that has been transferred by inter vivos gift from the employee-owner to the employee-owner's spouse or to a trust for the benefit of the employee-owner's spouse following the transfer. This subparagraph (3) shall apply to a spouse only if the spouse was married to the employee-owner on the date of the sale or exchange or the date of death of the employee-owner.

(4) If the employee-owner dies after having sold or exchanged qualifying capital stock without having made an election under [this subsection](#), the surviving spouse or, if there is no surviving spouse, the personal representative of the employee-owner's estate, may make the election that would have qualified under [this subsection](#).

(5) The election shall be made in the manner and form prescribed by the department and shall be included with the taxpayer's state income tax return for the taxable year in which the election is made.

c. For purposes of [this subsection](#):

(1) "Capital stock" means common or preferred stock, either voting or nonvoting. "Capital stock" does not include stock rights, stock warrants, stock options, or debt securities.

(2) "Employee-owner" means an individual who owns capital stock in a qualified corporation for at least ten years, which capital stock was acquired by the individual while employed and on account of employment by such corporation for at least ten cumulative years.

(3) "Personal representative" means the same as defined in [section 633.3](#), or if there is no such personal representative appointed, then the person legally authorized to perform substantially the same functions.

(4) (a) "Qualified corporation" means, with respect to an employee-owner, a corporation which, at the time of the first sale or exchange for which an election is made by the employee-owner under [this subsection](#), meets all of the following conditions:

(i) The corporation employed individuals in this state for at least ten years.

(ii) The corporation has had at least five shareholders for the ten years prior to the first sale or exchange under [this subsection](#).

(iii) The corporation has had at least two shareholders or groups of shareholders who are not related for the ten years prior to the first sale or exchange under [this subsection](#). Two persons are considered related when, under section 318 of the Internal Revenue Code, one is a person who owns, directly or indirectly, capital stock that if directly owned would be attributed to the other person, or is the brother, sister, aunt, uncle, cousin, niece, or nephew of the other person who owns capital stock either directly or indirectly.

(b) "Qualified corporation" includes any member of an Iowa affiliated group if the Iowa affiliated group includes a member that has employed individuals in this state for at least ten years. For purposes of this subparagraph division, "Iowa affiliated group" means an affiliated group that has made a valid election to file an Iowa consolidated income tax return under [section 422.37](#) in the year in which the deduction under [this subsection](#) is claimed. "Member" includes any entity included in the consolidated return under [section 422.37, subsection 2](#), for the tax year in which the deduction is claimed.

(c) "Qualified corporation" also includes any corporation that was a party to a reorganization that was entirely or substantially tax free if such reorganization occurred during or after the employment of the employee-owner.

43. Subtract, to the extent included, the amount of an education savings account payment under [section 257.11B](#) received by the taxpayer for payment of qualified educational expenses.

44. a. For purposes of this subsection, "held" shall be determined with reference to the holding period provisions of section 1223 of the Internal Revenue Code and the federal regulations pursuant thereto.

b. Subtract the net capital gain from the following:

(1) The sale of cattle or horses held by the taxpayer for breeding, draft, dairy, or sporting purposes for a period of twenty-four months or more from the date of acquisition, but only

if the taxpayer received more than one-half of the taxpayer's gross income from farming or ranching operations during the tax year.

(2) The sale of breeding livestock, other than cattle or horses, held by the taxpayer for a period of twelve months or more from the date of acquisition, but only if the taxpayer received more than one-half of the taxpayer's gross income from farming or ranching operations during the tax year.

c. A retired farmer as defined in [subsection 13](#) is not eligible for the exclusion in [this subsection](#) if taking the exclusion allowed in [subsection 13](#), paragraph “c” or “d”, in the same tax year.

45. a. Subtract, to the extent included, the amount of any qualifying state disaster recovery new housing grant issued to an individual or business by the economic development authority.

b. For purposes of [this subsection](#), “qualifying state disaster recovery new housing grant” means an award of a state disaster recovery new housing grant that was applied for between August 20, 2024, and December 31, 2024, and approved and issued by the economic development authority.

c. [This subsection](#) is repealed January 1, 2028.

[C35, §6943-f7; C39, §6943.039; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.7; 81 Acts, ch 132, §4 – 6, 9 – 11; 82 Acts, ch 1023, §3 – 8, 25, 30, 31, ch 1203, §2]

83 Acts, ch 174, §1, 3; 83 Acts, ch 179, §5, 6, 21, 24; 84 Acts, ch 1305, §29, 30; 85 Acts, ch 230, §4; 86 Acts, ch 1232, §2; 86 Acts, ch 1236, §5; 86 Acts, ch 1238, §18; 86 Acts, ch 1241, §14; 86 Acts, ch 1243, §33; 87 Acts, 1st Ex, ch 1, §3; 87 Acts, 2nd Ex, ch 1, §4 – 6; 88 Acts, ch 1028, §13 – 15; 89 Acts, ch 175, §2; 89 Acts, ch 225, §18, 19; 89 Acts, ch 228, §6, 7, 11; 89 Acts, ch 249, §2; 89 Acts, ch 251, §13; 89 Acts, ch 268, §4; 89 Acts, ch 285, §3; 90 Acts, ch 1171, §2; 90 Acts, ch 1195, §1; 90 Acts, ch 1251, §52; 90 Acts, ch 1271, §1901, 1903; 91 Acts, ch 196, §2; 91 Acts, ch 210, §1; 92 Acts, ch 1225, §1, 5; 92 Acts, ch 1247, §30, 31, 39; 93 Acts, ch 97, §14, 20; 94 Acts, ch 1165, §12, 46; 94 Acts, ch 1166, §2, 3, 12; 94 Acts, ch 1183, §77 – 79, 97; 95 Acts, ch 5, §1, 14; 95 Acts, ch 152, §3, 7; 95 Acts, ch 206, §1, 4; 96 Acts, ch 1106, §7; 96 Acts, ch 1129, §113; 96 Acts, ch 1186, §23; 97 Acts, ch 133, §1; 97 Acts, ch 135, §4, 9; 98 Acts, ch 1100, §57; 98 Acts, ch 1172, §12, 14; 98 Acts, ch 1174, §5, 6; 98 Acts, ch 1177, §1 – 6; 2000 Acts, ch 1103, §2, 3; 2000 Acts, ch 1163, §5, 6; 2000 Acts, ch 1194, §8, 21; 2001 Acts, ch 15, §1, 2; 2001 Acts, ch 116, §6, 28; 2001 Acts, ch 127, §4, 5, 9, 10; 2001 Acts, 2nd Ex, ch 6, §21, 22, 25, 26, 37; 2002 Acts, ch 1069, §4, 11, 14; 2002 Acts, ch 1150, §4; 2002 Acts, ch 1151, §5, 36; 2003 Acts, ch 139, §5, 11, 12; 2003 Acts, ch 142, §5, 6, 11; 2003 Acts, 1st Ex, ch 2, §184, 205; 2004 Acts, ch 1086, §66; 2004 Acts, 1st Ex, ch 1001, §38, 41, 42; 2005 Acts, ch 2, §1, 2, 6; 2005 Acts, ch 19, §53; 2005 Acts, ch 24, §4, 10, 11; 2005 Acts, ch 127, §1, 2; 2006 Acts, ch 1013, §1, 2; 2006 Acts, ch 1106, §2, 4; 2006 Acts, ch 1112, §4, 5; 2006 Acts, ch 1140, §4, 10, 11; 2006 Acts, ch 1158, §12; 2006 Acts, ch 1179, §71; 2006 Acts, 1st Ex, ch 1001, §41, 49; 2007 Acts, ch 27, §2, 11; 2007 Acts, ch 54, §35; 2007 Acts, ch 162, §4, 13; 2007 Acts, ch 176, §2, 4; 2007 Acts, ch 186, §8; 2008 Acts, ch 1011, §4, 9; 2008 Acts, ch 1131, §2 – 4; 2008 Acts, ch 1178, §8, 17; 2009 Acts, ch 118, §6, 12; 2009 Acts, ch 133, §136 – 139; 2009 Acts, ch 161, §3, 4; 2010 Acts, ch 1107, §1, 2; 2011 Acts, ch 41, §2, 5, 7, 18, 19, 23 – 25; 2011 Acts, ch 105, §1 – 3; 2011 Acts, ch 113, §57, 60; 2011 Acts, ch 131, §137, 139, 140, 142; 2012 Acts, ch 1019, §129; 2012 Acts, ch 1021, §73; 2012 Acts, ch 1059, §12; 2012 Acts, ch 1072, §37; 2012 Acts, ch 1110, §7; 2012 Acts, ch 1123, §1, 32; 2012 Acts, ch 1136, §33, 39 – 41; 2012 Acts, ch 1138, §133, 134; 2013 Acts, ch 1, §9, 11, 12; 2013 Acts, ch 70, §1, 2; 2013 Acts, ch 100, §23, 27; 2014 Acts, ch 1080, §85, 98; 2014 Acts, ch 1093, §19, 21; 2014 Acts, ch 1116, §3 – 5; 2015 Acts, ch 1, §9, 11, 12; 2015 Acts, ch 116, §27, 29, 30; 2015 Acts, ch 125, §1, 7; 2015 Acts, ch 137, §87, 91, 162; 2015 Acts, ch 138, §72, 73, 161; 2016 Acts, ch 1011, §68; 2017 Acts, ch 116, §1, 10; 2017 Acts, ch 170, §37, 45; 2018 Acts, ch 1026, §129; 2018 Acts, ch 1161, §58, 65, 67, 75, 76, 97, 98, 108 – 112, 114 – 118, 133, 134, 144, 145, 147, 148; 2019 Acts, ch 46, §3; 2020 Acts, ch 1062, §94; 2020 Acts, ch 1113, §1, 2; 2020 Acts, ch 1118, §62, 71, 77, 80, 82, 100, 103, 104, 111 – 113, 118, 120 – 122, 126, 129 – 132, 136 – 139; 2021 Acts, ch 80, §259 – 261; 2021 Acts, ch 86, §21, 31, 32; 2021 Acts, ch 139, §6, 9 – 11; 2021 Acts, ch 154, §1, 2; 2021 Acts, ch 177, §1, 5, 7, 8, 52, 54, 55, 57; 2022 Acts, ch 1002, §1 – 7, 10, 11, 27 – 29; 2022 Acts, ch 1138, §70 – 72; 2023 Acts, ch 1, §8, 10, 11; 2023 Acts, ch 19, §1118; 2023 Acts, ch 64, §103, 113; 2023 Acts, ch 66, §96, 97;

2023 Acts, ch 115, §1, 4 – 6, 8, 9, 12, 55 – 58; 2024 Acts, ch 1054, §16; 2024 Acts, ch 1138, §12 – 14; 2024 Acts, ch 1147, §2, 3; 2024 Acts, ch 1160, §1, 2; 2024 Acts, ch 1170, §369; 2025 Acts, ch 28, §14, 23, 25, 26; 2025 Acts, ch 148, §11, 12

Referred to in §12D.9, 12L.8, 12L.10, 422.4, 422.5, 422.8, 422.16, 422.35, 425.17, 541A.2, 541A.3, 541B.6

For business expense deductions using forgiven federal Paycheck Protection Program (PPP) proceeds in computing net income for certain fiscal-year filers under the federal Consolidated Appropriations Act, 2021; see 2021 Acts, ch 177, §9, 10

Subsection 34 applies retroactively to January 1, 2021, for tax years beginning on or after that date; 2021 Acts, ch 154, §2

2021 amendment to subsection 37 applies retroactively to January 1, 2021, for tax years beginning on or after that date; 2021 Acts, ch 139, §11

2021 amendment to subsection 38 applies retroactively to July 1, 2020, and applies to federal adjustments and federal partnership adjustments that have a final determination date after July 1, 2020; 2021 Acts, ch 86, §32

2021 repeal of subsection 39, former paragraph b, applies retroactively to January 1, 2021, for tax years beginning on or after that date; 2021 Acts, ch 177, §57

2021 repeal of former subsection 39A applies retroactively to January 1, 2021, for tax years beginning on or after that date, and for qualified property placed in service on or after that date; 2021 Acts, ch 177, §54

2022 amendment to subsection 13 is effective January 1, 2023, and applies to sales consummated on or after January 1, 2023, for tax years beginning on or after January 1, 2023; 2022 Acts, ch 1002, §10, 11

Subsection 14 is effective January 1, 2023, and applies to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1002, §5, 6

2022 amendment to subsection 19 by 2022 Acts, ch 1002, §27 is effective January 1, 2023, and applies to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1002, §28, 29

Former subsection 41 applies retroactively to January 1, 2022, for tax years beginning on or after January 1, 2022, but before January 1, 2023, for payments received in the 2022 calendar year; 2022 Acts, ch 1138, §72

Subsection 42 is effective January 1, 2023, and applies to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1002, §2, 3

Repeal of former subsections 39, 39B, 43, and 53, relating to bonus depreciation under section 168 of the Internal Revenue Code or increased expensing under section 179 of the Internal Revenue Code, applies retroactively to property placed in service on or after January 1, 2023; 2018 Acts, ch 1161, §118, 133, 134; 2021 Acts, ch 177, §1; 2023 Acts, ch 115, §4, 6

Subsection 43 applies retroactively to tax years beginning on or after January 1, 2023; 2023 Acts, ch 1, §11

2023 amendment to subsection 4 applies retroactively to January 1, 2023, for tax years beginning on or after that date; 2023 Acts, ch 115, §12

2023 amendment to subsection 5, paragraph a applies retroactively to January 1, 2023, for tax years beginning on or after that date; 2023 Acts, ch 115, §12

2023 amendment to subsection 13, paragraph a, subparagraph (4) applies retroactively to January 1, 2023, for tax years beginning on or after that date; 2023 Acts, ch 115, §58

2023 amendment to subsection 14, paragraph f, subparagraph (6) applies retroactively to January 1, 2023, for tax years beginning on or after that date; 2023 Acts, ch 115, §58

2024 amendments to subsection 19, paragraphs a and c apply retroactively to January 1, 2024, for tax years beginning on or after that date; 2024 Acts, ch 1138, §14

Subsection 22, paragraph c, subparagraph (1), subparagraph division (g) applies retroactively to January 1, 2024, for tax years beginning on or after that date; 2024 Acts, ch 1147, §3

Subsection 44 applies retroactively to January 1, 2023, for tax years beginning on or after that date; 2024 Acts, ch 1160, §2

Subsection 45 applies retroactively to tax years beginning on or after January 1, 2024; 2025 Acts, ch 28, §26

Former subsection 41 repealed by its own terms effective January 1, 2026; 2022 Acts, ch 1138, §70

Subsection 2, NEW paragraph u

Subsection 14, paragraph a amended

Subsection 14, paragraph f, NEW subparagraph (4) and former subparagraphs (4) and (5) renumbered as (5) and (6)

NEW subsection 45

422.8 Allocation of income earned in Iowa and other states.

Under rules prescribed by the director, net income of individuals, estates, and trusts shall be allocated as follows:

1. a. The amount of income tax paid to another state or foreign country by a resident taxpayer of this state on income derived from sources outside of Iowa shall be allowed as a credit against the tax computed under [this chapter](#), except that the credit shall not exceed what the amount of the Iowa tax would have been on the same income which was taxed by the other state or foreign country. The limitation on this credit shall be computed according to the following formula: Income earned outside of Iowa and taxed by another state or foreign country shall be divided by the total income of the resident taxpayer of Iowa. This quotient multiplied by the net Iowa tax as determined on the total income of the taxpayer as if entirely earned in Iowa shall be the maximum tax credit against the Iowa net tax.

b. (1) For purposes of paragraph “a”, a resident partner of an entity taxed as a partnership for federal tax purposes, a resident shareholder of an S corporation, or a resident beneficiary of an estate or trust shall be deemed to have paid the resident partner’s, resident shareholder’s, or resident beneficiary’s pro rata share of entity-level income tax paid by the partnership, S corporation, estate, or trust to another state or foreign country on income that is also subject to tax under this subchapter, but only if the entity provides the resident partner, resident shareholder, or resident beneficiary a statement that documents the resident partner’s, resident shareholder’s, or resident beneficiary’s share of the income derived in the other state or foreign country, the income tax liability of the entity in that state or foreign country, and the income tax paid by the entity to that state or foreign country.

(2) For purposes of paragraph “a”, a resident shareholder of a regulated investment

company shall be deemed to have paid the shareholder's pro rata share of entity-level income tax paid by the regulated investment company to another state or foreign country and treated as paid by its shareholders pursuant to section 853 of the Internal Revenue Code, but only if the regulated investment company provides the resident shareholder a statement that documents the resident shareholder's share of the income derived in the other state or foreign country, the income tax liability of the regulated investment company in that state or foreign country, and the income tax paid by the regulated investment company to that state or foreign country.

2. a. Nonresident's net income allocated to Iowa is the net income, or portion of net income, which is derived from a business, trade, profession, or occupation carried on within this state or income from any property, trust, estate, or other source within Iowa. However, income derived from a business, trade, profession, or occupation carried on within this state and income from any property, trust, estate, or other source within Iowa shall not include distributions from pensions, including defined benefit or defined contribution plans, annuities, individual retirement accounts, and deferred compensation plans or any earnings attributable thereto so long as the distribution is directly related to an individual's documented retirement and received while the individual is a nonresident of this state. If a business, trade, profession, or occupation is carried on partly within and partly without the state, only the portion of the net income which is fairly and equitably attributable to that part of the business, trade, profession, or occupation carried on within the state is allocated to Iowa for purposes of [section 422.5, subsection 1](#), paragraph "b", and [section 422.13](#) and income from any property, trust, estate, or other source partly within and partly without the state is allocated to Iowa in the same manner, except that annuities, interest on bank deposits and interest-bearing obligations, and dividends are allocated to Iowa only to the extent to which they are derived from a business, trade, profession, or occupation carried on within the state. Net income described in [section 29C.24, subsection 3](#), paragraph "a", subparagraph (3), and paragraph "b", subparagraph (2), shall not be allocated and apportioned to the state, as provided in [section 29C.24](#).

b. A resident's income, or the income of an estate or trust with a situs in Iowa, allocable to Iowa is the income determined under [section 422.7](#) reduced by items of income and expenses from an S corporation that carries on business within and without the state when those items of income and expenses pass directly to the shareholders under provisions of the Internal Revenue Code. These items of income and expenses are increased by the greater of the following:

(1) The net income or loss of the corporation which is fairly and equitably attributable to this state under [section 422.33, subsections 2 and 3](#).

(2) Any cash or the value of property distributions which are made only to the extent that they are paid from income upon which Iowa income tax has not been paid, as determined under rules of the director, reduced by the amount of any of these distributions that are made to enable the shareholder to pay federal income tax on items of income, loss, and expenses from the corporation.

3. Taxable income of resident and nonresident estates and trusts shall be allocated in the same manner as individuals.

4. a. The director may, in accordance with the provisions of [this subsection](#), and when cost-efficient, administratively feasible, and of mutual benefit to both states, enter into reciprocal agreements with tax administration agencies of other states to further tax administration and eliminate duplicate withholding by exempting from Iowa taxation income earned from personal services in Iowa by residents of another state, if the other state provides a tax exemption for the same type of income earned from personal services by Iowa residents in the other state. For purposes of [this subsection](#), "income earned from personal services" means wages, salaries, commissions, and tips, and earned income from other sources. [This subsection](#) does not authorize the department to withhold taxes on deferred compensation payments, pension distributions, and annuity payments when paid to a nonresident of the state of Iowa. All the terms of the agreements shall be described in the rules adopted by the department.

b. A reciprocal agreement entered into on or after April 4, 2002, with a tax administration

agency of another state shall not take effect until such agreement has been authorized by a constitutional majority of each house of the general assembly and approved by the governor. A reciprocal agreement in effect on or after January 1, 2002, shall not be terminated by the state of Iowa unless the termination has been authorized by a constitutional majority of each house of the general assembly and approved by the governor. An amendment to an existing reciprocal agreement does not constitute a new agreement.

5. If the resident or part-year resident is a shareholder of an S corporation which has in effect an election under subchapter S of the Internal Revenue Code, [subsections 1 and 3](#) do not apply to any income taxes paid to another state or foreign country on the income from the corporation which has in effect an election under subchapter S of the Internal Revenue Code.

[C35, §6943-f8; C39, [§6943.037, 6943.040, 6943.050](#); C46, 50, 54, 58, §422.5, 422.8, 422.18; C62, 66, 71, 73, 75, 77, 79, 81, §422.5, 422.8; [82 Acts, ch 1226, §3, 6](#)]

[83 Acts, ch 16, §1, 2](#); [85 Acts, ch 243, §3](#); [88 Acts, ch 1028, §16](#); [92 Acts, ch 1224, §1, 2, 4](#); [94 Acts, ch 1149, §1, 2](#); [96 Acts, ch 1197, §16 – 18](#); [97 Acts, ch 111, §5, 6, 8](#); [2002 Acts, ch 1005, §10, 11](#); [2002 Acts, ch 1069, §5, 12, 14](#); [2009 Acts, ch 133, §242](#); [2011 Acts, ch 25, §143](#); [2013 Acts, ch 140, §121, 123, 124](#); [2016 Acts, ch 1095, §3, 14, 15](#); [2018 Acts, ch 1161, §77, 97, 98, 119, 133, 134](#); [2020 Acts, ch 1062, §94](#); [2020 Acts, ch 1118, §115 – 117](#); [2021 Acts, ch 177, §1](#)

Referred to in [§2.48, 29C.24, 260E.2, 422.5, 422.12B, 422.13, 422.16, 422.25A](#)

2018 strike of former subsection 4 takes effect January 1, 2023, and applies to tax years beginning on or after that date; [2018 Acts, ch 1161, §134](#); [2021 Acts, ch 177, §1](#)

422.9 Carry over of Iowa net operating loss.

Any Iowa net operating loss carried over from a taxable year beginning prior to January 1, 2023, may be deducted as provided in [section 422.9, subsection 3](#), Code 2018.

[2018 Acts, ch 1161, §120, 133, 134](#); [2021 Acts, ch 177, §1](#)

Referred to in [§422.4, 422.5, 422.16](#)

For text, history, and footnotes pertaining to deductions from net income prior to January 1, 2023, see [§422.9, Code 2022](#)

Section is effective January 1, 2023, and applies to tax years beginning on or after that date; [2018 Acts, ch 1161, §133, 134](#); [2021 Acts, ch 177, §1](#)

422.10 Research activities credit.

1. The taxes imposed under [this subchapter](#) shall be reduced by a state tax credit for increasing research activities in this state through the tax year beginning on or after January 1, 2025, but before January 1, 2026.

a. An individual shall only be eligible for the credit provided in [this section](#) if the business conducting the research meets all of the following requirements:

(1) (a) The business is engaged in the manufacturing, life sciences, agriscience, software engineering, or aviation and aerospace industry.

(b) Persons that shall not be considered to be engaged in the manufacturing, life sciences, agriscience, software engineering, or aviation and aerospace industry, and thus are not eligible for the credit, include but are not limited to all of the following:

(i) (A) A person engaged in agricultural production as defined in [section 423.1](#) except if the credit is based on conducting agriscience research as defined in subparagraph part (B) and the person or the business is engaged in bovine and porcine veterinary research, the person shall not be considered to be engaged in agricultural production as defined in [section 423.1](#).

(B) As used in this subparagraph subdivision, “*agriscience research*” means research that is approved and overseen or monitored by a board that includes, at a minimum, an individual who was employed with, contracted by, or professionally trained by an accredited university as a researcher in an applied animal science and an individual holding a doctor of veterinary medicine or a doctoral degree in an applied animal science; is conducted in this state in an applied animal science; improves the scientific knowledge base or increases scientific innovation, performance, or viability within this state; the results of the research are evaluated by a person educated and trained in statistics by an accredited university and capable of applying generally accepted methodologies to the results in accordance with industry standards in an applied animal science; and the results of the research are made available to the public by submission to or publication in a journal, magazine, or similar

periodical, if the statistical evaluation indicated the research is reliable and relevant to an applied animal science.

(C) As used in this subparagraph subdivision, “*applied animal science*” includes the areas of animal science, veterinary medicine, nutritional science, genetic science, and microbiology.

(ii) A person who is a contractor, subcontractor, builder, or a contractor-retailer that engages in commercial and residential repair and installation, including but not limited to heating or cooling installation and repair, plumbing and pipe fitting, security system installation, and electrical installation and repair. For purposes of this subparagraph subdivision, “*contractor-retailer*” means a business that makes frequent retail sales to the public or to other contractors and that also engages in the performance of construction contracts.

(iii) A finance or investment company.

(iv) A retailer.

(v) A wholesaler.

(vi) A transportation company.

(vii) A publisher.

(viii) An agricultural cooperative association as defined in [section 502.102](#).

(ix) A real estate company.

(x) A collection agency.

(xi) An accountant.

(xii) An architect.

(2) The business claims and is allowed a research credit for such qualified research expenses under section 41 of the Internal Revenue Code for the same taxable year as it is claiming the credit provided in [this section](#).

(3) The credit provided in [this section](#) is claimed on a return filed by the due date for filing the return, including extensions of time. If timely claimed, the business shall not increase the credit claim on an amended return or otherwise unless either of the following apply:

(a) The amended return is filed within six months of the due date for filing the return which includes extensions of time.

(b) The increase results from an audit or examination by the internal revenue service or the department.

b. (1) For individuals, the credit equals the sum of the following:

(a) Six and one-half percent of the excess of qualified research expenses during the tax year over the base amount for the tax year based upon the state’s apportioned share of the qualifying expenditures for increasing research activities.

(b) Six and one-half percent of the basic research payments determined under section 41(e)(1)(A) of the Internal Revenue Code during the tax year based upon the state’s apportioned share of the qualifying expenditures for increasing research activities.

(2) The state’s apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to total qualified research expenditures.

(3) For the purpose of calculating the state’s apportioned share of the qualifying expenditures for increasing research activities in subparagraph (2), the following criteria shall apply only to the determination of qualified research expenditures in this state:

(a) Wages paid to an employee for qualified services, or contract research expenses paid to a third party for the performance of qualified research services, shall only constitute qualified research expenses in this state if the services are performed in this state, and if the following conditions are met, as applicable:

(i) For qualified services performed by employees, during the period of the tax year that the business is engaging in one or more research projects, a majority of the total services performed by the employee for the business are directly related to those research projects.

(ii) For the performance of qualified research services by a third party, during the period of the business’s tax year that the third party is performing research services for the business, a majority of the total services performed by the person for the third party are directly related to those research projects of the business.

(b) The substantially all rule for determining qualified services as described in section 41(b)(2)(B) of the Internal Revenue Code and [Treas. Reg. 1.41-2\(d\)\(2\)](#) does not apply.

(c) Amounts paid for the right to use computers as described in section 41(b)(2)(A)(iii) of the Internal Revenue Code shall not be qualified research expenses in this state.

(d) For tax years beginning on or after January 1, 2023, but before January 1, 2027, amounts paid for supplies as defined in section 41(b)(2)(C) of the Internal Revenue Code shall only constitute qualified research expenses in this state if the supplies directly relate to research performed in this state and shall be limited to the following allowable percentages:

(i) For the tax year beginning on or after January 1, 2023, but before January 1, 2024, eighty percent of the amounts paid for supplies directly related to research performed in this state.

(ii) For the tax year beginning on or after January 1, 2024, but before January 1, 2025, sixty percent of the amounts paid for supplies directly related to research performed in this state.

(iii) For the tax year beginning on or after January 1, 2025, but before January 1, 2026, forty percent of the amounts paid for supplies directly related to research performed in this state.

(e) For tax years beginning on or after January 1, 2026, amounts paid for supplies as defined in section 41(b)(2)(C) of the Internal Revenue Code shall not be qualified research expenses in this state.

c. In lieu of the credit amount computed in paragraph “b”, subparagraph (1), subparagraph division (a), a taxpayer shall elect to compute the credit amount for qualified research expenses incurred in this state in a manner consistent with the alternative simplified credit described in section 41(c)(4) of the Internal Revenue Code if the taxpayer elected or was required to use the alternative simplified credit method for federal income tax purposes for the same taxable year.

d. For purposes of the alternate credit computation method in paragraph “c”, the following criteria shall apply:

(1) The credit percentages applicable to qualified research expenses described in section 41(c)(4)(A) and clause (ii) of section 41(c)(4)(B) of the Internal Revenue Code are four and fifty-five hundredths percent and one and ninety-five hundredths percent, respectively.

(2) Basic research payments and qualified research expenses shall only include amounts for research conducted in this state. A taxpayer’s qualified research expenses in this state and average prior year qualified research expenses in this state shall be determined in accordance with the criteria in [subsection 1](#), paragraph “b”, subparagraph (3).

2. For purposes of [this section](#), an individual may claim a research credit incurred by a partnership, S corporation, limited liability company, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual’s earnings of a partnership, S corporation, limited liability company, estate, or trust.

3. a. For purposes of [this section](#), “base amount” means the product of the fixed-based percentage times the average annual gross receipts of the taxpayer for the four taxable years preceding the taxable year for which the credit is being determined, but in no event shall the base amount be less than fifty percent of the qualified research expenses for the credit year.

b. For purposes of [this section](#), “basic research payment” and “qualified research expense” mean the same as defined for the federal credit for increasing research activities under section 41 of the Internal Revenue Code, except as otherwise described in [subsection 1](#), paragraph “b”, subparagraph (3), and [subsection 1](#), paragraph “d”, subparagraph (2).

4. a. (1) The following percentage of any credit in excess of the tax liability imposed by [section 422.5](#) less the amounts of nonrefundable credits allowed under [this subchapter](#) for the taxable year shall be refunded with interest in accordance with [section 421.60, subsection 2](#), paragraph “e”:

(a) For the tax year beginning on or after January 1, 2023, but before January 1, 2024, ninety percent.

(b) For the tax year beginning on or after January 1, 2024, but before January 1, 2025, eighty percent.

(c) For the tax year beginning on or after January 1, 2025, but before January 1, 2026, seventy percent.

(d) For the tax year beginning on or after January 1, 2026, but before January 1, 2027, sixty percent.

(2) In lieu of claiming a refund pursuant to this paragraph, a taxpayer may elect to have the overpayment otherwise eligible for a refund shown on the taxpayer's final, completed return credited to the tax liability for the following taxable year.

b. Commencing with tax years beginning on or after January 1, 2027, fifty percent of any credit in excess of the tax liability imposed by [section 422.5](#) less the amounts of nonrefundable credits allowed under [this subchapter](#) for the taxable year shall be refunded with interest in accordance with [section 421.60, subsection 2](#), paragraph "e". In lieu of claiming a refund, a taxpayer may elect to have the overpayment otherwise eligible for a refund shown on the taxpayer's final, completed return credited to the tax liability for the following taxable year.

c. In applying the credit in [this section](#) against tax liability and computing the eligible refund amount, the credit shall be applied after all nonrefundable credits available to the taxpayer are applied, but before any other refundable credit available to the taxpayer is applied.

5. The department shall by February 15 of each year issue an annual report to the general assembly containing the total amount of all claims made by employers under [this section](#) and the portion of the claims issued as refunds, for all claims processed during the previous calendar year. The report shall contain the name of each claimant for whom a tax credit in excess of five hundred thousand dollars was issued and the amount of the credit received.

6. [This section](#) is repealed January 1, 2027.

83 Acts, ch 179, §8, 25; 85 Acts, ch 230, §5; 86 Acts, ch 1007, §22; 87 Acts, 2nd Ex, ch 1, §10; 88 Acts, ch 1028, §21; 90 Acts, ch 1171, §3; 91 Acts, ch 159, §10; 91 Acts, ch 215, §2; 93 Acts, ch 113, §2, 4; 94 Acts, ch 1166, §7, 11; 95 Acts, ch 152, §4, 7; 97 Acts, ch 23, §43; 97 Acts, ch 135, §6, 9; 98 Acts, ch 1078, §6, 10; 99 Acts, ch 95, §7, 12, 13; 2000 Acts, ch 1146, §4, 9, 11; 2000 Acts, ch 1194, §9, 21; 2001 Acts, ch 127, §6, 9, 10; 2002 Acts, ch 1069, §7, 10, 14; 2003 Acts, ch 139, §7, 11, 12; 2004 Acts, ch 1073, §17; 2005 Acts, ch 24, §6, 10, 11; 2006 Acts, ch 1140, §5, 10, 11; 2006 Acts, ch 1158, §14, 15; 2007 Acts, ch 12, §4, 7, 8; 2008 Acts, ch 1011, §5, 9; 2009 Acts, ch 179, §131, 153, 233; 2011 Acts, ch 41, §11, 12, 14, 16; 2012 Acts, ch 1007, §4, 7, 8; 2013 Acts, ch 1, §4, 7, 8; 2014 Acts, ch 1076, §3, 6, 7; 2015 Acts, ch 1, §4, 7, 8; 2017 Acts, ch 157, §5, 12, 14; 2018 Acts, ch 1161, §4, 15, 16, 32 – 34, 43, 45, 85, 97, 98; 2019 Acts, ch 152, §57, 58; 2020 Acts, ch 1062, §94; 2020 Acts, ch 1118, §57, 59, 60; 2022 Acts, ch 1002, §33 – 37, 43, 44; 2025 Acts, ch 136, §45, 59, 100 – 103, 136, 138

Referred to in §2.48, 422.16

Subsection 1, paragraph a, subparagraph (3) effective January 1, 2023, and applies to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1002, §43, 44

Subsection 1, paragraph b, subparagraph (3) effective January 1, 2023, and applies to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1002, §43, 44

2022 amendment to subsection 1, paragraphs c and d effective January 1, 2023, and applies to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1002, §43, 44

2022 amendment to subsection 3, paragraph b effective January 1, 2023, and applies to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1002, §43, 44

2022 amendment to subsection 4 effective January 1, 2023, and applies to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1002, §43, 44

For preservation of existing rights relating to tax incentives issued, awarded, or allowed before December 31, 2025, see [2025 Acts, ch 136, §58](#)

2025 amendment to subsection 1, paragraph a, subparagraph (1), subparagraph division (b), subparagraph subdivision (i) applies retroactively to January 1, 2017, for tax years beginning on or after that date; 2025 Acts, ch 136, §138

2025 strike of former subsection 5 effective December 31, 2025; 2025 Acts, ch 136, §59

Subsection 1, unnumbered paragraph 1 amended

Subsection 1, paragraph a, subparagraph (1), subparagraph division (b), subparagraph subdivision (i) amended

Subsection 1, paragraph b, subparagraph (3), subparagraph division (d), subparagraph subdivision (iv) stricken

Subsection 1, paragraph b, subparagraph (3), subparagraph division (e) amended

Subsection 5 stricken and former subsection 6 renumbered as 5

NEW subsection 6

422.10A Geothermal tax credit. Repealed by 2018 Acts, ch 1161, §42, 44, 46.

422.10B Renewable chemical production tax credit.

The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a renewable chemical production tax credit allowed under [section 15.319](#). [This section](#) is repealed January 1, 2041.

[2016 Acts, ch 1065, §12, 15, 16; 2020 Acts, ch 1062, §94; 2023 Acts, ch 116, §15](#)

Referred to in [§422.16](#)

422.10C Sustainable aviation fuel tax credit.

The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a sustainable aviation fuel tax credit allowed under [section 15.533](#). [This section](#) is repealed January 1, 2037.

[2025 Acts, ch 136, §125, 129, 130](#)

Referred to in [§422.16](#)

Sustainable aviation fuel tax credits issued pursuant to the sustainable aviation tax credit program shall not be issued by the economic development authority prior to July 1, 2026, and shall not be claimed by a taxpayer prior to September 1, 2026; [2025 Acts, ch 136, §127](#)

Section applies retroactively to January 1, 2025, for tax years beginning on or after that date; [2025 Acts, ch 136, §130](#)

NEW section

422.11 Franchise tax credit.

1. The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a franchise tax credit. A taxpayer who is a shareholder in a financial institution, as defined in section 581 of the Internal Revenue Code, which has in effect for the tax year an election under subchapter S of the Internal Revenue Code, or is a member of a financial institution organized as a limited liability company under [chapter 524](#) that is taxed as a partnership for federal income tax purposes, shall compute the amount of the tax credit by recomputing the amount of tax under [this subchapter](#) by reducing the taxable income of the taxpayer by the taxpayer's pro rata share of the items of income and expense of the financial institution and subtracting the credits allowed under [section 422.12](#). This recomputed tax shall be subtracted from the amount of tax computed under [this subchapter](#) after the deduction for credits allowed under [section 422.12](#). The resulting amount, which shall not exceed the taxpayer's pro rata share of the franchise tax paid by the financial institution, is the amount of the franchise tax credit allowed.

2. For a taxpayer making an election under [section 422.16C](#) that is also a financial institution subject to the franchise tax under [subchapter V](#), the tax imposed under [section 422.16C](#) shall be reduced by a franchise tax credit equal to the amount of franchise tax paid by the taxpayer for the same year.

[97 Acts, ch 154, §1, 3; 2004 Acts, ch 1141, §46; 2006 Acts, ch 1158, §16; 2007 Acts, ch 161, §2, 22; 2020 Acts, ch 1062, §94; 2023 Acts, ch 78, §1, 6, 7](#)

Referred to in [§2.48, 422.16, 422.16C](#)

2023 amendment applies retroactively to January 1, 2022, for tax years beginning on or after that date; [2023 Acts, ch 78, §7](#)

422.11A New jobs tax credit.

1. The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a new jobs tax credit. An industry which has entered into an agreement under [chapter 260E](#) and which has increased its base employment level by at least ten percent within the time set in the agreement or, in the case of an industry without a base employment level, adds new jobs within the time set in the agreement is entitled to this new jobs tax credit for the tax year selected by the industry. In determining if the industry has increased its base employment level by ten percent or added new jobs, only those new jobs directly resulting from the project covered by the agreement and those directly related to those new jobs shall be counted.

2. The amount of this credit is equal to the product of six percent of the taxable wages, as defined in [section 96.1A, subsection 36](#), upon which an employer is required to contribute to the state unemployment compensation fund, times the number of new jobs existing in the tax year that directly result from the project covered by the agreement or new jobs that directly result from those new jobs. The tax year chosen by the industry shall either begin or end during the period beginning with the date of the agreement and ending with the date by which the project is to be completed under the agreement. An individual may claim the new jobs tax credit allowed a partnership, subchapter S corporation, or estate or trust electing to have

the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, subchapter S corporation, or estate or trust. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following ten tax years or until depleted, whichever is the earlier.

3. For purposes of [this section](#), “agreement”, “industry”, “new job”, and “project” mean the same as defined in [section 260E.2](#) and “base employment level” means the number of full-time jobs an industry employs at the plant site which is covered by an agreement under [chapter 260E](#) on the date of that agreement.

85 Acts, ch 32, §80; 89 Acts, ch 251, §14; 91 Acts, ch 159, §11; 2007 Acts, ch 161, §3, 22; 2020 Acts, ch 1062, §92, 94; 2021 Acts, ch 76, §70

Referred to in §2.48, 422.16

422.11B Minimum tax credit. Repealed by its own terms; 2018 Acts, ch 1161, §121.

422.11C Workforce housing investment tax credit.

The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a workforce housing investment tax credit allowed under [section 15.355, subsection 3](#).

2014 Acts, ch 1130, §19, 24 – 26; 2020 Acts, ch 1062, §94

Referred to in §422.16

422.11D Historic preservation tax credit.

The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a historic preservation tax credit allowed under [chapter 404A](#).

2000 Acts, ch 1194, §10; 2005 Acts, ch 179, §64; 2007 Acts, ch 161, §5, 22; 2007 Acts, ch 165, §4, 9; 2012 Acts, ch 1138, §31; 2014 Acts, ch 1118, §8, 12; 2015 Acts, ch 30, §116; 2017 Acts, ch 29, §119; 2020 Acts, ch 1062, §94

Referred to in §422.16

422.11E Beginning farmer tax credit program.

The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a beginning farmer tax credit as allowed under [chapter 16, subchapter VIII, part 5, subpart B](#).

2019 Acts, ch 161, §13, 18, 19; 2020 Acts, ch 1062, §94

Referred to in §16.82, 422.7(13)(f), 422.7(13)(g), 422.7(14)(b), 422.16

422.11F Investment tax credits.

1. The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by an investment tax credit authorized pursuant to [section 15E.27](#) for an investment in a qualifying business.

2. The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by investment tax credits authorized pursuant to [sections 15.508 and 15.496](#).

2002 Acts, ch 1006, §7, 13; 2006 Acts, ch 1158, §19; 2007 Acts, ch 161, §7, 22; 2014 Acts, ch 1130, §36; 2015 Acts, ch 138, §120, 126, 127; 2020 Acts, ch 1062, §94; 2025 Acts, ch 136, §46, 59, 72

Referred to in §422.16

For preservation of existing rights relating to tax incentives issued, awarded, or allowed before December 31, 2025, see 2025 Acts, ch 136, §58

2025 amendment to subsection 2 effective December 31, 2025; 2025 Acts, ch 136, §59

Section amended

422.11G Venture capital fund investment tax credit. Repealed by 2010 Acts, ch 1138, §25, 26.

422.11H Endow Iowa tax credit.

The tax imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by an endow Iowa tax credit authorized pursuant to [section 15E.305](#).

2003 Acts, 1st Ex, ch 2, §84, 89; 2007 Acts, ch 161, §9, 22; 2020 Acts, ch 1062, §94

Referred to in §422.16

422.11I Geothermal heat pump tax credit. Repealed by 2018 Acts, ch 1161, §42, 44, 46. See §422.12N.

422.11J Tax credits for wind energy production and renewable energy.

The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by tax credits for wind energy production allowed under [chapter 476B](#) and for renewable energy allowed under [chapter 476C](#).

2004 Acts, ch 1175, §404, 418; 2005 Acts, ch 160, §1, 14; 2007 Acts, ch 161, §11, 22; 2020 Acts, ch 1062, §94

Referred to in §422.16

422.11K Economic development region revolving fund contribution tax credit. Repealed by 2010 Acts, ch 1138, §15, 16.

422.11L Solar energy system tax credits.

1. The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a solar energy system tax credit equal to the sum of the following:

a. Sixty percent of the federal residential energy efficient property credit related to solar energy provided in section 25D(a)(1) and section 25D(a)(2) of the Internal Revenue Code, not to exceed five thousand dollars.

b. Sixty percent of the federal energy credit related to solar energy systems provided in section 48(a)(2)(A)(i)(II) and section 48(a)(2)(A)(i)(III) of the Internal Revenue Code, not to exceed twenty thousand dollars.

c. Notwithstanding paragraphs “a” and “b” of [this subsection](#), for installations occurring on or after January 1, 2016, the applicable percentages of the federal residential energy efficiency property tax credit related to solar energy and the federal energy credit related to solar energy systems shall be fifty percent.

2. Any credit in excess of the tax liability is not refundable but the excess for the tax year may be credited to the tax liability for the following ten years or until depleted, whichever is earlier. The director of revenue shall adopt rules to implement [this section](#).

3. a. An individual may claim the tax credit allowed a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual’s earnings of the partnership, limited liability company, S corporation, estate, or trust.

b. A taxpayer who is eligible to claim a credit under [this section](#) shall not be eligible to claim a renewable energy tax credit under [chapter 476C](#).

c. A taxpayer may claim more than one credit under [this section](#), but may claim only one credit per separate and distinct solar installation. The department shall establish criteria, by rule, for determining what constitutes a separate and distinct installation.

d. (1) A taxpayer must submit an application to the department for each separate and distinct solar installation. The application must be approved by the department in order to claim the tax credit. The application must be filed by May 1 following the year of the installation of the solar energy system.

(2) The department shall accept and approve applications on a first-come, first-served basis until the maximum amount of tax credits that may be claimed pursuant to [subsection 4](#) is reached. If for a tax year the aggregate amount of tax credits applied for exceeds the amount specified in [subsection 4](#), the department shall establish a wait list for tax credits. Valid applications filed by the taxpayer by May 1 following the year of the installation but not approved by the department shall be placed on a wait list in the order the applications were received and those applicants shall be given priority for having their applications approved in succeeding years. Placement on a wait list pursuant to this subparagraph shall not constitute a promise binding the state. The availability of a tax credit and approval of a tax credit application pursuant to [this section](#) in a future year is contingent upon the availability of tax credits in that particular year.

4. a. Except as provided in [subsection 7](#), the cumulative value of tax credits claimed

annually by applicants pursuant to [this section](#) shall not exceed five million dollars. Of this amount, at least one million dollars shall be reserved for claims associated with or resulting from residential solar energy system installations. In the event that the total amount of claims submitted for residential solar energy system installations in a tax year is an amount less than one million dollars, the remaining unclaimed reserved amount shall be made available for claims associated with or resulting from nonresidential solar energy system installations received for the tax year.

b. If an amount of tax credits available for a tax year pursuant to paragraph “a” goes unclaimed, the amount of the unclaimed tax credits shall be made available for the following tax year in addition to, and cumulated with, the amount available pursuant to paragraph “a” for the following tax year.

5. On or before January 1, annually, the department shall submit a written report to the governor and the general assembly regarding the number and value of tax credits claimed under [this section](#), and any other information the department may deem relevant and appropriate.

6. For purposes of [this section](#), “Internal Revenue Code” means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended and in effect on January 1, 2016. This definition shall not be construed to include any amendment to the Internal Revenue Code enacted after January 1, 2016, including any amendment with retroactive applicability or effectiveness.

7. a. Notwithstanding any other law to the contrary, the department may review or reconsider the following as if the credit did not expire:

(1) Applications for installations that were completed prior to the 2022 calendar year that were denied solely due to the expiration of the credit provided in [subsection 1](#), paragraph “a”, regardless of whether the applicant appealed the denial.

(2) Pending applications and new applications for the credit provided in [subsection 1](#), paragraph “a”, for installations that were completed during the 2021 calendar year as long as the application is received by June 30, 2022.

(3) The department shall use the original submission date of applications described in this paragraph to determine the order for reviewing such applications.

b. The cumulative value of tax credits in [subsection 3](#), paragraph “d”, subparagraph (2), shall not limit the amount of annual tax credits that may be awarded for valid applications that qualify pursuant to [this subsection](#).

c. A tax credit awarded pursuant to [this subsection](#) may be first claimed for the tax year beginning during the 2022 calendar year.

2012 Acts, ch 1121, §7, 10, 11; 2014 Acts, ch 1121, §1 – 5; 2014 Acts, ch 1141, §77, 79, 80; 2015 Acts, ch 30, §117, 210; 2015 Acts, ch 124, §1, 2, 9, 10; 2016 Acts, ch 1128, §3, 4, 20; 2016 Acts, ch 1138, §40, 41; 2017 Acts, ch 157, §6; 2020 Acts, ch 1062, §94; 2022 Acts, ch 1138, §66 – 69; 2023 Acts, ch 64, §67

Referred to in §422.16, 422.33, 422.60, 476C.2, 533.329

Subsection 7 and 2022 amendment to subsection 4, paragraph a apply retroactively to tax years beginning on or after January 1, 2022; 2022 Acts, ch 1138, §69

422.11M Agricultural assets transfer tax credit. Repealed by 2019 Acts, ch 161, §15, 18, 19.

422.11N Ethanol promotion tax credit. Repealed by its own terms; 2006 Acts, ch 1175, §14.

422.11O E-85 gasoline promotion tax credit.

1. As used in [this section](#), unless the context otherwise requires:

a. “E-85 gasoline”, “ethanol”, “gasoline”, and “retail dealer” mean the same as defined in [section 214A.1](#).

b. “Motor fuel pump” means the same as defined in [section 214.1](#).

c. “Sell” means to sell on a retail basis.

d. “Tax credit” means the E-85 gasoline promotion tax credit as provided in [this section](#).

2. The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by an E-85 gasoline promotion tax credit for each tax year that the taxpayer is eligible to claim the tax credit under [this subsection](#).

a. In order to be eligible, all of the following must apply:

(1) The taxpayer is a retail dealer who sells and dispenses E-85 gasoline through a motor fuel pump located at the retail dealer's retail motor fuel site during the calendar year or parts of the calendar year for which the tax credit is claimed as provided in [this section](#).

(2) The retail dealer complies with requirements of the department to administer [this section](#).

b. The tax credit shall apply to E-85 gasoline that meets the standards for that classification as provided in [section 214A.2](#).

3. For a retail dealer whose tax year is on a calendar year basis, the retail dealer shall calculate the amount of the tax credit by multiplying a designated rate of sixteen cents by the retail dealer's total E-85 gasoline gallonage as provided in [sections 452A.31](#) and [452A.32](#).

4. For a retail dealer whose tax year is not on a calendar year basis, the retail dealer shall calculate the tax credit as follows:

a. If a retail dealer has not claimed a tax credit in the retail dealer's previous tax year, the retail dealer may claim the tax credit in the retail dealer's current tax year for that period beginning on January 1 of the retail dealer's previous tax year to the last day of the retail dealer's previous tax year. For that period the retail dealer shall calculate the tax credit in the same manner as a retail dealer who will calculate the tax credit on December 31 of that calendar year as provided in [subsection 3](#).

b. (1) For the period beginning on the first day of the retail dealer's tax year until December 31, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who calculates the tax credit on that same December 31 as provided in [subsection 3](#).

(2) For the period beginning on January 1 to the end of the retail dealer's tax year, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who will calculate the tax credit on the following December 31 as provided in [subsection 3](#).

5. a. A retail dealer is eligible to claim an E-85 gasoline promotion tax credit as provided in [this section](#) even though the retail dealer claims an E-15 plus gasoline promotion tax credit pursuant to [section 422.11Y](#) for the same tax year.

b. [This subsection](#) is repealed January 1, 2028.

6. Any credit in excess of the retail dealer's tax liability shall be refunded. In lieu of claiming a refund, the retail dealer may elect to have the overpayment shown on the retail dealer's final, completed return credited to the tax liability for the following tax year.

7. An individual may claim the tax credit allowed a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of a partnership, limited liability company, S corporation, estate, or trust.

8. [This section](#) is repealed January 1, 2028.

2006 Acts, ch 1142, §40, 48, 49; 2006 Acts, ch 1175, §15, 23; 2007 Acts, ch 126, §67; 2007 Acts, ch 161, §16, 22; 2011 Acts, ch 113, §15 – 18, 22, 23; 2011 Acts, ch 131, §62, 78, 79; 2016 Acts, ch 1106, §4, 12, 15; 2020 Acts, ch 1062, §94; 2022 Acts, ch 1067, §43 – 45; 2025 Acts, ch 136, §143

Referred to in §2.48, 422.11Y, 422.16, 422.33

For provisions relating to requirements for claiming an E-85 gasoline promotion tax credit in calendar year 2027 for a retail dealer whose tax year ends prior to December 31, 2027, see 2006 Acts, ch 1142, §49; 2011 Acts, ch 113, §20, 22, 23; 2016 Acts, ch 1106, §6; 2022 Acts, ch 1067, §47

Subsection 5, paragraph b amended

422.11P Biodiesel blended fuel tax credit.

1. As used in [this section](#), unless the context otherwise requires:

a. "Biodiesel blended fuel", "diesel fuel", and "retail dealer" mean the same as defined in [section 214A.1](#).

b. "Motor fuel pump" means the same as defined in [section 214.1](#).

c. "Sell" means to sell on a retail basis.

d. "Tax credit" means a biodiesel blended fuel tax credit as provided in [this section](#).

2. For purposes of this section, biodiesel blended fuel is classified in the same manner as provided in [section 214A.2](#).

3. The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a biodiesel blended fuel tax credit for each tax year that the taxpayer is eligible to claim a tax credit under [this subsection](#).

a. In order to be eligible, all of the following must apply:

(1) The taxpayer is a retail dealer who sells and dispenses qualifying biodiesel blended fuel through a motor fuel pump located at the retail dealer's retail motor fuel site during the calendar year or parts of the calendar years for which the tax credit is claimed as provided in [this section](#).

(2) The retail dealer complies with requirements of the department established to administer [this section](#).

b. The tax credit shall apply to biodiesel blended fuel classified as provided in [this section](#), if the classification meets the standards provided in [section 214A.2](#). In ensuring that biodiesel blended fuel meets the classification requirements of [this section](#), the department shall take into account reasonable variances due to testing and other limitations. The department shall adopt rules to provide that where a blending error occurs and an insufficient amount of biodiesel has inadvertently been blended with petroleum-based diesel fuel a one percent tolerance applies when classifying the biodiesel blended fuel. If the biodiesel blended fuel does not meet the required classification after applying a one percent tolerance, the department shall adopt rules to determine the classification based on the retail dealer's records of the volume of biodiesel blended with diesel fuel.

4. A retail dealer whose tax year is on a calendar year basis shall calculate the amount of the tax credit by multiplying a designated rate by the retail dealer's total biodiesel blended fuel gallonage as provided in [section 452A.31](#) which qualifies under [this subsection](#).

a. In order to qualify for the tax credit, the biodiesel blended fuel must be classified as B-11 or higher as provided in paragraph "b".

b. The designated rate is determined as follows:

(1) For biodiesel blended fuel classified as B-11 or higher but not as high as B-20, the designated rate is five cents.

(2) For biodiesel blended fuel classified as B-20 or higher but not as high as B-30, the designated rate is seven cents. However, a classification higher than B-20 does not qualify for a tax credit under this subparagraph unless standards for that classification have been established by the department of agriculture and land stewardship pursuant to [section 214A.2](#).

(3) For biodiesel blended fuel classified as B-30 or higher, the designated rate is ten cents. A classification of B-30 or higher does not qualify for a tax credit under this subparagraph unless standards for that classification have been established by the department of agriculture and land stewardship pursuant to [section 214A.2](#).

5. For a retail dealer whose tax year is not on a calendar year basis, the retail dealer shall calculate the tax credit as follows:

a. If a retail dealer has not claimed a tax credit in the retail dealer's previous tax year, the retail dealer may claim the tax credit in the retail dealer's current tax year for that period beginning on January 1 of the retail dealer's previous tax year to the last day of the retail dealer's previous tax year. For that period the retail dealer shall calculate the tax credit in the same manner as a retail dealer who will calculate the tax credit on December 31 of that calendar year as provided in subsection 4.

b. (1) For the period beginning on the first day of the retail dealer's tax year until December 31, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who calculates the tax credit on that same December 31 as provided in subsection 4.

(2) For the period beginning on January 1 to the end of the retail dealer's tax year, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who will calculate the tax credit on the following December 31 as provided in subsection 4.

6. Any credit in excess of the retail dealer's tax liability shall be refunded. In lieu of claiming a refund, the retail dealer may elect to have the overpayment shown on the retail dealer's final, completed return credited to the tax liability for the following tax year.

7. An individual may claim the tax credit allowed a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, limited liability company, S corporation, estate, or trust.

8. [This section](#) is repealed January 1, 2028.

2006 Acts, ch 1142, §41, 48, 49; 2007 Acts, ch 161, §17, 22; 2008 Acts, ch 1169, §31, 32, 34, 35; 2008 Acts, ch 1191, §137; 2011 Acts, ch 113, §24 – 28, 33, 34; 2011 Acts, ch 131, §94, 104; 2016 Acts, ch 1106, §7, 8; 2020 Acts, ch 1062, §94; 2022 Acts, ch 1067, §48 – 50, 53

Referred to in §2.48, 422.16, 422.33

For provisions relating to requirements for claiming a biodiesel blended fuel tax credit in calendar year 2027 for a retail dealer whose tax year ends prior to December 31, 2027, see 2006 Acts, ch 1142, §49; 2011 Acts, ch 113, §31, 33, 34; 2016 Acts, ch 1106, §10; 2022 Acts, ch 1067, §52, 53

422.11Q Iowa fund of funds tax credit.

The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a tax credit authorized pursuant to [section 15E.66](#), if redeemed, for investments in the Iowa fund of funds.

2006 Acts, ch 1158, §20; 2007 Acts, ch 161, §18, 22; 2020 Acts, ch 1062, §94

Referred to in §422.16

422.11R From farm to food donation tax credit.

The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a from farm to food donation tax credit as allowed under [chapter 190B](#).

2013 Acts, ch 140, §145, 147; 2020 Acts, ch 1062, §94

Referred to in §422.16

422.11S School tuition organization tax credit.

1. The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a school tuition organization tax credit equal to seventy-five percent of the amount of the voluntary cash or noncash contributions made by the taxpayer during the tax year to a school tuition organization, subject to the total dollar value of the organization's tax credit certificates as computed in [subsection 8](#). The tax credit shall be claimed by use of a tax credit certificate as provided in [subsection 7](#).

2. To be eligible for this credit, all of the following shall apply:

a. A deduction pursuant to section 170 of the Internal Revenue Code for any amount of the contribution is not taken for state tax purposes.

b. The contribution does not designate that any part of the contribution be used for the direct benefit of any dependent of the taxpayer or any other student designated by the taxpayer.

c. The value of a noncash contribution shall be appraised pursuant to rules of the director.

3. Any credit in excess of the tax liability is not refundable but the excess for the tax year may be credited to the tax liability for the following five tax years or until depleted, whichever is the earlier.

4. Married taxpayers who file separate returns must determine the tax credit under [subsection 1](#) based upon their combined net income and allocate the total credit amount to each spouse in the proportion that each spouse's respective net income bears to the total combined net income. Nonresidents or part-year residents of Iowa must determine their tax credit in the ratio of their Iowa source net income to their all source net income. Nonresidents or part-year residents who are married and elect to file separate returns must allocate the tax credit between the spouses in the ratio of each spouse's Iowa source net income to the combined Iowa source net income of the taxpayers.

5. An individual may claim the tax credit allowed a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, limited liability company, S corporation, estate, or trust.

6. For purposes of [this section](#):

a. "Eligible student" means a student who is a member of a household whose total annual income during the calendar year before the student receives a tuition grant for purposes

of [this section](#) does not exceed an amount equal to four times the most recently published federal poverty guidelines in the federal register by the United States department of health and human services.

b. “*Qualified school*” means a nonpublic elementary or secondary school in this state which is accredited under [section 256.11](#) and adheres to the provisions of the federal Civil Rights Act of 1964 and [chapter 216](#).

c. “*School tuition organization*” means a charitable organization in this state that is exempt from federal taxation under section 501(c)(3) of the Internal Revenue Code and that does all of the following:

- (1) Allocates at least ninety percent of its annual revenue in tuition grants for children to allow them to attend a qualified school of their parents’ choice.
- (2) Only awards tuition grants to children who reside in Iowa.
- (3) Provides tuition grants to students without limiting availability to only students of one school.
- (4) Only provides tuition grants to eligible students.
- (5) Prepares an annual reviewed financial statement certified by a public accounting firm.

7. a. In order for the taxpayer to claim the school tuition organization tax credit under [subsection 1](#), a tax credit certificate issued by the school tuition organization to which the contribution was made shall be included with the person’s tax return. The tax credit certificate shall contain the taxpayer’s name, address, tax identification number, the amount of the contribution, the amount of the credit, and other information required by the department.

b. The department shall authorize a school tuition organization to issue tax credit certificates for contributions made to the school tuition organization. The aggregate amount of tax credit certificates that the department shall authorize for a school tuition organization for a calendar year shall be determined for that organization pursuant to [subsection 8](#). However, a school tuition organization shall not be authorized to issue tax credit certificates unless the organization is controlled by a board of directors consisting of at least seven members. The names and addresses of the members shall be provided to the department and shall be made available by the department to the public, notwithstanding any state confidentiality restrictions.

c. Pursuant to rules of the department, a school tuition organization shall initially register with the department. The organization’s registration shall include proof of section 501(c)(3) status and provide a list of the schools the school tuition organization serves. Once the school tuition organization has registered, it is not required to subsequently register unless the schools it serves changes.

d. Each school that is served by a school tuition organization shall submit a participation form annually to the department by November 1 providing the following information:

- (1) Certified enrollment as of October 1, or the first Monday in October if October 1 falls on a Saturday or Sunday.
- (2) The school tuition organization that represents the school. A school shall only be represented by one school tuition organization.

8. a. For purposes of [this subsection](#):

(1) “*Certified enrollment*” means the enrollment at schools served by school tuition organizations as indicated by participation forms provided to the department each October.

(2) “*Total approved tax credits*” means for the 2006 calendar year, two million five hundred thousand dollars, for the 2007 calendar year, five million dollars, for calendar years beginning on or after January 1, 2008, but before January 1, 2012, seven million five hundred thousand dollars, for calendar years beginning on or after January 1, 2012, but before January 1, 2014, eight million seven hundred fifty thousand dollars, for calendar years beginning on or after January 1, 2014, but before January 1, 2019, twelve million dollars, for calendar years beginning on or after January 1, 2019, but before January 1, 2020, thirteen million dollars, for calendar years beginning on or after January 1, 2020, but before January 1, 2022, fifteen million dollars, and for calendar years beginning on or after January 1, 2022, twenty million dollars.

(3) “*Tuition grant*” means grants to students to cover all or part of the tuition at a qualified school.

b. Each year by December 1, the department shall authorize school tuition organizations to issue tax credit certificates for the following calendar year. However, for the 2006 calendar year only, the department, by September 1, 2006, shall authorize school tuition organizations to issue tax credit certificates for the 2006 calendar year. For the 2006 calendar year only, each school served by a school tuition organization shall submit a participation form to the department by August 1, 2006, providing the certified enrollment as of the third Friday of September 2005, along with the school tuition organization that represents the school. Tax credit certificates available for issue by each school tuition organization shall be determined in the following manner:

(1) Total the certified enrollment of each participating qualified school to arrive at the total participating certified enrollment.

(2) Determine the per student tax credit available by dividing the total approved tax credits by the total participating certified enrollment.

(3) Multiply the per student tax credit by the total participating certified enrollment of each school tuition organization.

9. A school tuition organization that receives a voluntary cash or noncash contribution pursuant to [this section](#) shall report to the department, on a form prescribed by the department, by January 12 of each calendar year all of the following information:

a. The name and address of the members and the chairperson of the governing board of the school tuition organization.

b. The total number and dollar value of contributions received and the total number and dollar value of the tax credits approved during the previous calendar year.

c. A list of the individual donors for the previous calendar year that includes the dollar value of each donation and the dollar value of each approved tax credit.

d. The total number of children utilizing tuition grants for the school year in progress and the total dollar value of the grants.

e. The name and address of each represented school at which tuition grants are currently being utilized, detailing the number of tuition grant students and the total dollar value of grants being utilized at each school served by the school tuition organization.

2006 Acts, ch 1163, §1, 2; 2007 Acts, ch 161, §20, 22; 2007 Acts, ch 186, §9 – 13, 31; 2007 Acts, ch 215, §111; 2011 Acts, ch 131, §95, 158; 2012 Acts, ch 1021, §74; 2013 Acts, ch 122, §4 – 7; 2014 Acts, ch 1026, §85; 2014 Acts, ch 1093, §14; 2018 Acts, ch 1161, §35, 36, 44, 122, 133, 134; 2019 Acts, ch 152, §4 – 8, 46, 47; 2020 Acts, ch 1062, §94; 2020 Acts, ch 1118, §98; 2021 Acts, ch 76, §71; 2021 Acts, ch 139, §32 – 34; 2021 Acts, ch 177, §1

Referred to in §2.48, 22A.6, 422.16, 422.33

2018 amendment to subsection 4 is effective January 1, 2023, and applies to tax years on or after that date; 2018 Acts, ch 1161, §133, 134; 2021 Acts, ch 177, §1

2021 amendment to subsection 1 applies retroactively to January 1, 2021, for tax years beginning on or after that date; 2021 Acts, ch 139, §34

422.11T Hoover presidential library tax credit.

The tax imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a Hoover presidential library tax credit authorized pursuant to [section 15E.364](#).

2021 Acts, ch 174, §16; 2021 Acts, ch 176, §2

Referred to in §422.16

422.11U Third-party developer tax credit. Repealed by 2025 Acts, ch 136, §57, 59.

For preservation of existing rights relating to tax incentives issued, awarded, or allowed before December 31, 2025, see [2025 Acts, ch 136, §58](#)

2025 repeal effective December 31, 2025; 2025 Acts, ch 136, §59

422.11V Redevelopment tax credit.

The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a redevelopment tax credit allowed under [chapter 15, subchapter II, part 9](#).

2008 Acts, ch 1173, §8; 2009 Acts, ch 41, §124; 2020 Acts, ch 1062, §94

Referred to in §422.16

422.11W Charitable conservation contribution tax credit.

1. The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a charitable conservation contribution tax credit equal to fifty percent of the fair market value of a qualified real property interest located in the state that is conveyed as an unconditional charitable donation in perpetuity by the taxpayer to a qualified organization exclusively for conservation purposes. The maximum amount of tax credit is one hundred thousand dollars. The amount of the contribution for which the tax credit is claimed shall not be deductible in determining taxable income for state tax purposes.

2. For purposes of [this section](#), “*conservation purpose*”, “*qualified organization*”, and “*qualified real property interest*” mean the same as defined for the qualified conservation contribution under section 170(h) of the Internal Revenue Code, except that a conveyance of land for open space for the purpose of fulfilling density requirements to obtain subdivision or building permits shall not be considered a conveyance for a conservation purpose.

3. Any credit in excess of the tax liability is not refundable but the excess for the tax year may be credited to the tax liability for the following twenty tax years or until depleted, whichever is the earlier.

4. An individual may claim the tax credit allowed a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual’s earnings of the partnership, limited liability company, S corporation, estate, or trust.

2008 Acts, ch 1191, §62, 107; 2020 Acts, ch 1062, §94

Referred to in §2.48, 422.16

422.11X Disaster recovery housing project tax credit. Repealed by 2014 Acts, ch 1080, §111, 114.

422.11Y E-15 plus gasoline promotion tax credit.

1. As used in [this section](#), unless the context otherwise requires:

a. “*E-85 gasoline*”, “*ethanol*”, “*gasoline*”, “*retail dealer*”, and “*retail motor fuel site*” mean the same as defined in [section 214A.1](#).

b. “*Motor fuel pump*” means the same as defined in [section 214.1](#).

c. “*Sell*” means to sell on a retail basis.

d. “*Tax credit*” means the E-15 plus gasoline promotion tax credit as provided in [this section](#).

2. For purposes of [this section](#), ethanol blended gasoline is classified in the same manner as provided in [section 214A.2](#).

3. The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by the amount of the E-15 plus gasoline promotion tax credit for each tax year that the taxpayer is eligible to claim a tax credit under [this subsection](#).

a. In order to be eligible, all of the following must apply:

(1) The taxpayer is a retail dealer who sells and dispenses qualifying ethanol blended gasoline through a motor fuel pump located at the retail dealer’s retail motor fuel site during the calendar year or parts of the calendar years for which the tax credit is claimed as provided in [this section](#).

(2) The retail dealer complies with requirements of the department established to administer [this section](#).

b. The tax credit shall apply to ethanol blended gasoline classified as provided in [this section](#), if the classification meets the standards provided in [section 214A.2](#).

4. A retail dealer whose tax year is on a calendar year basis shall calculate the amount of the tax credit by multiplying a designated rate by the retail dealer’s total ethanol blended gasoline gallonage as provided in [section 452A.31](#) which qualifies under [this subsection](#).

a. In order to qualify for the tax credit, the ethanol blended gasoline must be classified as E-15 or higher but must not be E-85 gasoline.

b. The designated rate of the tax credit is nine cents.

5. For a retail dealer whose tax year is not on a calendar year basis, the retail dealer shall calculate the tax credit as follows:

a. If a retail dealer has not claimed a tax credit in the retail dealer's previous tax year, the retail dealer may claim the tax credit in the retail dealer's current tax year for that period beginning on January 1 of the retail dealer's previous tax year to the last day of the retail dealer's previous tax year. For that period the retail dealer shall calculate the tax credit in the same manner as a retail dealer who will calculate the tax credit on December 31 of that calendar year as provided in [subsection 4](#).

b. (1) For the period beginning on the first day of the retail dealer's tax year until December 31, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who calculates the tax credit on that same December 31 as provided in [subsection 4](#).

(2) For the period beginning on January 1 to the end of the retail dealer's tax year, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who will calculate the tax credit on the following December 31 as provided in [subsection 4](#).

6. A retail dealer is eligible to claim an E-15 plus gasoline promotion tax credit as provided in [this section](#) even though the retail dealer claims an E-85 gasoline promotion tax credit pursuant to [section 422.110](#) for the same tax year.

7. Any credit in excess of the retail dealer's tax liability shall be refunded. In lieu of claiming a refund, the retail dealer may elect to have the overpayment shown on the retail dealer's final, completed return credited to the tax liability for the following tax year.

8. An individual may claim the tax credit allowed a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of a partnership, limited liability company, S corporation, estate, or trust.

9. [This section](#) is repealed January 1, 2028.

2011 Acts, ch 113, §35, 39, 40; 2011 Acts, ch 131, §63 – 65, 79, 158; 2014 Acts, ch 1104, §15 – 17; 2016 Acts, ch 1106, §1, 13, 15; 2020 Acts, ch 1062, §94; 2022 Acts, ch 1067, §54, 55, 58; 2025 Acts, ch 136, §144

Referred to in [§422.110](#), [422.16](#), [422.33](#)

For provisions relating to requirements for claiming an E-15 plus gasoline promotion tax credit in calendar year 2027 for a retail dealer whose tax year ends prior to December 31, 2027, see 2011 Acts, ch 113, §37, 39, 40; 2016 Acts, ch 1106, §3; 2022 Acts, ch 1067, §57, 58; 2025 Acts, ch 136, §146

Subsection 9 amended

422.11Z Innovation fund investment tax credits.

The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by an innovation fund investment tax credit allowed under [section 15E.52](#).

2011 Acts, ch 130, §41, 47, 71; 2020 Acts, ch 1062, §94

Referred to in [§422.16](#)

422.12 Deductions from computed tax.

1. As used in [this section](#):

a. "Dependent" has the same meaning as provided by the Internal Revenue Code.

b. "Emergency medical services personnel member" means an emergency medical care provider, as defined in [section 147A.1](#), who is certified as a first responder pursuant to [chapter 147A](#).

c. "Private instruction" means independent private instruction as defined in [section 299A.1](#), [subsection 2](#), paragraph "b", competent private instruction under [section 299A.2](#), or private instruction provided to a resident of this state by a nonlicensed person under [section 299A.3](#).

d. "Reserve peace officer" means a reserve peace officer as defined in [section 80D.1A](#) who has met the minimum training standards established by the Iowa law enforcement academy pursuant to [chapter 80D](#).

e. "Textbooks" means books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state and does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to inculcate those tenets, doctrines, or worship. "Textbooks" includes books or materials used for extracurricular activities including sporting events,

musical or dramatic events, speech activities, driver's education, or programs of a similar nature.

f. "Tuition" means any charges for the expenses of personnel, buildings, equipment, and materials other than textbooks, and other expenses of elementary or secondary schools which relate to the teaching only of those subjects legally and commonly taught in public elementary and secondary schools in this state and which do not relate to the teaching of religious tenets, doctrines, or worship, the purpose of which is to inculcate those tenets, doctrines, or worship. "Tuition" includes those expenses which relate to extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or programs of a similar nature.

g. "Volunteer fire fighter" means an individual that meets both of the following requirements:

(1) The individual is an active member of an organized volunteer fire department in this state or is performing services as a volunteer fire fighter for a municipality, township, or benefited fire district at the request of the chief or other person in command of the fire department of the municipality, township, or benefited fire district, or of any other officer of the municipality, township, or benefited fire district having authority to demand such service. A person performing such services shall not be classified as a casual employee.

(2) The individual has met the minimum training standards established by the fire service training bureau pursuant to [chapter 100B](#).

2. There shall be deducted from but not to exceed the tax, after the tax is computed as provided in [this subchapter](#), the following:

a. A personal exemption credit in the following amounts:

(1) For an estate or trust, a single individual, or a married person filing a separate return, forty dollars.

(2) For a head of household, or a husband and wife filing a joint return, eighty dollars.

(3) For each dependent, an additional forty dollars.

(4) For a single individual, husband, wife, or head of household, an additional exemption of twenty dollars for each of said individuals who has attained the age of sixty-five years before the close of the tax year or on the first day following the end of the tax year.

(5) For a single individual, husband, wife, or head of household, an additional exemption of twenty dollars for each of said individuals who is blind at the close of the tax year. For the purposes of this subparagraph, an individual is blind only if the individual's central visual acuity does not exceed twenty-two hundredths in the better eye with correcting lenses, or if the individual's visual acuity is greater than twenty-two hundredths but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than twenty degrees.

b. A tuition credit equal to twenty-five percent of the first two thousand dollars which the taxpayer has paid to others for each dependent in grades kindergarten through twelve, for tuition and textbooks of each dependent who is receiving private instruction or who is attending an elementary or secondary school situated in Iowa, which school is accredited or approved under [section 256.11](#), which is not operated for profit, and which adheres to the provisions of the federal Civil Rights Act of 1964 and [chapter 216](#). Notwithstanding any other provision, all other credits allowed under [this subsection](#) shall be deducted before the tuition credit under this paragraph. The department, when conducting an audit of a taxpayer's return, shall also audit the tuition tax credit portion of the tax return.

c. (1) A volunteer fire fighter and volunteer emergency medical services personnel member credit equal to two hundred fifty dollars to compensate the taxpayer for the voluntary services if the volunteer served for the entire tax year. A taxpayer who is a paid employee of an emergency medical services program or a fire department and who is also a volunteer emergency medical services personnel member or volunteer fire fighter in a city, county, or area governed by an agreement pursuant to [chapter 28E](#) where the emergency medical services program or fire department performs services, shall qualify for the credit provided under this paragraph "c".

(2) If the taxpayer is not a volunteer fire fighter or volunteer emergency medical services personnel member for the entire tax year, the maximum amount of the credit shall be

prorated and the amount of credit for the taxpayer shall equal the maximum amount of credit for the tax year, divided by twelve, multiplied by the number of months in the tax year the taxpayer was a volunteer. The credit shall be rounded to the nearest dollar. If the taxpayer is a volunteer during any part of a month, the taxpayer shall be considered a volunteer for the entire month. If the taxpayer is a volunteer fire fighter and a volunteer emergency medical services personnel member during the same month, a credit may be claimed for only one volunteer position for that month.

(3) The taxpayer is required to have a written statement from the fire chief or other appropriate supervisor verifying that the taxpayer was a volunteer fire fighter or volunteer emergency medical services personnel member for the months for which the credit under this paragraph “c” is claimed.

d. (1) A reserve peace officer credit equal to two hundred fifty dollars to compensate the taxpayer for services as a reserve peace officer if the reserve peace officer served for the entire tax year.

(2) If the taxpayer is not a reserve peace officer for the entire tax year, the maximum amount of the credit shall be prorated and the amount of credit for the taxpayer shall equal the maximum amount of credit for the tax year, divided by twelve, multiplied by the number of months in the tax year the taxpayer was a reserve peace officer. The credit shall be rounded to the nearest dollar. If the taxpayer is a reserve peace officer any part of a month, the taxpayer shall be considered a reserve peace officer for the entire month.

(3) If the taxpayer is a reserve peace officer during the same month as the taxpayer is a volunteer fire fighter or volunteer emergency medical services personnel member, as defined in [this section](#), a credit may be claimed for only one position for that month under either paragraph “c” or this paragraph “d”.

(4) The taxpayer is required to have a written statement from the chief of police, sheriff, commissioner of public safety, or other appropriate supervisor verifying that the taxpayer was a reserve peace officer for the months for which the credit under this paragraph “d” is claimed.

3. For the purpose of [this section](#), the determination of whether an individual is married shall be made in accordance with section 7703 of the Internal Revenue Code.

[C35, §6943-f12; C39, §6943.044; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.12]

83 Acts, ch 179, §9, 10, 22; 84 Acts, ch 1305, §32; 86 Acts, ch 1236, §6, 7; 86 Acts, ch 1241, §15; 87 Acts, ch 233, §494; 88 Acts, ch 1028, §22, 23; 89 Acts, ch 296, §42; 90 Acts, ch 1248, §9; 91 Acts, ch 159, §13; 95 Acts, ch 206, §2, 4; 96 Acts, ch 1168, §2, 3; 98 Acts, ch 1177, §7 – 10; 2006 Acts, ch 1158, §21; 2007 Acts, ch 161, §21, 22; 2009 Acts, ch 133, §140; 2012 Acts, ch 1103, §1 – 4; 2014 Acts, ch 1103, §1 – 5; 2015 Acts, ch 29, §50 – 52; 2020 Acts, ch 1062, §94; 2021 Acts, ch 80, §262; 2021 Acts, ch 139, §7, 8, 10, 11; 2021 Acts, ch 177, §73 – 75

Referred to in §2.48, 96.3, 216B.3, 422.5, 422.10B, 422.10C, 422.11, 422.11A, 422.11C, 422.11D, 422.11E, 422.11F, 422.11H, 422.11J, 422.11L, 422.11O, 422.11P, 422.11Q, 422.11R, 422.11S, 422.11T, 422.11V, 422.11W, 422.11Y, 422.11Z, 422.12A, 422.12B, 422.12N, 422.12O, 422.12P, 422.12Q, 422.16, 422.16C

Subsection 1, paragraph c applies retroactively to January 1, 2021, for tax years beginning on or after that date; 2021 Acts, ch 139, §11
2021 amendment to subsection 2, paragraph b applies retroactively to January 1, 2021, for tax years beginning on or after that date; 2021 Acts, ch 139, §11

2021 amendment to subsection 2, paragraph c, subparagraph 1 applies retroactively to January 1, 2021, for tax years beginning on or after that date; 2021 Acts, ch 177, §75

2021 amendment to subsection 2, paragraph d, subparagraph 1 applies retroactively to January 1, 2021, for tax years beginning on or after that date; 2021 Acts, ch 177, §75

422.12A Adoption tax credit.

1. For purposes of [this section](#), unless the context otherwise requires:

a. “Adoption” means the permanent placement in this state of a child by the department of health and human services, by an adoption service provider as defined in [section 600A.2](#), or by an agency that meets the provisions of the interstate compact in [section 232.158](#).

b. “Child” means an individual who is under the age of eighteen years.

c. “Qualified adoption expenses” means unreimbursed expenses paid or incurred in connection with the adoption of a child, including medical and hospital expenses of the biological mother which are incident to the child’s birth, welfare agency fees, legal fees, and all other fees and costs which relate to the adoption of a child. “Qualified adoption expenses” does not include expenses paid or incurred in violation of state or federal law.

2. The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by an adoption tax credit equal to the amount of qualified adoption expenses paid or incurred by the taxpayer in connection with the adoption of a child by the taxpayer, not to exceed five thousand dollars per adoption.

3. Any credit in excess of the tax liability is refundable. In lieu of claiming a refund, the taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following tax year.

4. The credit under [this section](#) with respect to any qualified adoption expense shall be allowed during a tax year as follows:

a. For any qualified adoption expense paid or incurred prior to or during the tax year in which the adoption becomes final, the tax year in which the adoption becomes final.

b. For any qualified adoption expense paid or incurred after the tax year in which the adoption becomes final, the tax year in which an adoption expense is paid or incurred.

5. The department of revenue and the department of health and human services shall each adopt rules to jointly administer [this section](#).

[2014 Acts, ch 1113, §1, 3; 2016 Acts, ch 1128, §5, 17, 26; 2017 Acts, ch 113, §2; 2019 Acts, ch 152, §61 – 63; 2020 Acts, ch 1062, §94; 2023 Acts, ch 19, §1119, 1120](#)

Referred to in [§422.16](#)

422.12B Earned income tax credit.

1. a. The taxes imposed under [this subchapter](#) less the credits allowed under [section 422.12](#) shall be reduced by an earned income credit equal to the following percentage of the federal earned income credit provided in section 32 of the Internal Revenue Code:

(1) For the tax year beginning in the 2013 calendar year, fourteen percent.

(2) For tax years beginning on or after January 1, 2014, fifteen percent.

b. Any credit in excess of the tax liability is refundable.

2. Taxpayers affected by the allocation provisions of [section 422.8](#) shall be permitted a deduction for the credit only in the amount fairly and equitably allocable to Iowa under rules prescribed by the director.

[89 Acts, ch 268, §6; 90 Acts, ch 1171, §4; 91 Acts, ch 159, §14; 91 Acts, ch 215, §3; 2000 Acts, ch 1146, §5, 9, 11; 2007 Acts, ch 161, §1, 22; 2013 Acts, ch 123, §70, 71; 2018 Acts, ch 1161, §123, 133, 134; 2020 Acts, ch 1062, §94; 2021 Acts, ch 177, §1; 2023 Acts, ch 115, §10, 12](#)

Referred to in [§2.48, 422.16](#)

[2018 amendment to subsection 2 is effective January 1, 2023, and applies to tax years on or after that date; 2018 Acts, ch 1161, §133, 134; 2021 Acts, ch 177, §1](#)

[2023 amendment to subsection 2 applies retroactively to January 1, 2023, for tax years beginning on or after that date; 2023 Acts, ch 115, §12](#)

422.12C Child and dependent care or early childhood development tax credits.

1. The taxes imposed under [this subchapter](#), less the amounts of nonrefundable credits allowed under [this subchapter](#), shall be reduced by a child and dependent care credit equal to the following percentages of the federal child and dependent care credit provided in section 21 of the Internal Revenue Code, without regard to whether or not the federal credit was limited by the taxpayer's federal tax liability:

a. For a taxpayer with net income of less than ten thousand dollars, seventy-five percent.

b. For a taxpayer with net income of ten thousand dollars or more but less than twenty thousand dollars, sixty-five percent.

c. For a taxpayer with net income of twenty thousand dollars or more but less than twenty-five thousand dollars, fifty-five percent.

d. For a taxpayer with net income of twenty-five thousand dollars or more but less than thirty-five thousand dollars, fifty percent.

e. For a taxpayer with net income of thirty-five thousand dollars or more but less than forty thousand dollars, forty percent.

f. For a taxpayer with net income of forty thousand dollars or more but less than ninety thousand dollars, thirty percent.

g. For a taxpayer with net income of ninety thousand dollars or more, zero percent.

2. a. The taxes imposed under [this subchapter](#), less the amounts of nonrefundable credits allowed under [this subchapter](#), may be reduced by an early childhood development

tax credit equal to twenty-five percent of the first one thousand dollars which the taxpayer has paid to others for each dependent, as defined in the Internal Revenue Code, ages three through five for early childhood development expenses. In determining the amount of early childhood development expenses for the tax year beginning in the 2006 calendar year only, such expenses paid during November and December of the previous tax year shall be considered paid in the tax year for which the tax credit is claimed. This credit is available to a taxpayer whose net income is less than ninety thousand dollars. If the early childhood development tax credit is claimed for a tax year, the taxpayer and the taxpayer's spouse shall not claim the child and dependent care credit under [subsection 1](#).

b. As used in [this subsection](#):

(1) “*Early childhood development expenses*” means services provided to the dependent by a preschool, as defined in [section 237A.1](#), materials, and other activities as follows:

(a) Books that improve child development, including textbooks, music books, art books, teacher's editions, and reading books.

(b) Instructional materials required to be used in a child development or educational lesson activity, including but not limited to paper, notebooks, pencils, and art supplies.

(c) Lesson plans and curricula.

(d) Child development and educational activities outside the home, including drama, art, music, and museum activities, and the entrance fees for such activities, but not including food or lodging, membership fees, or other nonacademic expenses.

(2) “*Early childhood development expenses*” does not include services, materials, or activities for the teaching of religious tenets, doctrines, or worship, the purpose of which is to inculcate those tenets, doctrines, or worship.

3. Any credit in excess of the tax liability shall be refunded. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following taxable year.

4. Nonresidents or part-year residents of Iowa must determine their Iowa child and dependent care credit under subsection 1 or the early childhood development tax credit under subsection 2 in the ratio of their Iowa source net income to their all source net income.

[90 Acts, ch 1248, §10; 91 Acts, ch 159, §15; 93 Acts, ch 172, §44, 56; 97 Acts, ch 23, §44; 2005 Acts, ch 148, §23 – 27; 2006 Acts, ch 1158, §23 – 25, 69; 2014 Acts, ch 1026, §86; 2014 Acts, ch 1120, §1 – 3; 2018 Acts, ch 1161, §124, 133, 134; 2019 Acts, ch 152, §9, 14, 15; 2020 Acts, ch 1062, §94; 2021 Acts, ch 177, §1 – 4; 2023 Acts, ch 66, §98, 159, 162; 2023 Acts, ch 115, §11, 12](#)

Referred to in [§2.48, 422.16](#)

2021 amendments to subsections 1 and 2 apply retroactively to tax years beginning on or after January 1, 2021; [2021 Acts, ch 177, §4](#)

2018 amendment to subsection 4 is effective January 1, 2023, and applies to tax years beginning on or after that date; [2018 Acts, ch 1161, §133, 134; 2021 Acts, ch 177, §1](#)

2023 amendment to subsection 4 by [2023 Acts, ch 662](#) [2023 Acts, ch 66](#), applies retroactively to January 1, 2023; [2023 Acts, ch 66, §162](#)

2023 amendment to subsection 4 by [2023 Acts, ch 115](#) [2023 Acts, ch 115](#), applies retroactively to January 1, 2023, for tax years beginning on or after that date; [2023 Acts, ch 115, §12](#)

422.12D Income tax checkoff for the Iowa state fair foundation fund. Repealed by its own terms; [2021 Acts, ch 177, §77](#).

422.12E Income tax return checkoffs limited — notification of repeal.

1. There shall be allowed no more than four income tax return checkoffs on each income tax return. For tax years beginning on or after January 1, 2017, when the same four income tax return checkoffs have been provided on the income tax return for two consecutive tax years, the two checkoffs for which the least amount has been contributed, in the aggregate for the first tax year and through March 15 after the end of the second tax year, are repealed on December 31 after the end of the second tax year and shall be removed from the return form.

2. If more checkoffs are enacted in the same session of the general assembly than there is space for inclusion on the individual tax return form, the checkoffs with the earliest date of enactment as determined pursuant to [section 3.7](#) for which there is space for inclusion on the return form shall be included on the return form, and all other checkoffs enacted during that session of the general assembly are repealed on December 31 of the year of enactment. If more checkoffs are enacted in the same session of the general assembly than there is space

for inclusion on the individual income tax form and it is indeterminable which checkoffs have the earliest date of enactment pursuant to [section 3.7](#), the director shall determine which checkoffs shall be included on the return form, and all other checkoffs not included on the return form shall be repealed on December 31 of the year of enactment and shall not be included on the return form.

3. a. By July 1 of the year in which two checkoffs are repealed pursuant to [subsection 1](#), the department shall notify the Iowa Code editor which two checkoffs received the least amount of contributions and are repealed.

b. By September 1 of any applicable year, the department shall notify the Iowa Code editor of any repeal pursuant to [subsection 2](#).

93 Acts, ch 144, §4, 6; 94 Acts, ch 1199, §3 – 6; 2004 Acts, ch 1175, §437, 439; 2007 Acts, ch 186, §14; 2016 Acts, ch 1138, §34, 35; 2017 Acts, ch 144, §6, 14; 2019 Acts, ch 152, §49

Referred to in [§422.12H](#), [422.12K](#), [422.16](#)

Checkoff for fish and game protection fund; [§422.12H](#)

Checkoff for child abuse prevention program fund; [§422.12K](#)

422.12F Income tax checkoff for child abuse prevention program fund. Repealed by its own terms; 2010 Acts, ch 1193, §159, 163.

422.12G Joint income tax checkoff for veterans trust fund and volunteer fire fighter preparedness fund. Repealed by its own terms; 2019 Acts, ch 152, §50.

422.12H Income tax checkoff for fish and game protection fund.

1. A person who files an individual or a joint income tax return with the department of revenue under [section 422.13](#) may designate a contribution to the state fish and game protection fund authorized pursuant to [section 456A.16](#).

2. [This section](#) is subject to repeal under [section 422.12E](#).

2006 Acts, ch 1158, §28; 2019 Acts, ch 152, §51

Referred to in [§422.16](#)

422.12I Income tax checkoff for the Iowa state fair foundation fund. Repealed by its own terms; 2019 Acts, ch 152, §50.

422.12J Income tax checkoff for Iowa election campaign fund. Repealed by 2017 Acts, ch 144, §13, 14.

422.12K Income tax checkoff for child abuse prevention program fund.

1. A person who files an individual or a joint income tax return with the department of revenue under [section 422.13](#) may designate one dollar or more to be paid to the child abuse prevention program fund created in [section 235A.2](#). If the refund due on the return or the payment remitted with the return is insufficient to pay the additional amount designated by the taxpayer to the child abuse prevention program fund, the amount designated shall be reduced to the remaining amount remitted with the return. The designation of a contribution to the child abuse prevention program fund under [this section](#) is irrevocable.

2. The director of revenue shall draft the income tax form to allow the designation of contributions to the child abuse prevention program fund on the tax return. The department of revenue, on or before January 31, shall transfer the total amount designated on the tax return forms due in the preceding calendar year to the child abuse prevention program fund. However, before a checkoff pursuant to [this section](#) shall be permitted, all liabilities on the books of the department and accounts identified as owing under [section 421.65](#) shall be satisfied.

3. The department of health and human services may authorize payment of moneys from the child abuse prevention program fund in accordance with [section 235A.2](#).

4. The department of revenue shall adopt rules to administer [this section](#).

5. [This section](#) is subject to repeal under [section 422.12E](#).

2012 Acts, ch 1097, §4, 6; 2017 Acts, ch 144, §7, 14; 2020 Acts, ch 1064, §19, 28; 2020 Acts, ch 1118, §73, 74; 2023 Acts, ch 19, §1121

Referred to in [§422.16](#)

422.12L Joint income tax checkoff for veterans trust fund and volunteer fire fighter preparedness fund. Repealed by its own terms; 2021 Acts, ch 177, §78.

422.12M Income tax form — indication of dependent child health care coverage. Repealed by 2017 Acts, ch 161, §1 – 3.

422.12N Geothermal heat pump tax credit.

1. The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a geothermal heat pump tax credit equal to twenty percent of the federal residential energy efficient property tax credit allowed for geothermal heat pumps provided in section 25D(a)(5) of the Internal Revenue Code for residential property located in Iowa.

2. Any credit in excess of the tax liability is not refundable but the excess for the tax year may be credited to the tax liability for the following ten years or until depleted, whichever is earlier.

3. *a.* A taxpayer must submit an application with the department for each geothermal heat pump installation. The application must be approved by the department prior to claiming the credit, and the application must be filed by May 1 following the year of installation of the geothermal heat pump.

b. The department shall accept and approve applications on a first-come, first-served basis until the maximum amount of tax credits that may be claimed pursuant to [subsection 4](#) is reached. If for a tax year the aggregate amount of tax credits applied for exceeds the amount specified in [subsection 4](#), the department shall establish a wait list for tax credits. Valid applications filed by the taxpayer by May 1 following the year of the installation but not approved by the department shall be placed on a wait list in the order the applications were received and those applicants shall be given priority for having their applications approved in succeeding years. Placement on a wait list pursuant to [this subsection](#) shall not constitute a promise binding the state. The availability of a tax credit and approval of a tax credit application pursuant to [this section](#) in a future year is contingent upon the availability of tax credits in that particular year.

4. *a.* The cumulative value of tax credits claimed annually by applicants pursuant to [this section](#) shall not exceed one million dollars.

b. If an amount of tax credits available for a tax year pursuant to paragraph “a” goes unclaimed, the amount of the unclaimed tax credits shall be made available for the following tax year in addition to, and cumulated with, the amount available pursuant to paragraph “a” for the following tax year.

5. The director of revenue shall adopt rules to implement [this section](#).

6. [This section](#) does not apply to a geothermal heat pump installation occurring after December 31, 2023.

7. [This section](#) is repealed January 1, 2034.

2019 Acts, ch 152, §67 – 69; 2020 Acts, ch 1062, §94; 2021 Acts, ch 86, §8, 10, 11; 2022 Acts, ch 1002, §51, 54, 55

Referred to in [§422.16](#)

2021 amendment to subsection 3 applies retroactively to January 1, 2019, for tax years beginning on or after that date; 2021 Acts, ch 86, §11

Legislative intent regarding 2021 amendment to subsection 3; 2021 Acts, ch 86, §9

Subsections 6 and 7 effective January 1, 2023, and apply to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1002, §54, 55

422.12O Employer child care tax credit.

1. The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by an employer child care tax credit allowed pursuant to [section 237A.31](#).

2. An individual may claim the tax credit allowed a partnership, S corporation, limited liability company, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of a partnership, S corporation, limited liability company, estate, or trust.

3. [This section](#) is repealed January 1, 2031.

[2022 Acts, ch 1148, §23, 28; 2025 Acts, ch 136, §82](#)

Referred to in [§422.16](#)

Section applies to tax years beginning on or after January 1, 2023; [2022 Acts, ch 1148, §28](#)

NEW subsection 3

422.12P Public safety officer moving expense — tax credit.

1. For purposes of [this section](#), unless the context otherwise requires:

a. “*Moving expense*” means an unreimbursed expense for moving household goods and personal effects from the former residence of the new resident to this state including travel expenses for meals and lodging.

b. “*New resident*” means an individual who becomes a resident of Iowa, after July 1, 2024, upon taking full-time employment as a public safety officer in this state, who remains a resident of and employed full-time as a public safety officer in this state when claiming the credit, and who has not been a resident of this state at any time during the previous twelve-month period prior to establishing residency in this state.

c. “*Public safety officer*” means a peace officer as defined in [section 801.4](#) or a correctional officer.

2. The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a public safety officer moving expense tax credit equal to the amount of moving expense incurred by the new resident in connection with taking full-time employment as a public safety officer in this state, not to exceed a maximum amount of two thousand dollars per move.

3. Any credit in excess of the tax liability is refundable. In lieu of claiming a refund, the taxpayer may elect to have the overpayment shown on the taxpayer’s final, completed return credited to the tax liability for the following tax year.

4. The credit under [this section](#) with respect to any moving expense shall be allowed during a tax year as follows:

a. For any moving expense paid or incurred prior to or during the tax year in which the new resident is employed full-time in the state, the tax year in which the full-time employment begins.

b. For any qualified moving expense paid or incurred after the tax year in which the full-time employment begins, the tax year in which the moving expense is paid or incurred.

5. A new resident is not eligible for the credit pursuant to [this section](#) to the extent the moving expenses were deducted for federal tax purposes.

6. The department of revenue shall adopt rules to administer [this section](#).

[2024 Acts, ch 1127, §6, 7](#)

Referred to in [§422.16](#)

Section applies retroactively to January 1, 2024, for tax years beginning on or after that date; [2024 Acts, ch 1127, §7](#)

422.12Q Research and development tax credit.

The taxes imposed under [this subchapter](#), less the credits allowed under [section 422.12](#), shall be reduced by a research and development tax credit allowed pursuant to [section 15.524](#).

[2025 Acts, ch 136, §115, 118](#)

Referred to in [§422.16](#)

NEW section

422.13 Return by individual.

1. A resident or nonresident of this state shall make a return, signed in accordance with forms and rules prescribed by the director, if any of the following are applicable:

a. The individual is claimed as a dependent on another person’s return and has net income of five thousand dollars or more for the tax year from sources taxable under [this subchapter](#).

b. The net income of a nonresident which is allocated to Iowa pursuant to [section 422.8, subsection 2](#), is one thousand dollars or more for the tax year from sources taxable under [this subchapter](#), unless the nonresident’s total net income, as determined under [section 422.5, subsection 2 or 3](#), does not exceed the appropriate dollar amount listed in [section 422.5, subsection 2 or 3](#), upon which tax is not imposed. The portion of a lump sum distribution that

is allocable to Iowa is included in net income for purposes of determining if the nonresident's net income allocable to Iowa is one thousand dollars or more.

c. The total net income, as determined under [section 422.5, subsection 2 or 3](#), of a resident of this state is more than the appropriate dollar amount listed in [section 422.5, subsection 2 or 3](#), upon which tax is not imposed.

2. For purposes of determining the requirement for filing a return under [subsection 1](#), the combined net income of a husband and wife from sources taxable under [this subchapter](#) shall be considered.

3. If the taxpayer is unable to make the return, the return shall be made by a duly authorized agent or by a guardian or other person charged with the care of the person or property of the taxpayer.

4. A nonresident taxpayer shall file a copy of the taxpayer's federal income tax return for the current tax year with the return required by [this section](#).

5. Notwithstanding [subsections 1 through 4](#) and [sections 422.14](#) and [422.15](#), a return is not required by a taxpayer as provided in [section 29C.24](#).

[C35, §6943-f13; C39, §6943.045; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.13; [82 Acts, ch 1226, §5, 6](#)]

[87 Acts, ch 214, §3](#); [87 Acts, 1st Ex, ch 1, §4](#); [87 Acts, ch 196, §1](#); [88 Acts, ch 1028, §24](#); [89 Acts, ch 251, §15](#); [92 Acts, 2nd Ex, ch 1001, §219, 224, 227](#); [93 Acts, ch 123, §1 – 4](#); [99 Acts, ch 151, §5, 89](#); [2000 Acts, ch 1146, §6, 10, 11](#); [2001 Acts, ch 127, §7, 9, 10](#); [2007 Acts, ch 186, §15](#); [2009 Acts, ch 133, §244, 245](#); [2009 Acts, ch 179, §132](#); [2012 Acts, ch 1110, §8](#); [2014 Acts, ch 1093, §20, 21](#); [2016 Acts, ch 1095, §4, 14, 15](#); [2017 Acts, ch 157, §7](#); [2018 Acts, ch 1161, §125, 133, 134](#); [2020 Acts, ch 1062, §94](#); [2021 Acts, ch 151, §10, 11, 15](#); [2021 Acts, ch 177, §1](#)

Referred to in [§29C.24, 422.7\(5\)\(b\), 422.8, 422.12H, 422.12K, 422.16, 422.16B, 422.16C, 456A.16](#)

2021 strike of former subsection 5 applies to tax years beginning on or after January 1, 2022; [2021 Acts, ch 151, §15](#)

2021 amendment to subsection 5 applies to tax years beginning on or after January 1, 2022; [2021 Acts, ch 151, §15](#)

2018 strike of subsection 1, paragraph c is effective January 1, 2023, and applies to tax years beginning on or after that date; [2018 Acts, ch 1161, §133, 134](#); [2021 Acts, ch 177, §1](#)

Composite return unused tax credit carryforwards from tax year 2021; [2022 Acts, ch 1061, §52](#)

422.14 Return by fiduciary.

1. a. A fiduciary subject to taxation under [this subchapter](#), as provided in [section 422.6](#), shall make a return, signed in accordance with forms and rules prescribed by the director, for the individual, estate, or trust for whom or for which the fiduciary acts, if the taxable income thereof amounts to six hundred dollars or more. A nonresident fiduciary shall file a copy of the federal income tax return for the current tax year with the return required by [this section](#).

b. (1) A fiduciary required to file a return under paragraph "a", shall file the return in an electronic format as specified by the department in a tax year in which any of the following circumstances apply:

(a) The individual, estate, or trust for whom or which the fiduciary acts has two hundred fifty thousand dollars or more in gross receipts, as defined by rule by the department.

(b) The fiduciary is required to provide ten or more schedules K-1 to the beneficiaries.

(c) The fiduciary reports twenty-five thousand dollars or more of Iowa tax credits on the return.

(2) This paragraph "b" applies to any form or schedule supporting a return required to be electronically filed or any amended return if the amended return meets any of the circumstances requiring electronic filing in this paragraph.

c. (1) Notwithstanding paragraph "b", the department may provide an exception to the electronic filing requirement.

(2) A return subject to the electronic filing requirement in paragraph "b" that is filed in a manner other than an electronic format specified by the department shall not be considered a valid return unless the department provides an exception pursuant to this paragraph.

d. The department shall adopt rules to implement [this subsection](#).

2. Under such regulations as the director may prescribe, a return may be made by one of two or more joint fiduciaries.

3. Fiduciaries required to make returns under [this subchapter](#) shall be subject to all the provisions of [this subchapter](#) which apply to individuals.

[C35, §6943-f14; C39, §6943.046; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.14] [89 Acts, ch 251, §16](#); [2020 Acts, ch 1062, §94](#); [2022 Acts, ch 1061, §3, 9](#)

Referred to in [§29C.24](#), [421.60](#), [422.13](#), [422.16](#), [422.16B](#)

2022 amendment to subsection 1 applies to tax years ending on or after December 31, 2023, or for tax years ending on or after December 31 of the calendar year in which the department of revenue implements a system for receiving the electronic returns, whichever is later; [2022 Acts, ch 1061, §9](#)

422.15 Information at source.

1. Every person or corporation being a resident of or having a place of business in this state, including lessees or mortgagors of real or personal property, fiduciaries, employers and all officers and employees of the state or of any political subdivision of the state, or agent of the person or corporation, having the control, receipt, custody, disposal or payment of interest other than interest coupons payable to bearer, rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, unemployment compensation, royalties, patronage dividends, or other fixed or determinable annual or periodical gains, profits and income, in an amount sufficient to require that an information return be filed under the Internal Revenue Code if the income is subject to federal tax, paid or payable during any year to any individual, whether a resident of this state or not, shall make a complete information return under such regulations and in such form and manner and to such extent as may be prescribed by the director. However, the person or corporation shall not be required to file an information return if the information is available to the department from the internal revenue service.

2. a. Every partnership, including limited partnerships, doing business in this state, or deriving income from sources within this state as defined in [section 422.32, subsection 1, paragraph "g"](#), shall make a return, stating specifically the net income and capital gains or losses reported on the federal partnership return, the names and addresses of the partners, and their respective shares in said amounts.

b. (1) A partnership required to file a return under paragraph "a", shall file the return in an electronic format specified by the department in a tax year in which any of the following circumstances apply:

(a) The partnership has two hundred fifty thousand dollars or more in total gross receipts, as defined by rule by the department.

(b) The partnership is required to provide ten or more Iowa schedules K-1 to the partners.

(c) The partnership reports twenty-five thousand dollars or more of Iowa tax credits on the return.

(2) This paragraph "b" applies to any form or schedule supporting a return required to be electronically filed or any amended return if the amended return meets any of the circumstances requiring electronic filing in this paragraph.

c. (1) Notwithstanding paragraph "b", the department may provide an exception to the electronic filing requirement.

(2) A return subject to the electronic filing requirement in paragraph "b" that is filed in a manner other than an electronic format specified by the department shall not be considered a valid return unless the department provides an exception pursuant to this paragraph.

d. The department shall adopt rules to implement [this subsection](#).

3. Every fiduciary shall make a return for the individual, estate, or trust for whom or for which the fiduciary acts, and shall set forth in such return the taxable income, the names and addresses of the beneficiaries, and the amounts distributed or distributable to each as reported on the federal fiduciary income tax return. Such return may be made by one or two or more joint fiduciaries.

4. Notwithstanding [subsections 1, 2, and 3](#), or any other provision of [this chapter](#), withholding of income tax and any reporting requirement shall not be imposed upon a

person, corporation, or withholding agent or any payor of deferred compensation, pensions, or annuities with regard to such payments made to a nonresident of the state.

[C35, §6943-f15; C39, §6943.047; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.15; 82 Acts, ch 1103, §1110]

92 Acts, ch 1224, §3, 4; 92 Acts, 2nd Ex, ch 1001, §237, 250; 2004 Acts, ch 1021, §110, 117, 118; 2013 Acts, ch 140, §122 – 124; 2014 Acts, ch 1092, §160; 2017 Acts, ch 29, §120; 2022 Acts, ch 1061, §4, 9

Referred to in §15.107, 29C.24, 421.27, 422.13, 422.16, 422.16B, 422.38

2022 amendment to subsection 2 applies to tax years ending on or after December 31, 2022, or for tax years ending on or after December 31 of the calendar year in which the department of revenue implements a system for receiving the electronic returns, whichever is later; 2022 Acts, ch 1061, §9

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](#). State income tax shall be withheld on winnings from sports wagering authorized under [chapter 99F](#) whenever federal income tax is required to be withheld from the same winnings in accordance with the Internal Revenue Code.

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 one thousand 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; 2025 Acts, ch 7, §2, 3; 2025 Acts, ch 148, §58 – 60

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

2025 amendment to subsection 12, paragraph a, subparagraph (1) applies to tax years beginning on or after January 1, 2026; 2025 Acts, ch 148, §60

2025 amendment to subsection 2, paragraph d effective January 1, 2026; 2025 Acts, ch 7, §3

2025 amendment to subsection 12, paragraph a, subparagraph (1) effective January 1, 2026; 2025 Acts, ch 148, §59

Subsection 2, paragraph d amended

Subsection 12, paragraph a, subparagraph (1) amended

422.16A Job training withholding — certification and transfer.

Upon the completion by a business of its repayment obligation for a training project funded under [chapter 260E](#), including a job training project funded under [section 260J.2](#) or repaid in whole or in part by the supplemental new jobs credit from withholding under [section 260J.1](#) or [section 15E.197, Code 2014](#), the sponsoring community college shall report to the department of workforce development the amount of withholding paid by the business to the community college during the final twelve months of withholding payments. The department of workforce development shall notify the department of revenue of that amount. The department of revenue shall credit to the workforce development fund account established in [section 84G.3](#) twenty-five percent of that amount each quarter for a period of ten years. If the amount of withholding from the business or employer is insufficient, the department of revenue shall prorate the quarterly amount credited to the workforce development fund account. The maximum amount from all employers which shall be transferred to the workforce development fund account in any year is seven million seven hundred fifty thousand dollars.

95 Acts, ch 184, §9; 96 Acts, ch 1180, §17; 97 Acts, ch 98, §1, 3; 98 Acts, ch 1225, §26; 2000 Acts, ch 1196, §9, 10; 2000 Acts, ch 1230, §23, 35; 2001 Acts, ch 188, §26; 2003 Acts, ch 145, §286; 2005 Acts, ch 150, §61, 69; 2011 Acts, ch 118, §85, 89; 2014 Acts, ch 1130, §37; 2014 Acts, ch 1132, §14; 2021 Acts, ch 171, §24; 2023 Acts, ch 19, §2204

Referred to in §84G.3, 422.16, 422.38

422.16B Pass-through entity composite returns.

1. As used in [this section](#), unless the context otherwise requires:

a. “*Nonresident member*” means a partner in a partnership as defined in [section 422.25A](#), a shareholder of an S corporation, or a beneficiary of an estate or trust, who is any of the following:

- (1) An individual who is not a resident of this state.
- (2) A partnership without a commercial domicile in this state.
- (3) A trust or estate without a situs in this state.
- (4) A C corporation or S corporation without a commercial domicile in this state.
- (5) A financial institution as defined in [section 422.61](#) without a commercial domicile in this state.

b. “*Pass-through entity*” includes any entity that is a partnership or a pass-through entity as those terms are defined in [section 422.25A](#).

c. “*Tiered pass-through entity*” means a member of a pass-through entity that is itself a pass-through entity.

2. a. (1) A pass-through entity shall file a composite return on behalf of all nonresident members and shall report and pay the income or franchise tax imposed under [this chapter](#) at the maximum state income or franchise tax rate applicable to the member under [section 422.5](#), [422.33](#), or [422.63](#) on the nonresident members’ distributive shares of the income from the pass-through entity.

(2) The tax rate applicable to a tiered pass-through entity shall be the state income tax rate under [section 422.5](#).

b. The composite return is due and shall be filed by the due date of the pass-through entity’s annual return required under [section 422.14](#), [422.15](#), or [422.36](#), including extensions. The return shall be on a form prescribed by the department showing the total amounts paid or credited to the pass-through entity’s nonresident members, the amounts of income or franchise tax remitted in accordance with [this section](#), if any, and such other information as the department may require. A pass-through entity shall furnish to its nonresident members a record of the amount of Iowa income or franchise tax remitted on behalf of such nonresident member in the manner and form prescribed by the department.

c. The Iowa income or franchise tax on the composite return is due on and shall be paid by the due date of the pass-through entity’s annual return required under [section 422.14](#), [422.15](#), or [422.36](#), without extensions.

3. a. A pass-through entity is liable to the state for the payment of the tax required to be remitted under [this section](#), together with applicable interest and penalties, but is not liable to any nonresident member for any amount withheld from distributions to or from the distributive share of such nonresident member and remitted in compliance with [this section](#).

b. If a pass-through entity fails to pay any amount of tax required under [this section](#) and thereafter the tax is paid by the nonresident member, the amount of tax as paid by the nonresident member shall not be collected from the pass-through entity, but such payment by the nonresident member shall not relieve the pass-through entity from any penalty or interest associated with the failure to pay.

4. a. A nonresident member that has been included on a composite return filed pursuant to [this section](#) shall receive credit for Iowa income or franchise tax paid on the nonresident member’s behalf by the pass-through entity, and any amounts in excess of the nonresident member’s Iowa tax liability for the applicable tax period may be refunded to the nonresident member with interest in accordance with [section 421.60](#), [subsection 2](#), paragraph “e”. The nonresident member’s Iowa return shall constitute a claim for refund for this purpose. In lieu of claiming a refund, the nonresident member may elect to have the overpayment shown on the nonresident member’s final, completed return for the taxable year credited to the taxpayer’s tax liability for the following taxable year.

b. A tiered pass-through entity shall be subject to the same requirements to file a composite return and pay tax under [this section](#) with respect to the distributive shares of the tiered pass-through entity’s income. Any Iowa income or franchise tax paid on the tiered pass-through entity’s behalf by another pass-through entity may be applied against that tiered pass-through entity’s own composite tax remittance obligation imposed under [this section](#).

c. A nonresident individual included on a composite tax return filed pursuant to [this section](#) shall be relieved of the requirement to file an individual income tax return under [section 422.13](#) if income from the pass-through entity is the nonresident individual's only Iowa-source income.

5. A pass-through entity shall not be required to remit Iowa income or franchise tax on behalf of a nonresident member if any of the following apply:

a. The pass-through entity is a publicly traded partnership as defined in section 7704(b) of the Internal Revenue Code, provided the publicly traded partnership files with the department an information return that reports the name, address, taxpayer identification number, and any other information requested by the department for each unit holder with an income in this state from the publicly traded partnership in excess of five hundred dollars.

b. A composite return is not required as provided in [section 29C.24](#).

c. The pass-through entity meets any of the following requirements for the tax year:

(1) The pass-through entity is a financial institution subject to the franchise tax under [section 422.60](#) and files a franchise tax return required under [section 422.62](#) and pays any franchise tax shown due on the return.

(2) The pass-through entity wholly owns one or more financial institutions subject to the franchise tax under [section 422.60](#) that are treated as disregarded entities for federal and Iowa income tax purposes, and at least ninety percent of the gross income of the pass-through entity for the tax year is also reportable income on the franchise tax return of the financial institutions wholly owned by the pass-through entity, and such financial institutions file the franchise tax returns required under [section 422.62](#) and pay any franchise tax shown due on the franchise tax return.

d. The department determines by rule or through a ruling that the nonresident member's income should not be subject to composite return reporting, such as a member that is exempt from Iowa income or franchise tax.

6. If the director determines that it is necessary for the efficient administration of [this chapter](#), the director may require that a composite return be filed for nonresidents other than nonresident members of a pass-through entity.

7. All powers of the director and requirements of the director apply to returns filed under [this section](#) including but not limited to the provisions of [this subchapter](#) and [subchapter VI](#). The provisions of [section 422.16](#), [subsection 4](#), paragraph "c", and [subsections 7, 11, and 14](#), applying to withholding agents, shall apply in the same manner to pass-through entities under [this section](#).

8. a. For the efficient administration of [this chapter](#), the director may require or provide for the composite return on the same form as or combined with a pass-through entity's annual return required under [section 422.14](#), [422.15](#), or [422.36](#), but in such case the composite return shall be considered a separate return for purposes of [this chapter](#) and [section 421.27](#).

b. (1) If a pass-through entity is required to file its annual return under [section 422.14](#), [422.15](#), or [422.36](#) in an electronic format, the pass-through entity shall file its composite return for the same taxable year in an electronic format specified by the department.

(2) This paragraph applies to any form or schedule supporting a return required to be electronically filed or any amended return if the amended return meets any of the circumstances requiring electronic filing in this paragraph.

c. A return subject to the electronic filing requirement in paragraph "b" that is filed in a manner other than an electronic format specified by the department shall not be considered a valid return.

d. The department shall adopt rules to implement [this subsection](#).

[2021 Acts, ch 151, §14, 15; 2021 Acts, ch 174, §17; 2022 Acts, ch 1061, §5, 9; 2023 Acts, ch 115, §18, 52 – 54; 2024 Acts, ch 1094, §7, 16, 17](#)

Referred to in [§29C.24](#), [422.16](#), [422.16C](#), [422.25A](#), [422.38](#)

Section applies to tax years beginning on or after January 1, 2022; 2021 Acts, ch 151, §15

2022 amendment to subsection 8 applies to tax years ending on or after December 31, 2022, or for tax years ending on or after December 31 of the calendar year in which the department of revenue implements a system for receiving the electronic returns, whichever is later; 2022 Acts, ch 1061, §9

Subsection 5, paragraph c applies retroactively to January 1, 2023, for tax years beginning on or after that date; 2023 Acts, ch 115, §54

Certain requirements of this section shall not apply to any estate for a tax year that began on or after January 1, 2022, and ended before December 31, 2022, if the estate received a certificate of acquittance from the department without having filed a composite return; 2023 Acts, ch 115, §61

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

422.16C Pass-through entity — election — entity-level tax — credit.

1. As used in [this section](#), unless the context otherwise requires:

a. “Partnership” means the same as defined in [section 422.25A](#), except a “partnership” does not include a pass-through entity that is a publicly traded partnership as defined in section 7704 of the Internal Revenue Code.

b. “Taxpayer” means a partnership or an S corporation.

2. For tax years beginning on or after January 1, 2022, notwithstanding any other provision of law to the contrary, a taxpayer may elect to be subject to the provisions of [this section](#). [This section](#) only applies to tax years for which the limitation on individual deductions applies under section 164(b)(6) of the Internal Revenue Code.

3. a. A separate election shall be made for each tax year on a form and at a time prescribed by the department. An election shall be irrevocable once made and shall be binding on the taxpayer and all partners or shareholders of the taxpayer.

b. If an election is made under [this section](#), a taxpayer shall not be required to file a composite return for the same tax year pursuant to [section 422.16B](#).

4. a. A taxpayer making an election under [this section](#) shall be subject to tax in an amount equal to the rate under [section 422.5](#), imposed against the taxable income of the taxpayer for the taxable year properly determined under [this chapter](#) and allocated and apportioned to the state under the rules adopted by the department. The tax shall be due with the taxpayer’s return required under [this chapter](#).

b. The tax under [this section](#) shall be reduced by the credit provided in [subsection 5](#), paragraph “b”, and the franchise tax credit in [section 422.11](#), [subsection 2](#), and the composite credit in [section 422.16B](#), [subsection 4](#). Any other tax credits shall not be claimed by the taxpayer against the tax imposed under [this section](#). A net operating loss or other loss carryback or carryforward shall not be claimed by the taxpayer.

5. a. For a taxable year in which a taxpayer made an election under [this section](#), for the partners or shareholders of the taxpayer, the taxes imposed under this subchapter, less the credits allowed under [section 422.12](#), or the taxes imposed under [subchapter III](#) or [V](#), as applicable, shall be reduced by a credit equal to the product of the following amounts:

(1) The ratio of the partner’s or shareholder’s share of the taxpayer’s taxable income over the taxpayer’s total taxable income multiplied by the state tax liability actually paid by the taxpayer.

(2) The difference between one hundred percent and the individual income tax rate in effect for the tax year.

b. If the taxpayer is itself a partner or shareholder of another taxpayer making an election under [this section](#), the credit under [this subsection](#) shall be allowed.

c. Any credit in excess of the tax liability is refundable. In lieu of claiming a refund, the partner or shareholder may elect to have the overpayment shown on the partner’s or shareholder’s final, completed return credited to the tax liability for the following tax year.

6. A nonresident individual who is a partner or shareholder of a taxpayer for a tax year in which an election is made under [this section](#) shall not be required to file an individual income tax return under [section 422.13](#) for such tax year if the only Iowa source income of the individual is from a taxpayer making the election under [this section](#), the credit allowed to the partner or shareholder equals or exceeds the tax liability of the partner or shareholder for the tax imposed in the tax year the election is made, and if the taxpayer files and pays the tax due under [this section](#).

7. A taxpayer making an election under [this section](#) is liable for the entity-level tax imposed pursuant to [this section](#), including applicable penalties and interest. [This section](#) shall not prohibit the department from assessing direct or indirect partners and shareholders for taxes owed in the event that the taxpayer fails to timely make any payment required by [this section](#) for any reason.

8. In addition to and not in lieu of any period of limitation provided in [section 422.25](#), if

a taxpayer files an amended return that requests a refund of tax previously paid within one year prior to the expiration of the department's applicable period of limitations in [section 422.25](#), the department has one year from the date of receipt of the amended return to assess any direct or indirect partners and shareholders related to the reduction of any tax credit provided under [subsection 5](#).

9. The department shall adopt rules pursuant to [chapter 17A](#) to administer [this section](#).
[2023 Acts, ch 78, §2, 6, 7; 2024 Acts, ch 1094, §8, 9, 16, 17](#)

Referred to in [§422.11, 422.16, 422.38, 422.85](#)

A taxpayer making an election under this section is not required to make estimated tax payments for a tax year beginning prior to May 11, 2023; see [2023 Acts, ch 78, §4](#)

The department of revenue may waive penalty and interest for a return filing or tax payment related to an election under this section for a tax year ending prior to May 11, 2023; see [2023 Acts, ch 78, §5](#)

Section applies retroactively to January 1, 2022, for tax years beginning on or after that date; [2023 Acts, ch 78, §7](#)

2024 amendment to subsection 4, paragraph a applies to tax years beginning on or after January 1, 2025; [2024 Acts, ch 1094, §17](#)

2024 amendment to subsection 5, paragraph a, subparagraph (2) applies to tax years beginning on or after January 1, 2025; [2024 Acts, ch 1094, §17](#)

422.17 Certificate issued by department to make payments without withholding.

Any nonresident whose Iowa income is not subject to [section 422.16, subsection 2](#), paragraph “a”, “c”, “d”, or “e”, in whole or in part, and who elects to be governed by [section 422.16, subsection 2](#), paragraph “b”, to the extent that the nonresident pays the entire amount of tax properly estimated on or before the last day of the fourth month of the nonresident's tax year, for the year, may for the year of the election and payment, be granted a certificate from the department authorizing each withholding agent, the income from whom the nonresident has considered in the payment of estimated tax and to the extent the income is included in the estimate, to make payments of income to the nonresident without withholding tax from those payments. Withholding agents, if payments exceed the tax liability estimated by the nonresident as indicated upon the certificate, shall withhold tax in accordance with [section 422.16, subsection 2](#), paragraph “b”.

[C39, §6943.049; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.17]

[86 Acts, ch 1241, §17; 2015 Acts, ch 29, §53; 2023 Acts, ch 115, §19](#)

Referred to in [§422.16, 422.38](#)

422.18 Reserved.

422.19 Scope of nonresidents tax.

The tax imposed under [this subchapter](#) upon certain income of nonresidents shall apply to all such income actually received by such nonresident regardless of when such income was earned. If the nonresident is reporting on the accrual basis it shall apply to all such income which first became available to the nonresident so that the nonresident might demand payment thereof regardless of when such income was earned. The duty to withhold imposed under [this subchapter](#) upon withholding agents shall apply only to amounts paid after June 30, 1937.

[C39, §6943.051; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.19]

[2020 Acts, ch 1063, §221](#)

Referred to in [§422.16, 422.38](#)

422.20 Information confidential — redactions — penalty.

1. a. It shall be unlawful for any present or former officer or employee of the state to willfully or recklessly divulge or to make known in any manner whatever not provided by law to any person the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any income return, or to permit any income return or copy thereof or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law.

b. It shall be unlawful for any person to willfully or recklessly print or publish in any manner whatever not provided by law any income return, or any part thereof or source of income, profits, losses, or expenditures appearing in any income return.

c. Any person committing an offense described in [this subsection](#) shall be guilty of a serious misdemeanor. If the offender is an officer or employee of the state, such person shall also be dismissed from office or discharged from employment.

d. Nothing in [this section](#) shall prohibit turning over to duly authorized officers of the United States or tax officials of other states state information and income returns pursuant to agreement between the director and the secretary of the treasury of the United States or the secretary's delegate or pursuant to a reciprocal agreement with another state.

2. It is unlawful for an officer, employee, or agent, or former officer, employee, or agent of the state to willfully or recklessly disclose to any person, except as authorized in [subsection 1](#) of [this section](#), any federal tax return or return information as defined in section 6103(b) of the Internal Revenue Code. It is unlawful for a person to whom any federal tax return or return information, as defined in section 6103(b) of the Internal Revenue Code, is disclosed in a manner unauthorized by [subsection 1](#) of [this section](#) to thereafter willfully or recklessly print or publish in any manner not provided by law any such return or return information. A person violating [this subsection](#) is guilty of a serious misdemeanor.

3. a. Unless otherwise expressly permitted by [section 8G.4](#), [section 11.41](#), [section 96.11](#), [subsection 6](#), [section 421.17](#), [subsections 22, 23, and 26](#), [section 421.17](#), [subsection 27](#), paragraph "k", [section 421.17](#), [subsection 31](#), [section 252B.9](#), [section 321.40](#), [subsection 6](#), [sections 321.120, 421.19, 421.28, 421.59, 421.65, 422.72, 452A.63, and 556.19](#), [subsection 2](#), [this section](#), or another provision of law, a tax return, return information, or investigative or audit information shall not be divulged to any person or entity, other than the taxpayer, the department, or internal revenue service for use in a matter unrelated to tax administration.

b. This prohibition precludes persons or entities other than the taxpayer, the department, or the internal revenue service from obtaining such information from the department, and a subpoena, order, or process which requires the department to produce such information to a person or entity, other than the taxpayer, the department, or internal revenue service for use in a nontax proceeding is void.

4. The director may disclose the tax return of a partnership, limited liability company, or S corporation, any such return information, or any investigative information related to the return, to any person who was a partner, shareholder, or member of such an entity during any part of the period covered by the return.

5. a. Prior to the record in an appeal or contested case being made available for public inspection, the department shall redact the following information from any pleading, exhibit, attachment, motion, written evidence, final order, decision, or opinion contained in that record:

- (1) A financial account number.
- (2) An account number generated by the department to identify an audit or examination.
- (3) A social security number.
- (4) A federal employer identification number.
- (5) The name of a minor.
- (6) A medical record or other medical information.
- (7) A return as defined in [section 421.6](#).

b. Upon a motion filed by the taxpayer, the department may redact from the record in an appeal or contested case any other information from a pleading, exhibit, attachment, motion, or written evidence, if the taxpayer proves by clear and convincing evidence that the release of such information would disclose a trade secret or be a clear, unwarranted invasion of personal privacy.

c. Notwithstanding paragraph "a", when making final orders, decisions, or opinions available for public inspection, the department may disclose the items in paragraph "a" if the department determines such information is relevant or necessary to the resolution or decision of the appeal or case.

d. Except as described in paragraphs "a" and "b", all information contained in a pleading, exhibit, attachment, motion, written evidence, final order, decision, opinion, and the record in an appeal or contested case is subject to examination to the extent provided by [chapter 22](#).

6. The director may disclose taxpayer identity information to the press and other media for purposes of notifying persons entitled to tax refunds when the director, after reasonable effort and lapse of time, has been unable to locate the persons.

7. The department may permit, by rule, the disclosure of state tax information to a person

a taxpayer has authorized to receive such state tax information, in the manner prescribed by the department.

[C62, 66, 71, 73, 75, 77, 79, 81, §422.20]

87 Acts, ch 199, §6; 88 Acts, ch 1028, §27; 91 Acts, ch 159, §16; 97 Acts, ch 158, §12; 2003 Acts, ch 145, §256; 2008 Acts, ch 1113, §9, 11; 2010 Acts, ch 1146, §14, 26; 2010 Acts, ch 1193, §147, 149; 2011 Acts, ch 122, §51; 2013 Acts, ch 30, §87; 2013 Acts, ch 70, §4, 9; 2019 Acts, ch 152, §17; 2020 Acts, ch 1063, §222; 2020 Acts, ch 1064, §20, 28; 2020 Acts, ch 1118, §14 – 16, 73, 74; 2021 Acts, ch 86, §78, 79; 2022 Acts, ch 1021, §100; 2025 Acts, ch 148, §3, 5

Referred to in §257.22, 421.17, 421.19, 421.24, 421.28, 422.16, 422.38, 422.72, 422D.3, 425.28

Subsection 3, paragraph a amended

422.21 Form and time of return.

1. Returns shall be in the form the director prescribes, and shall be filed with the department on or before the last day of the fourth month after the expiration of the tax year. However, cooperative associations as defined in section 6072(d) of the Internal Revenue Code shall file their returns on or before the fifteenth day of the ninth month following the close of the taxable year and nonprofit corporations subject to the unrelated business income tax imposed by [section 422.33, subsection 1A](#), shall file their returns on or before the fifteenth day of the fifth month following the close of the taxable year. If, under the Internal Revenue Code, a corporation is required to file a return covering a tax period of less than twelve months, the state return shall be for the same period and is due forty-five days after the due date of the federal tax return, excluding any extension of time to file. In case of sickness, absence, or other disability, or if good cause exists, the director may allow further time for filing returns. The director shall cause to be prepared blank forms for the returns and shall cause them to be distributed throughout the state and to be furnished upon application, but failure to receive or secure the form does not relieve the taxpayer from the obligation of making a return that is required. The department may as far as consistent with the Code draft income tax forms to conform to the income tax forms of the internal revenue department of the United States government. Each return by a taxpayer upon whom a tax is imposed by [section 422.5](#) shall show the county of the residence of the taxpayer.

2. An individual in the armed forces of the United States serving in an area designated by the president of the United States or the United States Congress as a combat zone or as a qualified hazardous duty area, or deployed outside the United States away from the individual's permanent duty station while participating in an operation designated by the United States secretary of defense as a contingency operation as defined in 10 U.S.C. §101(a)(13), or which became such a contingency operation by the operation of law, or an individual serving in support of those forces, is allowed the same additional time period after leaving the combat zone or the qualified hazardous duty area, or ceasing to participate in such contingency operation, or after a period of continuous hospitalization, to file a state income tax return or perform other acts related to the department, as would constitute timely filing of the return or timely performance of other acts described in section 7508(a) of the Internal Revenue Code. An individual on active duty federal military service in the armed forces, armed forces military reserve, or national guard who is deployed outside the United States in other than a combat zone, qualified hazardous duty area, or contingency operation is allowed the same additional period of time described in section 7508(a) of the Internal Revenue Code to file a state income tax return or perform other acts related to the department. For the purposes of [this subsection](#), "other acts related to the department" includes filing claims for refund for any tax administered by the department, making tax payments other than withholding payments, filing appeals on the tax matters, filing other tax returns, and performing other acts described in the department's rules. The additional time period allowed applies to the spouse of the individual described in [this subsection](#) to the extent the spouse files jointly with the individual or when the spouse is a party with the individual to any matter for which the additional time period is allowed.

3. The department shall make available to persons required to make personal income tax returns under the provisions of [this chapter](#), and when such income is derived mainly from salaries and wages or from the operation of a business or profession, a form which shall

take into consideration the normal deductions and credits allowable to any such taxpayer, and which will permit the computation of the tax payable without requiring the listing of specific deductions and credits. In arriving at schedules for payment of taxation under such forms the department shall as nearly as possible base such schedules upon a total of deductions and credits which will result in substantially the same payment as would have been made by such taxpayer were the taxpayer to specifically list the taxpayer's allowable deductions and credits. In lieu of such return any taxpayer may elect to list permissible deductions and credits as provided by law. It is the intent and purpose of this provision to simplify the procedure of collection of personal income tax, and the director shall have the power in any case when deemed necessary or advisable to require any taxpayer, who has made a return in accordance with the schedule provided for in [this section](#), to make an additional return in which all deductions and credits are specifically listed. The department may revise the schedules adopted in connection with such simplified form whenever such revision is necessitated by changes in federal income tax laws, or to maintain the collection of substantially the same amounts from taxpayers as would be received were the specific listing of deductions and credits required.

4. The department shall provide space on the prescribed income tax form, wherein the taxpayer shall enter the name of the school district of the taxpayer's residence. Such place shall be indicated by prominent type. A nonresident taxpayer shall so indicate. If such information is not supplied on the tax return it shall be deemed an incompleting return.

5. The director shall determine for the 2023 calendar year and each subsequent calendar year the annual and cumulative inflation factors for each calendar year to be applied to tax years beginning on or after January 1 of that calendar year. The annual and cumulative inflation factors determined by the director are not rules as defined in [section 17A.2, subsection 11](#).

6. The department shall provide on income tax forms or in the instruction booklets in a manner that will be noticeable to the taxpayers a statement that, even though the taxpayer may not have any federal or state income tax liability, the taxpayer may be eligible for the federal earned income tax credit or state child and dependent care credit. The statement shall also contain notice of where the taxpayer may check on the taxpayer's eligibility for these credits.

7. If married taxpayers file a joint return in accordance with rules prescribed by the director, both spouses are jointly and severally liable for the total tax due on the return, except when one spouse is eligible for relief under criteria established pursuant to section 6015 of the Internal Revenue Code. The department may notify the nonrequesting spouse or former spouse and permit, by rule, the intervention of a nonrequesting spouse or former spouse when relief from joint and several liability is requested.

[C35, §6943-f17; C39, §6943.053; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.21]

85 Acts, ch 230, §6; 87 Acts, ch 115, §56; 87 Acts, 2nd Ex, ch 1, §11; 88 Acts, ch 1028, §28; 89 Acts, ch 268, §7, 8; 90 Acts, ch 1248, §13; 91 Acts, ch 159, §17; 91 Acts, ch 196, §3; 94 Acts, ch 1165, §16, 48; 2000 Acts, ch 1146, §9, 11; 2002 Acts, ch 1069, §8, 11, 14; 2003 Acts, ch 142, §8, 11; 2009 Acts, ch 47, §1, 2; 2018 Acts, ch 1161, §127, 133, 134; 2020 Acts, ch 1063, §223; 2020 Acts, ch 1118, §75, 76; 2021 Acts, ch 177, §1; 2024 Acts, ch 1094, §10, 16, 17

Referred to in §257.23, 422.7(22)(a), 422.16, 422.38, 422D.3, 541B.3

2018 amendments to subsections 2, 5, and 7 are effective January 1, 2023, and apply to tax years beginning on or after that date; 2018 Acts, ch 1161, §133, 134; 2021 Acts, ch 177, §1

2024 amendment to subsection 5 applies to tax years beginning on or after January 1, 2025; 2024 Acts, ch 1094, §17

422.22 Supplementary returns.

If the director shall be of the opinion that any taxpayer required under [this subchapter](#) to file a return has failed to file such a return or to include in a return filed, either intentionally or through error, items of taxable income, the director may require from such taxpayer a return or supplementary return in such form as the director shall prescribe, of all the items of income which the taxpayer received during the year for which the return is made, whether or not taxable under the provisions of [this subchapter](#). If from a supplementary return, or otherwise, the director finds that any items of income, taxable under [this subchapter](#), have been omitted from the original return, the director may require the items so omitted to be

added to the original return. Such supplementary return and the correction of the original return shall not relieve the taxpayer from any of the penalties to which the taxpayer may be liable under any provisions of [this subchapter](#), whether or not the director required a return or a supplementary return under [this section](#).

[C35, §6943-f18; C39, **§6943.054**; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.22]

[2020 Acts, ch 1062, §94](#)

Referred to in [§257.22](#), [422.16](#), [422.38](#), [422D.3](#)

422.23 Return by administrator.

The return by an individual, who, while living, was subject to income tax in the state during the tax year, and who has died before making the return, shall be made in the individual's name and behalf by the administrator or executor of the estate and the tax shall be levied upon and collected from the individual's estate. In the making of said return, the executor or administrator shall use the same method of computation, either cash or accrual, as was last used by the deceased taxpayer.

[C35, §6943-f19; C39, **§6943.055**; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.23]

[86 Acts, ch 1241, §18](#); [99 Acts, ch 151, §7, 89](#)

Referred to in [§257.22](#), [422.16](#), [422D.3](#)

422.24 Payment — interest.

1. For all taxpayers the total tax due shall be paid in full at the time of filing the return.
2. When, at the request of the taxpayer, the time for filing the return is extended, interest at the rate in effect under [section 421.7](#) for each month counting each fraction of a month as an entire month, on the total tax due, from the time when the return was required to be filed to the time of payment, shall be added and paid.

[C35, §6943-f20; C39, **§6943.056**; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.24; [81 Acts, ch 131, §7](#)]

Referred to in [§257.22](#), [422.16](#), [422.39](#), [422.66](#), [422D.3](#)

422.24A Start-up business tax deferment. Repealed by [2008 Acts, ch 1184, §66, 67](#).

422.25 Computation of tax, interest, and penalties — limitation.

1. *a.* For purposes of [this subsection](#):
 - (1) “*Federal adjustment*” means a change to an item or amount required to be determined under the Internal Revenue Code and the regulations thereunder that is used by the taxpayer to compute state tax owed whether such change results from action by the internal revenue service, or the filing of a timely amended federal return or timely federal refund claim. A federal adjustment is positive to the extent that it increases Iowa taxable income as determined under [this title](#) and is negative to the extent that it decreases Iowa taxable income as determined under [this title](#).
 - (2) “*Federal adjustments report*” means the method or form required by the department by rule to report final federal adjustments or final federal partnership adjustments as defined in [section 422.25A](#), and in the case of any entity taxed as a partnership or S corporation for federal income tax purposes, identifies all owners that hold an interest directly in such entity and provides the effect of the final federal adjustments on such owner's Iowa income.
 - (3) “*Final determination date*” means the following:
 - (a) Except as provided in subparagraph divisions (b) and (c), for federal adjustments arising from an internal revenue service audit or other action by the internal revenue service, the final determination date is the first day on which no federal adjustments arising from that audit or other action remain to be finally determined, whether by internal revenue service decision with respect to which all rights of appeal have been waived or exhausted, by agreement, or, if appealed or contested, by a final decision with respect to which all rights of appeal have been waived or exhausted. For agreements required to be signed by the internal revenue service and the taxpayer, the final determination date is the date on which the last party signed the agreement.
 - (b) For federal adjustments arising from an internal revenue service audit or other action by the internal revenue service, if the taxpayer filed as a member of a consolidated return

under [section 422.37](#), the final determination date is the first day on which no related federal adjustments arising from that audit or other action remain to be finally determined, as described in subparagraph division (a), for the entire group.

(c) For federal adjustments arising from a timely filed amended federal return or a timely filed federal refund claim, or if it is a federal adjustment reported on a timely amended federal return or other similar report filed pursuant to section 6225(c) of the Internal Revenue Code, the final determination date is the day on which the amended return, refund claim, or other similar report was filed.

(4) “*Final federal adjustment*” means a federal adjustment after the final determination date for that federal adjustment has passed.

b. Within three years after the return is filed or within three years after the return became due, including any extensions of time for filing, whichever time is the later, the department shall examine the return and determine the tax. However, if the taxpayer omits from income an amount which will, under the Internal Revenue Code, extend the statute of limitations for assessment of federal tax to six years under the federal law, the period for examination and determination is six years.

c. (1) The period for examination and determination of the correct amount of tax is unlimited in the case of a false or fraudulent return made with the intent to evade tax or in the case of a failure to file a return.

(2) If a person required to file a return with the department fails to file the return with the department, the department may, at any time, estimate the tax due based upon information or knowledge the department is able to obtain.

(3) If the department estimates an amount of tax under subparagraph (2), the following shall apply:

(a) The department shall issue a notice of assessment to the person for which the tax is estimated in accordance with [section 421.60](#). The notice of assessment shall not be appealable pursuant to [section 422.28](#) or [422.29](#), except to appeal the determination that the person is required to file a return.

(b) The department shall include a statement with the notice that if the person files a return within three years from the date on the notice of assessment, the department may replace the assessment with the amount shown due on the person’s return, plus any applicable penalty and interest, and the department may examine that return and determine the tax, penalty, and interest within the period provided in [this section](#).

(c) If the person fails to file a return within three years from the date on the notice of assessment, the person may pay the tax, penalty, and interest and file a refund claim within the time period provided in [section 422.73](#), or may request relief under [section 421.5](#).

d. In lieu of the period of limitation for any prior year for which an overpayment of tax or an elimination or reduction of an underpayment of tax due for that prior year results from the carryback to that prior year of a net operating loss or net capital loss, the period is the period of limitation for the taxable year of the net operating loss or net capital loss which results in the carryback.

e. (1) In addition to the applicable period of limitation for examination and determination in paragraph “b”, “c”, or “d”, the department may make an examination and determination at any time within one year from the date of receipt by the department of a federal adjustments report with respect to a final federal adjustment or final federal partnership adjustment as defined in [section 422.25A](#) for a particular tax year. In order to begin the running of the one-year period, the federal adjustments report related to the final federal adjustment or final federal partnership adjustment shall be transmitted to the department by the taxpayer in the form and manner specified by the department by rule.

(2) The department in its discretion may adopt rules to establish a de minimis amount for which subparagraph (1) shall not apply and the taxpayer shall not be required to file a federal adjustments report.

(3) The department may in its discretion and when administratively feasible adopt a process through rule by which a taxpayer may make estimated payments of tax expected to result from a pending internal revenue service audit prior to the filing of a federal adjustments report with the department. The process shall provide that the estimated tax

payments shall be credited against any tax liability ultimately found to be due to the state from the internal revenue service audit and will limit the accrual of further statutory interest on that liability. The process shall also provide that if the estimated tax payments exceed the final tax liability and statutory interest ultimately determined to be due, the taxpayer is entitled to a refund or credit for the excess, without interest, provided the taxpayer files a federal adjustments report, or a claim for refund or credit of tax under [section 422.73](#), no later than one year following the final determination date.

f. The period of examination and determination is unlimited under this title in the case of any action by the department to recover or rescind any tax expenditure as defined by [section 2.48, subsection 1](#), or any other incentive or assistance, due to a failure to meet or maintain the requirements of a program administered by the economic development authority.

2. a. If the tax found due under [subsection 1](#) is greater than the amount paid, the department shall compute the amount due, together with interest and penalties as provided in paragraph “b”, and shall mail a notice of assessment to the taxpayer and, if applicable, to the taxpayer’s authorized representative of the total, which shall be computed as a sum certain, with interest computed to the last day of the month in which the notice is dated.

b. In addition to the tax or additional tax determined by the department under [subsection 1](#), the taxpayer shall 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 return was required to be filed. In addition to the tax or additional tax, the taxpayer shall pay a penalty as provided in [section 421.27](#).

3. a. If the amount of the tax as determined by the department is less than the amount paid, the excess shall be refunded with interest in accordance with [section 421.60, subsection 2](#), paragraph “e”.

b. Notwithstanding [section 421.60, subsection 2](#), paragraph “e”, and paragraph “a” of [this subsection](#), when the net operating loss or net capital loss carryback to a prior year eliminates or reduces an underpayment of tax due for an earlier year, the full amount of the underpayment of tax shall bear interest at the rate in effect under [section 421.7](#) for each month counting each fraction of a month as an entire month from the due date of the tax for the earlier year to the last day of the taxable year in which the net operating loss or net capital loss occurred.

4. a. All payments received must be credited first to the penalty and interest accrued and then to the tax due. If payments in multiple tax periods are unpaid, payments received shall be credited first to the penalty and interest accrued and then tax due for the earliest period, and then credited to each following tax period in chronological order from the earliest tax period to the latest tax period. Payments required to be made within a tax period must be credited first to the earliest deposit period within the tax period. For purposes of [this subsection](#), the department shall not reapply prior payments made on or before the due date of the original return by the taxpayer to penalty or interest determined to be due after the date of those prior payments, except that the taxpayer and the department may agree to apply payments in accordance with rules adopted by the director when there are both agreed and unagreed to items as a result of an examination.

b. As used in [this subsection](#), “tax period” means a period of time for which a return is required.

5. A person or withholding agent required to supply information, to pay tax, or to make, sign, or file a deposit form or return required by [this subchapter](#), who willfully makes a false or fraudulent deposit form or return, or willfully fails to pay the tax, supply the information, or make, sign, or file the deposit form or return, at the time or times required by law, is guilty of a fraudulent practice.

6. The certificate of the director to the effect that a tax has not been paid, that a return has not been filed, or that information has not been supplied, as required under the provisions of [this subchapter](#) shall be prima facie evidence thereof except as otherwise provided in [this section](#).

7. The periods of limitation provided by [this section](#) may be extended by the taxpayer by signing a waiver agreement to be provided by the department. The agreement shall stipulate

the period of extension and the year or years to which the extension applies. It shall provide that a claim for refund may be filed by the taxpayer at any time during the period of extension.

8. A person or withholding agent who willfully attempts in any manner to defeat or evade a tax imposed by [this subchapter](#) or the payment of the tax, upon conviction for each offense is guilty of a class “D” felony.

9. A prosecution for any offense defined in [this section](#) must be commenced within six years after the commission thereof, and not after.

10. If a taxpayer files an amended return within sixty days prior to the expiration of the applicable period of limitations described in [subsection 1](#), the department has sixty days from the date of receipt of the amended return to issue an assessment for any applicable tax, interest, or penalty.

[C35, §6943-f21; C39, §6943.057; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.25; 81 Acts, ch 131, §8, ch 133, §2, 4, ch 134, §1, 2; 82 Acts, ch 1180, §3, 8]

83 Acts, ch 160, §5; 84 Acts, ch 1025, §1; 84 Acts, ch 1173, §5; 86 Acts, ch 1007, §26; 86 Acts, ch 1241, §19; 88 Acts, ch 1028, §29; 89 Acts, ch 251, §19; 90 Acts, ch 1172, §9; 94 Acts, ch 1133, §3, 4, 16; 95 Acts, ch 83, §3, 34; 99 Acts, ch 151, §8, 9, 89; 99 Acts, ch 152, §3, 40; 2002 Acts, ch 1150, §5; 2013 Acts, ch 110, §1; 2018 Acts, ch 1161, §6, 15, 16; 2020 Acts, ch 1062, §94; 2020 Acts, ch 1118, §17, 31, 63, 71; 2021 Acts, ch 151, §4; 2022 Acts, ch 1032, §60; 2023 Acts, ch 115, §26, 40

Referred to in §99G.30A, 257.22, 321.105A, 421.27, 422.16, 422.16C, 422.25A, 422.25C, 422.39, 422.66, 422.73, 422D.3, 423.42, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5, 428A.8, 452A.23

Fraudulent practices, see §714.8 – 714.14

422.25A Reporting and treatment of certain partnership adjustments.

1. *Definitions.* As used in [this section](#) and [sections 422.25B](#) and [422.25C](#), unless the context otherwise requires:

a. “*Administrative adjustment request*” means the same as provided in section 6227 of the Internal Revenue Code.

b. “*Audited partnership*” means a partnership subject to a final federal partnership adjustment resulting from a partnership level audit.

c. “*C corporation*” means an entity that elects or is required to be taxed as a corporation under title 26, chapter 1, subchapter A, part 2, of the Internal Revenue Code.

d. “*Corporate partner*” means a C corporation partner that is subject to tax pursuant to [section 422.33](#).

e. “*Direct partner*” means a person that holds an interest directly in a partnership or pass-through entity.

f. “*Exempt partner*” means a partner that is exempt from taxation pursuant to [section 422.34](#).

g. “*Federal adjustments report*” means the same as defined in [section 422.25](#).

h. “*Federal partnership adjustment*” means a change to an item or amount required to be determined under the Internal Revenue Code and the regulations thereunder that is used by a partnership and its direct and indirect partners to compute state tax owed for the reviewed year where such change results from a partnership level audit or an administrative adjustment request. A federal partnership adjustment is positive to the extent that it increases Iowa taxable income as determined under [this title](#) and is negative to the extent that it decreases Iowa taxable income as determined under [this title](#). A federal adjustment reported on an amended federal return or other similar report filed pursuant to section 6225(c) of the Internal Revenue Code shall not be considered a federal partnership adjustment for purposes of [this section](#).

i. “*Federal partnership representative*” means the person the partnership designates for the taxable year as the partnership’s representative, or the person the internal revenue service has appointed to act as the federal partnership representative, pursuant to section 6223(a) of the Internal Revenue Code and the regulations thereunder.

j. “*Fiduciary partner*” means a partner that is a fiduciary that is subject to tax pursuant to [sections 422.5](#) and [422.6](#).

k. “*Final determination date*” means any one of the following dates:

(1) In the case of a federal partnership adjustment that arises from a partnership level

audit, the first day on which no federal adjustments arising from that audit remain to be finally determined, whether by internal revenue service decision with respect to which all rights of appeal have been waived or exhausted, by agreement, or, if appealed or contested, by a final decision with respect to which all rights of appeal have been waived or exhausted. For agreements required to be signed by the internal revenue service and the audited partnership, the final determination date is the date on which the last party signed the agreement.

(2) In the case of a federal partnership adjustment that results from a timely filed administrative adjustment request, the day on which the administrative adjustment request was filed with the internal revenue service.

l. “*Final federal partnership adjustment*” means a federal partnership adjustment after the final determination date for that federal partnership adjustment has passed.

m. “*Indirect partner*” means a partner in a partnership or pass-through entity where such partnership or pass-through entity itself holds an interest directly, or through another indirect partner, in a partnership or pass-through entity.

n. “*Individual partner*” means a partner who is a natural person that is subject to tax pursuant to [section 422.5](#).

o. “*Nonresident partner*” means a partner that is not a resident partner as defined in [this subsection](#).

p. “*Partner*” means a person that holds an interest, directly or indirectly, in a partnership or pass-through entity.

q. “*Partnership*” means an entity subject to taxation under subchapter K of the Internal Revenue Code and the regulations thereunder and includes but is not limited to a syndicate, group, pool, joint venture, or other unincorporated organization through or by means of which any business, financial operation, or venture is carried on and which is not, within the meaning of [this chapter](#), a trust, estate, or corporation.

r. “*Partnership level audit*” means an examination by the internal revenue service at the partnership level pursuant to subchapter C of title 26, subtitle F, chapter 63, of the Internal Revenue Code, as enacted by the Bipartisan Budget Act of 2015, Pub. L. No. 114-74, and as amended, which results in final federal partnership adjustments initiated and made by the internal revenue service.

s. “*Pass-through entity*” means an entity, other than a partnership, that is not subject to tax under [section 422.33](#) for C corporations but excluding an exempt partner. “*Pass-through entity*” includes but is not limited to S corporations, estates, and trusts other than grantor trusts.

t. “*Reallocation adjustment*” means a final federal partnership adjustment that changes the shares of items of partnership income, gain, loss, expense, or credit allocated to a partner that holds an interest directly in a partnership or pass-through entity. A positive reallocation adjustment means the portion of a reallocation adjustment that would increase Iowa taxable income for such partners, and a negative reallocation adjustment means the portion of a reallocation adjustment that would decrease Iowa taxable income for such partners.

u. “*Resident partner*” means any of the following:

(1) For an individual partner, a “*resident*” as defined in [section 422.4](#).

(2) For a fiduciary partner, one with situs in Iowa.

(3) For all other partners, a partner whose headquarters or principal place of business is located in Iowa.

v. “*Reviewed year*” means the taxable year of a partnership that is subject to a partnership level audit from which final federal partnership adjustments arise, or otherwise means the taxable year of the partnership or pass-through entity that is the subject of a state partnership audit.

w. “*State partnership audit*” means an examination by the director at the partnership or pass-through entity level which results in adjustments to partnership or pass-through entity related items or reallocations of income, gains, losses, expenses, credits, and other attributes among such partners for the reviewed year.

x. “*Tiered partner*” means any partner that is a partnership or pass-through entity.

y. “*Unrelated business income*” means the income which is defined in section 512 of the Internal Revenue Code and the regulations thereunder.

2. *Application.* Partnerships and their direct partners and indirect partners shall report final federal partnership adjustments as provided in [this section](#).

3. *State pass-through representative.* Notwithstanding any other law to the contrary, the state pass-through representative for the reviewed year shall have the sole authority to act on behalf of the partnership or pass-through entity with respect to an action required or permitted to be taken by a partnership or pass-through entity under [this section](#) or [section 422.28](#) or [422.29](#) with respect to final federal partnership adjustments arising from a partnership level audit or an administrative adjustment request, and its direct partners and indirect partners shall be bound by those actions.

4. *Reporting and payment requirements for partnerships and their partners subject to final federal partnership adjustments.*

a. Unless an audited partnership makes the election in [subsection 5](#), a partnership shall do all of the following for all final federal partnership adjustments no later than ninety days after the final determination date:

(1) File a completed federal adjustments report.

(2) Notify each direct partner of such partner's distributive share of the adjustments in the manner and form prescribed by the department by rule.

(3) File an amended composite return under [section 422.13](#), Code 2021, or under [section 422.16B](#), as applicable, if one was originally required to be filed, and if applicable for withholding from partners, file an amended withholding report under [section 422.16](#), Code 2021, and pay the additional amount under [this title](#) that would have been due had the final federal partnership adjustments been reported properly as required, including any applicable interest and penalties.

b. Unless an audited partnership paid an amount on behalf of the direct partners of the partnership pursuant to [subsection 5](#), all direct partners of the partnership shall do all of the following no later than one hundred eighty days after the final determination date:

(1) File a completed federal adjustments report reporting the direct partner's distributive share of the adjustments required to be reported to such partners under paragraph "a".

(2) If the direct partner is a tiered partner, notify all partners that hold an interest directly in the tiered partner of such partner's distributive share of the adjustments in the manner and form prescribed by the department by rule.

(3) If the direct partner is a tiered partner and subject to [section 422.13](#), Code 2021, or [section 422.16B](#), file an amended composite return under [section 422.13](#), Code 2021, or under [section 422.16B](#), as applicable, if such return was originally required to be filed, and if applicable for withholding from partners file an amended withholding report under [section 422.16](#), Code 2021, if one was originally required to be filed.

(4) Pay any additional amount under [this title](#) that would have been due had the final federal partnership adjustments been reported properly as required, including any applicable penalty and interest.

c. Unless a partnership or tiered partner paid an amount on behalf of the partners pursuant to [subsection 5](#), each indirect partner shall do all of the following:

(1) Within ninety days after the time for filing and furnishing statements to tiered partners and their partners as established by section 6226 of the Internal Revenue Code and the regulations thereunder, file a completed federal adjustments report.

(2) If the indirect partner is a tiered partner, within ninety days after the time for filing and furnishing statements to tiered partners and their partners as established by section 6226 of the Internal Revenue Code and the regulations thereunder but within sufficient time for all indirect partners to also complete the requirements of [this subsection](#), notify all of the partners that hold an interest directly in the tiered partner of such partner's distributive share of the adjustments in the manner and form prescribed by the department by rule.

(3) Within ninety days after the time for filing and furnishing statements to tiered partners and their partners as established by section 6226 of the Internal Revenue Code and the regulations thereunder, if the indirect partner is a tiered partner and subject to [section 422.13](#), Code 2021, or [section 422.16B](#), file an amended composite return under [section 422.13](#), Code 2021, or under [section 422.16B](#), as applicable, if such return was originally

required to be filed, and if applicable for withholding from partners, file an amended withholding report under [section 422.16, Code 2021](#), if one was originally required to be filed.

(4) Within ninety days after the time for filing and furnishing statements to tiered partners and the partners of the tiered partners as established by section 6226 of the Internal Revenue Code and the regulations thereunder, pay any additional amount due under [this title](#), including any penalty and interest that would have been due had the final federal partnership adjustments been reported properly as required.

5. *Election for partnership or tiered partners to pay.*

a. An audited partnership, or a tiered partner of an audited partnership that receives a notification under [subsection 4](#) of a final federal partnership adjustment arising from a partnership level audit, may make an election to pay as provided under [this subsection](#).

b. An audited partnership or tiered partner shall make an election to pay under [this subsection](#) in the manner and form prescribed by the department. The audited partnership or tiered partner making an election to pay shall file a completed federal adjustments report, notify each of the direct partners of such partner's distributive share of the adjustments, and pay on behalf of its partners an amount calculated in paragraph "c", including any applicable penalty and interest. These requirements shall all be fulfilled within one of the following time periods:

(1) For the audited partnership, no later than ninety days after the final determination date of the audited partnership.

(2) For a direct tiered partner, no later than one hundred eighty days after the final determination date of the audited partnership.

(3) For an indirect tiered partner, within ninety days after the time for filing and furnishing statements to a tiered partner and the partner of the tiered partner, as established by section 6226 of the Internal Revenue Code and the regulations thereunder.

c. The amount due under [this subsection](#) from an audited partnership or tiered partner shall be calculated as follows:

(1) Exclude from final federal partnership adjustments and any positive reallocation adjustments the distributive share of such adjustments reported to an exempt partner that holds an interest directly in the audited partnership if the audited partnership is making the election or that holds an interest directly in the tiered partner if the tiered partner is making the election, but only to the extent the distributive share is not unrelated business income.

(2) Determine the total distributive share of all final federal partnership adjustments and positive reallocation adjustments as modified by [this title](#) that are reported to corporate partners, and to exempt partners to the extent the distributive share is unrelated business income, and allocate and apportion such adjustments as provided in [section 422.33](#) at the partnership or tiered partner level, and multiply the resulting amount by the maximum state corporate income tax rate pursuant to [section 422.33](#) for the reviewed year.

(3) Determine the total distributive share of all final federal partnership adjustments and positive reallocation adjustments as modified by [this title](#) that are reported to nonresident individual partners and nonresident fiduciary partners and allocate and apportion such adjustments as provided in [section 422.33](#) at the partnership or tiered partner level, and multiply the resulting amount by the highest individual income tax rate for the reviewed year.

(4) For the total distributive share of all final federal partnership adjustments and positive reallocation adjustments as modified by [this title](#) that are reported to tiered partners:

(a) Determine the amount of such adjustments which are of a type that would be subject to sourcing to Iowa under [section 422.8, subsection 2](#), paragraph "a", as a nonresident, and then determine the portion of this amount that would be sourced to Iowa under those provisions as if the tiered partner were a nonresident.

(b) Determine the amount of such adjustments which are of a type that would not be subject to sourcing to Iowa under [section 422.8, subsection 2](#), paragraph "a", as a nonresident.

(c) Determine the portion of the amount in subparagraph division (b) that can be established, as prescribed by the department by rule, to be properly allocable to indirect partners that are nonresident partners or other partners not subject to tax on the adjustments.

(d) Multiply the total of the amounts determined in subparagraph divisions (a) and (b),

reduced by any amount determined in subparagraph division (c), by the highest individual income tax rate for the reviewed year.

(5) For the total distributive share of all final federal partnership adjustments and positive reallocation adjustments as modified by [this title](#) that are reported to resident individual partners and resident fiduciary partners, multiply that amount by the highest individual income tax rate for the reviewed year.

(6) (a) Total the amounts computed pursuant to subparagraphs (2) through (5) and calculate any interest and penalty as provided under [this title](#). Notwithstanding any provision of law to the contrary, interest and penalties on the amount due by the audited partnership or tiered partner shall be computed from the due date of the reviewed year return without extension, and shall be imposed as if the audited partnership or tiered partner was required to pay tax or show tax due on the original return for the reviewed year, except that a specified business subject to the penalty in [section 421.27, subsection 1](#), paragraph “b”, for the reviewed year shall not also be subject to the penalty in [section 421.27, subsection 1](#), paragraph “a”, on the amount due for that reviewed year pursuant to the election to pay.

(b) The director may establish rules providing for the calculation of amounts due under [this subsection](#) for federal partnership adjustments that affect state tax owed but that do not fit within the calculation in subparagraphs (2) through (5), such as tax credit changes. The director may establish rules that include changes related to state-specific issues following a state partnership audit in the election to pay and calculation of amounts due under [this subsection](#), including but not limited to allocation and apportionment. Interest and penalty shall be computed in the same manner as described in subparagraph division (a).

d. Adjustments subject to the election in [this subsection](#) do not include any adjustments arising from an administrative adjustment request.

e. An audited partnership or tiered partner not otherwise subject to any reporting or payment obligation to Iowa that makes an election under [this subsection](#) consents to be subject to the Iowa laws related to reporting, assessment, collection, and payment of Iowa tax, interest, and penalties calculated under the election.

6. *Modified reporting and payment method.* The department may adopt procedures for an audited partnership or tiered partner to enter into an agreement with the department to use an alternative reporting and payment method, including applicable time requirements or any other provision of [this section](#). The audited partnership or tiered partner must demonstrate that the requested method will reasonably provide for the reporting and payment of taxes, penalties, and interest due under the provisions of [this section](#). Application for approval of an alternative reporting and payment method must be made by the audited partnership or tiered partner within the time for making an election to pay under [subsection 5](#) and in the manner prescribed by the department. Approval of such an alternative reporting and payment method shall be at the discretion of the department.

7. *Effect of election by partnership or tiered partner and payment of amount due.*

a. The election made under [subsection 5](#) is irrevocable, unless in the discretion of the director, the director determines otherwise.

b. The amount determined in [subsection 5](#), when properly reported and paid by the audited partnership or tiered partner, shall be treated as paid on behalf of the partners of such audited partnership or tiered partner on the same final federal partnership adjustments, provided, however, that no partner may take any deduction or credit for the amount, claim a refund of the amount, or include the amount on such partner’s Iowa return in any manner.

c. In the event another state offers to an audited partnership or tiered partner a similar election to pay state tax resulting from final federal partnership adjustments, nothing in [this subsection](#) shall prohibit a resident who holds an interest directly in that audited partnership or tiered partner, as the case may be, from claiming a credit for taxes paid by the resident to another state under [section 422.8, subsection 1](#), for any amounts paid by the audited partnership or tiered partner on such resident partner’s behalf to another state, provided such payment otherwise meets the requirements of [section 422.8, subsection 1](#).

d. Nothing in [this section](#) shall prohibit the department from assessing direct partners and indirect partners for taxes they owe in the event that a partnership or tiered partner fails to timely make any report or payment required by [this section](#) for any reason.

8. *Assessments of additional Iowa income tax, interest, and penalties, and claims for refund, arising from final federal partnership adjustments.*

a. The department shall assess additional Iowa income tax, interest, and penalties arising from final federal partnership adjustments in the same manner as provided in [this title](#) unless a different treatment is provided by [this subsection](#). Since final federal partnership adjustments are determined at the partnership level, any assessment issued to partners shall not be appealable by the partner. The department may assess any taxes, including on-behalf-of amounts, interest, and penalties arising from the final federal partnership adjustments if it issues a notice of assessment to the partnership, tiered partner, or other direct or indirect partner on or before the expiration of the applicable limitations period specified in [section 422.25](#).

b. In addition to the period for claiming a refund or credit provided in [section 422.73, subsection 1](#), paragraph “a”, and notwithstanding [section 422.73, subsection 1](#), paragraph “b”, a partnership, tiered partner, or other direct or indirect partner, as the case may be, may file a claim for refund of Iowa income tax arising directly or indirectly from a final federal partnership adjustment arising from a partnership level audit on or before the date which is one year from the date the federal adjustments report for that final federal partnership adjustment was required to be filed by such person under [this section](#).

9. *Rules.* The department may adopt any rules pursuant to [chapter 17A](#) to implement [this section](#).

2020 Acts, ch 1118, §64, 71; 2021 Acts, ch 76, §72; 2021 Acts, ch 86, §22 – 28, 31, 32; 2022 Acts, ch 1061, §45 – 49, 53, 54; 2023 Acts, ch 64, §105, 112, 114; 2024 Acts, ch 1094, §11, 16, 17

Referred to in §257.22, 421.27, 422.16B, 422.16C, 422.25, 422.25B, 422.25C, 422.39, 422D.3

2021 amendments to subsections 1, 4, 5, 7, and 8 apply retroactively to July 1, 2020, and apply to federal adjustments and federal partnership adjustments that have a final determination date after July 1, 2020; 2021 Acts, ch 86, §32

2022 amendment to subsection 5, paragraph c, subparagraph (6), subparagraph division (a) applies retroactively to January 1, 2022, for tax years beginning on or after that date; 2022 Acts, ch 1061, §54

2024 amendment to subsection 5, paragraph c, subparagraphs (3), (4), and (5) applies to tax years beginning on or after January 1, 2025; 2024 Acts, ch 1094, §17

422.25B State pass-through representative.

1. As used in [this section](#), all words and phrases defined in [section 422.25A](#) shall have the same meaning given them by that section.

2. The state pass-through representative for the reviewed year for a partnership shall be the partnership’s federal partnership representative with respect to an action required or permitted to be taken by a state pass-through representative under [this chapter](#) for a reviewed year, unless the partnership designates in writing another person as the state pass-through representative as provided in [subsection 3](#). The state pass-through representative for the reviewed year for a pass-through entity is the person designated in [subsection 3](#).

3. The department may establish reasonable qualifications for a person to be a state pass-through representative. If a partnership desires to designate a person other than the federal partnership representative, the partnership shall designate such person in the manner and form prescribed by the department. A pass-through entity shall designate a person as the state pass-through representative in the manner and form prescribed by the department. A partnership or pass-through entity shall be allowed to change such designation by notifying the department at the time the change occurs in the manner and form prescribed by the department.

4. The department may adopt any rules pursuant to [chapter 17A](#) to implement [this section](#).

2020 Acts, ch 1118, §65, 71; 2022 Acts, ch 1061, §50

Referred to in §257.22, 422.25A, 422.25C, 422.39, 422D.3

422.25C Partnership and pass-through entity audits and examinations — consistent treatment of entity-level items — binding actions — amended returns.

1. As used in [this section](#), all words and phrases defined in [section 422.25A](#) shall have the same meaning given them by that section.

2. For tax years beginning on or after January 1, 2020, any adjustments to a partnership’s or pass-through entity’s items of income, gain, loss, expense, or credit, or an adjustment to such items allocated to a partner that holds an interest in a partnership or pass-through

entity for the reviewed year by the department as a result of a state partnership audit, shall be determined at the partnership level or pass-through entity level in the same manner as provided by section 6221(a) of the Internal Revenue Code and the regulations thereunder unless a different treatment is specifically provided in [this title](#). The provisions of sections 6222, 6223, and 6227 of the Internal Revenue Code and the regulations thereunder shall also apply to a partnership or pass-through entity and its direct or indirect partners in the same manner as provided in such sections unless a different treatment is specifically provided in [this title](#). For purposes of applying such sections, due account shall be made for differences in federal and Iowa terminology. The adjustment provided by section 6221(a) of the Internal Revenue Code shall be determined as provided in such section but shall be based on Iowa taxable income or other tax attributes of the partnership or pass-through entity as determined pursuant to [this chapter](#) for the reviewed year. The department shall issue a notice of adjustment to the partnership or pass-through entity. Such notice shall be treated as an assessment for the purposes of [section 422.25](#), and the notice shall be appealable, except as provided in [section 422.25](#), by the partnership or pass-through entity pursuant to [sections 422.28](#) and [422.29](#) and shall be issued within the time period provided by [section 422.25](#). Once the adjustments to partnership-related or pass-through entity-related items or reallocations of income, gains, losses, expenses, credits, and other attributes among such partners for the reviewed year are finally determined, the partnership or pass-through entity and any direct partners or indirect partners shall then be subject to the provisions of [section 422.25, subsection 1](#), paragraph “e”, and [section 422.25A](#) in the same manner as if the state partnership audit were a federal partnership level audit, and as if the final state partnership audit adjustment were a final federal partnership adjustment. The penalty exceptions in [section 421.27, subsection 2](#), paragraphs “b” and “c”, shall not apply to a state partnership audit.

3. The state pass-through representative for the reviewed year as determined under [section 422.25B](#) shall have the sole authority to act on behalf of the partnership or pass-through entity with respect to an action required or permitted to be taken by a partnership or pass-through entity under [this section](#), including proceedings under [section 422.28](#) or [422.29](#), and the partnership’s or pass-through entity’s direct partners and indirect partners shall be bound by those actions.

4. If the department, the partnership or pass-through entity, and owners representing a majority of the ownership interests in the partnership or pass-through entity agree, the provisions of [this section](#) may be applied to tax years beginning before January 1, 2020.

5. The department may adopt rules pursuant to [chapter 17A](#) to implement [this section](#).
[2020 Acts, ch 1118, §66, 71; 2021 Acts, ch 86, §29, 31, 32; 2022 Acts, ch 1061, §51; 2025 Acts, ch 148, §13 – 15](#)

Referred to in [§257.22, 422.25A, 422.39, 422D.3](#)

2021 amendment to subsection 4 applies retroactively to July 1, 2020, and applies to federal adjustments and federal partnership adjustments that have a final determination date after July 1, 2020; [2021 Acts, ch 86, §32](#)

2025 amendment to subsection 2 applies retroactively to January 1, 2024; [2025 Acts, ch 148, §15](#)
 Subsection 2 amended

422.26 Lien of tax — collection — action authorized.

1. Whenever any taxpayer liable to pay a tax and penalty imposed refuses or neglects to pay the same, the amount, including any interest, penalty, or addition to such tax, together with the costs that may accrue in addition thereto, shall be a lien in favor of the state upon all property and rights to property, whether real or personal, belonging to said taxpayer.

2. The lien shall attach at the time the tax becomes due and payable and shall continue for ten years from the date an assessment is issued unless sooner released or otherwise discharged. The lien may, within ten years from the date an assessment is issued, be extended by filing for record a notice with the appropriate county official of any county and from the time of such filing, the lien shall be extended to the property in such county for ten years, unless sooner released or otherwise discharged, with no limit on the number of extensions. The director shall charge off any account whose lien is allowed to lapse and may charge off any account and release the corresponding lien before the lien has lapsed if the director

determines under uniform rules prescribed by the director that the account is uncollectible or collection costs involved would not warrant collection of the amount due.

3. In order to preserve the aforesaid lien against subsequent mortgagees, purchasers or judgment creditors, for value and without notice of the lien, on any property situated in a county, the director shall file with the recorder of the county, in which said property is located, a notice of said lien.

4. a. The county recorder of each county shall keep in the recorder's office an index containing the applicable entries in [sections 558.49](#) and [558.52](#) and showing the following data, under the names of taxpayers, arranged alphabetically:

- (1) The name of the taxpayer.
- (2) The name "State of Iowa" as claimant.
- (3) Time notice of lien was filed for recording.
- (4) Date of notice.
- (5) Amount of lien then due.
- (6) Date of assessment.
- (7) When satisfied.

b. The recorder shall endorse on each notice of lien the day, hour, and minute when filed for recording and the document reference number, shall preserve the same, and shall index the notice in the index and shall record the lien in the manner provided for recording real estate mortgages. The lien is effective from the time of the indexing of the lien.

5. The department shall pay recording fees as provided in [section 331.604](#), for the recording of the lien, or for its satisfaction.

6. Upon the payment of a tax as to which the director has filed notice with a county recorder, the director shall forthwith file with said recorder a satisfaction of said tax and the recorder shall enter said satisfaction on the notice on file in the recorder's office and indicate said fact on the index aforesaid.

7. a. The department shall, substantially as provided in [this chapter](#) and [chapter 626](#), proceed to collect all taxes and penalties as soon as practicable after they become delinquent, except that no property of the taxpayer is exempt from payment of the tax. If service has not been made on a distress warrant by the officer to whom addressed within five days from the date the distress warrant was received by the officer, the authorized revenue agents of the department may serve and make return of the warrant to the clerk of the district court of the county named in the distress warrant, and all subsequent procedure shall be in compliance with [chapter 626](#).

b. The distress warrant shall be in a form as prescribed by the director. It shall be directed to the sheriff of the appropriate county and it shall identify the taxpayer, the tax type, and the delinquent amount. It shall direct the sheriff to distrain, seize, garnish, or levy upon, and sell, as provided by law, any real or personal property belonging to the taxpayer to satisfy the amount of the delinquency plus costs. It shall also direct the sheriff to make due and prompt return to the department or to the district court under [chapters 626](#) and [642](#) of all amounts collected.

8. The attorney general shall, upon the request of the director, bring an action at law or in equity, as the facts may justify, without bond, to enforce payment of any taxes and penalties, and in such action the attorney general shall have the assistance of the county attorney of the county in which the action is pending.

9. It is expressly provided that the foregoing remedies of the state shall be cumulative and that no action taken by the director or attorney general shall be construed to be an election on the part of the state or any of its officers to pursue any remedy hereunder to the exclusion of any other remedy provided by law.

10. For purposes of [this section](#), “assessment issued” means the most recent assessment against the taxpayer for the tax type and tax period.

[C35, §6943-f22; C39, §6943.058; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, S81, §422.26; 81 Acts, ch 117, §1220]

90 Acts, ch 1232, §8 – 10; 91 Acts, ch 191, §18, 124; 91 Acts, ch 267, §522; 92 Acts, ch 1016, §12; 97 Acts, ch 23, §45; 2001 Acts, ch 44, §18; 2006 Acts, ch 1177, §30; 2009 Acts, ch 27, §14

Referred to in §257.22, 331.602, 331.607, 421.9, 422.16, 422.39, 422.66, 422D.3, 423.4, 423.42, 425.27, 428A.8, 437A.22, 437B.18, 450.55, 452A.66, 453B.11, 453B.14, 558.41

422.27 Final report of fiduciary — conditions.

1. A final account of a personal representative shall not be allowed by any court unless the account shows, and the judge of the court finds, that all taxes imposed by [this subchapter](#) upon the personal representative, which have become payable, have been paid, and that all taxes which may become due are secured by bond or deposit, or are otherwise secured. The certificate of acquittances of the department of revenue is conclusive as to the payment of the tax to the extent of the acquittance. [This subsection](#) does not apply if all property in the estate of a decedent is held in joint tenancy with right of survivorship by husband and wife alone. For purposes of [this subsection](#), “personal representative” means an administrator, executor, or trustee as each is defined in [section 633.3](#).

2. For the purpose of facilitating the settlement and distribution of estates held by fiduciaries, the director may, on behalf of the state, agree upon the amount of taxes at any time due or to become due from such fiduciaries under the provisions of [this subchapter](#), and payment in accordance with such agreement shall be full satisfaction of the taxes to which the agreement relates.

[C35, §6943-f23; C39, §6943.059; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.27]

85 Acts, ch 148, §1; 86 Acts, ch 1054, §1; 86 Acts, ch 1238, §19; 86 Acts, ch 1241, §20; 90 Acts, ch 1232, §11; 2003 Acts, ch 145, §286; 2020 Acts, ch 1062, §94; 2025 Acts, ch 148, §33, 53, 54

Referred to in §257.22, 422.39, 422D.3, 633.479, 635.7

Fiduciaries' reports, §636.33

Similar settlement provision for estates, §450.58

2025 amendment to subsection 1 applies retroactively to January 1, 2025, to the estates of decedents dying on or after January 1, 2025; 2025 Acts, ch 148, §54

Subsection 1 amended

422.28 Revision of tax.

A taxpayer may appeal to the director for revision of the tax, interest, or penalties assessed at any time within sixty days from the date of the notice of the assessment of tax, additional tax, interest, or penalties. The director shall grant a hearing and if, upon the hearing, the director determines that the tax, interest, or penalties are excessive or incorrect, the director shall revise them according to the law and the facts and adjust the computation of the tax, interest, or penalties accordingly. The director shall notify the taxpayer by mail of the result of the hearing and shall refund to the taxpayer the amount, if any, paid in excess of the tax, interest, or penalties found by the director to be due, with interest accruing in accordance with [section 421.60, subsection 2, paragraph “e”](#).

[C35, §6943-f24; C39, §6943.060; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.28; 81 Acts, ch 131, §9]

86 Acts, ch 1007, §27; 86 Acts, ch 1241, §21; 94 Acts, ch 1133, §5, 16; 2012 Acts, ch 1110, §9; 2018 Acts, ch 1161, §7, 15, 16

Referred to in §257.22, 421.10, 422.25, 422.25A, 422.25C, 422.29, 422.41, 422.66, 422D.3, 423.37, 428A.8, 453B.14

422.29 Judicial review.

1. Judicial review of actions of the director may be sought in accordance with the terms of the Iowa administrative procedure Act, [chapter 17A](#). Notwithstanding the terms of [chapter 17A](#), petitions for judicial review may be filed in the district court of the county in which the petitioner resides, or in which the petitioner’s principal place of business is located, or in the case of a nonresident not maintaining a place of business in this state either in any county in which the income involved was earned or derived or in Polk county, within sixty days after the petitioner shall have received notice of a determination by the director as provided for in [section 422.28](#).

2. For cause and upon a showing by the director that collection of the tax in dispute is in doubt, the court may order the petitioner to file with the clerk a bond for the use of the respondent, with sureties approved by the clerk, in the amount of tax appealed from, conditioned that the petitioner shall perform the orders of the court.

3. An appeal may be taken by the taxpayer or the director to the supreme court of this state irrespective of the amount involved.

[C35, §6943-f25; C39, §6943.061; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.29]

94 Acts, ch 1133, §6, 16; 2003 Acts, ch 44, §114; 2021 Acts, ch 76, §73

Referred to in §257.22, 421B.11, 422.25, 422.25A, 422.25C, 422.41, 422.66, 422D.3, 423.37, 423.45, 428A.8, 453A.29, 453A.46, 453B.14, 602.8102(60)

422.30 Jeopardy assessments — posting of bond.

1. If the director believes that the assessment or collection of taxes will be jeopardized by delay, the director may immediately make an assessment of the estimated amount of tax due, together with all interest, additional amounts, or penalties, as provided by law. The director shall serve the taxpayer by regular mail at the taxpayer's last known address or in person, with a written notice of the amount of tax, interest, and penalty due, which notice may include a demand for immediate payment. Service of the notice by regular mail is complete upon mailing. A distress warrant may be issued or a lien filed against the taxpayer immediately.

2. The director shall be permitted to accept a bond from the taxpayer to satisfy collection until the amount of tax legally due shall be determined. Such bond to be in an amount deemed necessary, but not more than double the amount of the tax involved, and with securities satisfactory to the director.

[C35, §6943-f26; C39, §6943.062; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.30]

94 Acts, ch 1165, §17; 2018 Acts, ch 1041, §91, 127

Referred to in §99G.30A, 257.22, 321.105A, 422.16, 422.41, 422.66, 422D.3, 423.42, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5, 425.27, 428A.8, 450.55, 453B.9

422.31 Statute applicable to personal tax.

All the provisions of [section 422.36, subsection 3](#), shall be applicable to persons taxable under [this subchapter](#).

[C35, §6943-f27; C39, §6943.063; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.31]

2020 Acts, ch 1062, §94

Referred to in §257.22, 422D.3

SUBCHAPTER III

BUSINESS TAX ON CORPORATIONS

Referred to in §15.293A, 15.319, 15.355, 15.496, 15.508, 15.524, 15.533, 15E.27, 15E.28, 15E.52, 15E.62, 15E.305, 15E.364, 16.64, 16.82, 16.82A, 28A.24, 29C.24, 190B.103, 237A.31, 404A.2, 422.1, 422.16C, 422.73, 422.85, 422.110, 428A.8, 476B.2, 476B.6, 476B.7, 476C.4, 476C.6

422.32 Definitions.

1. For the purpose of [this subchapter](#) and unless otherwise required by the context:

a. “*Affiliated group*” means a group of corporations as defined in section 1504(a) of the Internal Revenue Code.

b. “*Business income*” means income arising from transactions and activity in the regular course of the taxpayer's trade or business; or income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations; or gain or loss resulting from the sale, exchange, or other disposition of real property or of tangible or intangible personal property, if the property while owned by the taxpayer was operationally related to the taxpayer's trade or business carried on in Iowa or operationally related to sources within Iowa, or the property was operationally related to sources outside this state and to the taxpayer's trade or business carried on in Iowa; or gain or loss resulting from the sale, exchange, or other disposition of stock in another corporation if the activities of the other corporation were operationally related to the taxpayer's trade or business carried on in Iowa while the stock was owned by

the taxpayer. A taxpayer may have more than one regular trade or business in determining whether income is business income.

(1) It is the intent of the general assembly to treat as apportionable business income all income that may be treated as apportionable business income under the Constitution of the United States.

(2) The filing of an Iowa income tax return on a combined report basis is neither allowed nor required by this paragraph “b”.

c. “*Commercial domicile*” means the principal place from which the trade or business of the taxpayer is directed or managed.

d. “*Corporation*” includes joint stock companies, and associations organized for pecuniary profit, and partnerships and limited liability companies taxed as corporations under the Internal Revenue Code.

e. “*Domestic corporation*” means any corporation organized under the laws of this state.

f. “*Foreign corporation*” means any corporation other than a domestic corporation.

g. “*Income from sources within this state*” means income from real, tangible, or intangible property located or having a situs in this state.

h. “*Internal Revenue Code*” means one of the following:

(1) For tax years beginning during the 2019 calendar year, “*Internal Revenue Code*” means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended and in effect on March 24, 2018. This definition shall not be construed to include any amendment to the Internal Revenue Code enacted after the date specified in the preceding sentence, including any amendment with retroactive applicability or effectiveness.

(2) For tax years beginning on or after January 1, 2020, “*Internal Revenue Code*” means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986, as amended.

i. “*Nonbusiness income*” means all income other than business income.

j. “*State*” means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country or political subdivision thereof.

k. “*Taxable in another state*”. For purposes of allocation and apportionment of income under [this subchapter](#), a taxpayer is “*taxable in another state*” if:

(1) In that state the taxpayer is subject to a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, or a corporate stock tax; or

(2) That state has jurisdiction to subject the taxpayer to a net income tax regardless of whether, in fact, the state does or does not.

l. “*Unitary business*” means a business carried on partly within and partly without a state where the portion of the business carried on within the state depends on or contributes to the business outside the state.

2. The words, terms, and phrases defined in [section 422.4, subsections 3, 4, 5, 7, 8, 12, 14, 15, and 16](#), when used in [this subchapter](#), shall have the meanings ascribed to them in [section 422.4](#), except where the context clearly indicates a different meaning.

[C35, §6943-f28; C39, **§6943.064**; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.32; 81 Acts, ch 132, §7, 9; 82 Acts, ch 1023, §11, 30, ch 1103, §1111, ch 1203, §1]

83 Acts, ch 179, §12, 13, 21, 23; 84 Acts, ch 1305, §33, 34; 87 Acts, 1st Ex, ch 1, §5; 88 Acts, ch 1028, §30 – 32, 55; 92 Acts, ch 1151, §7; 94 Acts, ch 1165, §18; 95 Acts, ch 141, §1 – 3; 97 Acts, ch 158, §13, 49; 99 Acts, ch 152, §4, 40; 2003 Acts, ch 139, §8, 11, 12; 2004 Acts, 1st Ex, ch 1001, §39, 41, 42; 2005 Acts, ch 24, §7, 10, 11; 2006 Acts, ch 1140, §6, 10, 11; 2007 Acts, ch 12, §5, 7, 8; 2008 Acts, ch 1011, §6, 9; 2009 Acts, ch 60, §6; 2011 Acts, ch 25, §40; 2011 Acts, ch 41, §4 – 6; 2012 Acts, ch 1007, §5, 7, 8; 2013 Acts, ch 1, §5, 7, 8; 2013 Acts, ch 30, §88; 2014 Acts, ch 1076, §4, 6, 7; 2014 Acts, ch 1092, §89; 2015 Acts, ch 1, §5, 7, 8; 2017 Acts, ch 157, §8; 2018 Acts, ch 1026, §130; 2018 Acts, ch 1161, §87, 97, 98; 2019 Acts, ch 24, §50; 2020 Acts, ch 1062, §94

Referred to in [§422.15](#)

For applicable definition of Internal Revenue Code for a tax year prior to 2019, refer to Iowa Acts and Code for that year

422.33 Corporate tax imposed — credit.

1. *a.* A tax is imposed annually upon each corporation doing business in this state, or deriving income from sources within this state, in an amount computed by applying the following rates of taxation to the net income received by the corporation during the income year:

(1) On the first twenty-five thousand dollars of taxable income, or any part thereof, the rate of six percent for tax years beginning prior to January 1, 2021, and the rate of five and one-half percent for tax years beginning on or after January 1, 2021.

(2) On taxable income between twenty-five thousand dollars and one hundred thousand dollars or any part thereof, the rate of eight percent for tax years beginning prior to January 1, 2021, and the rate of five and one-half percent for tax years beginning on or after January 1, 2021.

(3) On taxable income between one hundred thousand dollars and two hundred fifty thousand dollars or any part thereof, the rate of ten percent for tax years beginning prior to January 1, 2021, and the rate of nine percent for tax years beginning on or after January 1, 2021.

(4) On taxable income of two hundred fifty thousand dollars or more, the rate of twelve percent for tax years beginning prior to January 1, 2021, and the rate of nine and eight-tenths percent for tax years beginning on or after January 1, 2021.

b. (1) *(a)* Notwithstanding paragraph “*a*”, the department of management and the department of revenue shall determine corporate income tax rates as provided in this paragraph. A tax rate in [this subsection](#) shall remain in effect until the tax rate is adjusted pursuant to this paragraph.

(b) By November 1, 2022, and by November 1 each year thereafter, the department of management shall determine the net corporate income tax receipts for the fiscal year preceding the determination date. If net corporate income tax receipts for the preceding fiscal year exceed seven hundred million dollars, the department of revenue shall adjust and apply new corporate income tax rates as provided in subparagraph (2).

(2) *(a)* If a determination has been made that net corporate income tax receipts for the preceding fiscal year exceeded seven hundred million dollars, the department of revenue shall adjust the tax rates specified in paragraph “*a*”, subparagraphs (3) and (4), and apply the adjusted rates for tax years beginning on or after the next January 1 following the determination date.

(b) *(i)* The tax rates subject to adjustment shall be adjusted in such a way that when combined with all the other rates specified in paragraph “*a*”, the tax rates would have generated net corporate income tax receipts that equal seven hundred million dollars in the preceding fiscal year.

(ii) When adjusting the tax rates, the tax rates shall be adjusted as follows:

(A) The tax rate in effect that corresponds with the specified tax rate in paragraph “*a*”, subparagraph (4), shall first be adjusted but not below the tax rate in effect that corresponds with the specified rate in paragraph “*a*”, subparagraph (3).

(B) If after the adjustment in subparagraph part (A) is made, and an additional adjustment is necessary, the tax rates that correspond with the rates specified in paragraph “*a*”, subparagraphs (3) and (4), shall be adjusted on an equal basis.

(iii) The tax rates adjusted pursuant to this paragraph shall not be adjusted below five and one-half percent.

(iv) The tax rates, when adjusted, shall be rounded down to the nearest one-tenth of one percent.

(3) If a tax rate is adjusted pursuant to this paragraph, the director of revenue shall cause an advisory notice containing the new corporate tax rates to be published in the Iowa administrative bulletin and on the internet site of the department of revenue. The calculation and publication of the adjusted tax rate by the director of revenue is exempt from [chapter 17A](#), and shall be submitted for publication by the first December 31 following the determination date to adjust the tax rates.

1A. There is imposed upon each corporation exempt from the general business tax on corporations by [section 422.34, subsection 2](#), a tax at the rates in [subsection 1](#) upon the state’s

apportioned share computed in accordance with [subsections 2 and 3](#) of the unrelated business income computed in accordance with the Internal Revenue Code and with the adjustments set forth in [section 422.35](#).

2. a. If the trade or business of the corporation is carried on entirely within the state, the tax shall be imposed on the entire net income, but if the trade or business is carried on partly within and partly without the state or if income is derived from sources partly within and partly without the state, or if income is derived from trade or business and sources, all of which are not entirely in the state, the tax shall be imposed only on the portion of the net income reasonably attributable to the trade or business or sources within the state, with the net income attributable to the state to be determined as follows:

(1) Nonbusiness interest, dividends, rents and royalties, less related expenses, shall be allocated within and without the state in the following manner:

(a) Nonbusiness interest, dividends, and royalties from patents and copyrights shall be allocable to this state if the taxpayer's commercial domicile is in this state.

(b) Nonbusiness rents and royalties received from real property located in this state are allocable to this state.

(c) Nonbusiness rents and royalties received from tangible personal property are allocable to this state to the extent that the property is utilized in this state; or in their entirety if the taxpayer's commercial domicile is in this state and the taxpayer is not taxable in the state in which the property is utilized. The extent of utilization of tangible personal property in a state is determined by multiplying the rents and royalties by a fraction, the numerator of which is the number of days of physical location of the property in the state during the rental or royalty period in the taxable year and the denominator of which is the number of days of physical location of the property everywhere during all rental or royalty periods in the taxable year. If the physical location of the property during the rental or royalty period is unknown or unascertainable by the taxpayer, tangible personal property is utilized in the state in which the property was located at the time the rental or royalty payor obtained possession.

(d) Nonbusiness capital gains and losses from the sale or other disposition of assets shall be allocated as follows:

(i) Gains and losses from the sale or other disposition of real property located in this state are allocable to this state.

(ii) Gains and losses from the sale or other disposition of tangible personal property are allocable to this state if the property had a situs in this state at the time of the sale or disposition or if the taxpayer's commercial domicile is in this state and the taxpayer is not taxable in the state in which the property had a situs.

(iii) Gains and losses from the sale or disposition of intangible personal property are allocable to this state if the taxpayer's commercial domicile is in this state.

(2) Net nonbusiness income of the above class having been separately allocated and deducted as above provided, the remaining net business income of the taxpayer shall be allocated and apportioned as follows:

(a) Business interest, dividends, rents, and royalties shall be reasonably apportioned within and without the state under rules adopted by the director.

(b) Capital gains and losses from the sale or other disposition of assets shall be apportioned to the state based upon the business activity ratio applicable to the year the gain or loss is determined if the corporation determines Iowa taxable income by a sales, gross receipts or other business activity ratio. If the corporation has only allocable income, capital gains and losses from the sale or other disposition of assets shall be allocated in accordance with subparagraph (1), subparagraph division (d).

(c) Where income is derived from business other than the manufacture or sale of tangible personal property, the income shall be specifically allocated or equitably apportioned within and without the state under rules of the director.

(d) Where income is derived from the manufacture or sale of tangible personal property, the part attributable to business within the state shall be in that proportion which the gross sales made within the state bear to the total gross sales.

(e) (i) Notwithstanding subparagraph division (c), where income is derived by a broadcaster from broadcasting, the part attributable to business within the state shall be

in the proportion that the gross receipts from broadcasting derived from customers whose commercial domicile is in this state bears to the total gross receipts from broadcasting.

(ii) Notwithstanding subparagraph subdivision (i) or subparagraph division (c), where income is derived by a broadcaster from national or local political advertising that is directed exclusively at one or more markets in this state, all gross receipts from such advertising shall be attributable to business within the state.

(iii) For purposes of this subparagraph division:

(A) “*Broadcaster*” means a taxpayer who is engaged in the business of broadcasting. “*Broadcaster*” includes a television network, a cable program network, and a television distribution company. “*Broadcaster*” does not include a cable system operator, a direct broadcast satellite system operator, or a television or radio station licensed by the federal communications commission.

(B) “*Broadcasting*” means the transmission of film programming by an electronic or other signal conducted by microwaves, wires, lines, coaxial cables, wave guides, fiber optics, satellite transmissions, or through any other means of communication directly or indirectly to viewers and listeners.

(C) “*Customer*” means a person who has a direct contractual relationship with a broadcaster from whom the broadcaster derives gross receipts. “*Customer*” includes but is not limited to an advertiser or licensee.

(D) “*Gross receipts from broadcasting*” means gross receipts of a broadcaster from transactions and activities in the regular course of its business, including but not limited to advertising, licensing, and distribution, but excluding gross receipts from the sale of real property or tangible personal property.

(f) Notwithstanding subparagraph division (c), income described in [section 29C.24, subsection 3](#), paragraph “a”, subparagraph (3), shall not be allocated and apportioned to the state, as provided in [section 29C.24](#).

(g) Where income consists of more than one class of income as provided in subparagraph divisions (a) through (e) of this subparagraph, it shall be reasonably apportioned by the business activity ratio provided in rules adopted by the director.

(h) The gross sales of the corporation within the state shall be taken to be the gross sales from goods delivered or shipped to a purchaser within the state regardless of the F.O.B. point or other conditions of the sale, excluding deliveries for transportation out of the state.

b. For the purpose of [this subsection](#):

(1) “*Manufacture*” shall include the extraction and recovery of natural resources and all processes of fabricating and curing.

(2) “*Sale*” shall include exchange.

(3) “*Tangible personal property*” shall be taken to mean corporeal personal property, such as machinery, tools, implements, goods, wares, and merchandise, and shall not be taken to mean money deposits in banks, shares of stock, bonds, notes, credits, or evidence of an interest in property and evidences of debt.

3. If any taxpayer believes that the method of allocation and apportionment prescribed in [subsections 1A and 2](#), as administered by the director and applied to the taxpayer’s business, has operated or will so operate as to subject the taxpayer to taxation on a greater portion of the taxpayer’s net income than is reasonably attributable to business or sources within the state, the taxpayer shall be entitled to file with the director a statement of the taxpayer’s objections and of such alternative method of allocation and apportionment as the taxpayer believes to be proper under the circumstances with such detail and proof and within such time as the director may reasonably prescribe; and if the director shall conclude that the method of allocation and apportionment theretofore employed is in fact inapplicable and inequitable, the director shall redetermine the taxable income by such other method of allocation and apportionment as seems best calculated to assign to the state for taxation the portion of the income reasonably attributable to business and sources within the state, not exceeding, however, the amount which would be arrived at by application of the statutory rules for apportionment.

4. Reserved.

5. a. The taxes imposed under [this subchapter](#) shall be reduced by a state tax credit

through the tax year beginning on or after January 1, 2025, but before January 1, 2026, for increasing research activities in this state equal to the sum of the following:

(1) Six and one-half percent of the excess of qualified research expenses during the tax year over the base amount for the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

(2) Six and one-half percent of the basic research payments determined under section 41(e)(1)(A) of the Internal Revenue Code during the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

b. (1) The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to the total qualified research expenditures.

(2) For the purpose of calculating the state's apportioned share of the qualifying expenditures for increasing research activities in subparagraph (1), the following criteria shall apply only to the determination of qualified research expenditures in this state:

(a) Wages paid to an employee for qualified services, or contract research expenses paid to a third party for the performance of qualified research services, shall only constitute qualified research expenses in this state if the services are performed in this state, and if the following conditions are met, as applicable:

(i) For qualified services performed by employees, during the period of the tax year that the business is engaging in one or more research projects, a majority of the total services performed by the employee for the business are directly related to those research projects.

(ii) For the performance of qualified research services by a third party, during the period of the business's tax year that the third party is performing research services for the business, a majority of the total services performed by the person for the third party are directly related to those research projects of the business.

(b) The substantially all rule for determining qualified services as described in section 41(b)(2)(B) of the Internal Revenue Code and [Treas. Reg. 1.41-2\(d\)\(2\)](#) does not apply.

(c) Amounts paid for the right to use computers as described in section 41(b)(2)(A)(iii) of the Internal Revenue Code shall not be qualified research expenses in this state.

(d) For tax years beginning on or after January 1, 2023, but before January 1, 2027, amounts paid for supplies as defined in section 41(b)(2)(C) of the Internal Revenue Code shall only constitute qualified research expenses in this state if the supplies directly relate to research performed in this state and shall be limited to the following allowable percentages:

(i) For the tax year beginning on or after January 1, 2023, but before January 1, 2024, eighty percent of the amounts paid for supplies directly related to research performed in this state.

(ii) For the tax year beginning on or after January 1, 2024, but before January 1, 2025, sixty percent of the amounts paid for supplies directly related to research performed in this state.

(iii) For the tax year beginning on or after January 1, 2025, but before January 1, 2026, forty percent of the amounts paid for supplies directly related to research performed in this state.

(e) For tax years beginning on or after January 1, 2026, amounts paid for supplies as defined in section 41(b)(2)(C) of the Internal Revenue Code shall not be qualified research expenses in this state.

c. In lieu of the credit amount computed in paragraph "a", subparagraph (1), a corporation shall elect to compute the credit amount for qualified research expenses incurred in this state in a manner consistent with the alternative simplified credit described in section 41(c)(4) of the Internal Revenue Code if the taxpayer elected or was required to use the alternative simplified credit method for federal income tax purposes for the same taxable year.

d. For purposes of the alternate credit computation method in paragraph "c", the following criteria shall apply:

(1) The credit percentages applicable to qualified research expenses described in section 41(c)(4)(A) and clause (ii) of section 41(c)(4)(B) of the Internal Revenue Code are four and fifty-five hundredths percent and one and ninety-five hundredths percent, respectively.

(2) Basic research payments and qualified research expenses shall only include amounts

for research conducted in this state. A taxpayer's qualified research expenses in this state and average prior year qualified research expenses in this state shall be determined in accordance with the rules in paragraph "b", subparagraph (2).

e. A corporation shall only be eligible for the credit provided in [this subsection](#) if the business conducting the research meets all of the following requirements:

(1) (a) The business is engaged in the manufacturing, life sciences, agriscience, software engineering, or aviation and aerospace industry.

(b) Persons that shall not be considered to be engaged in the manufacturing, life sciences, agriscience, software engineering, or aviation and aerospace industry, and thus are not eligible for the credit, include but are not limited to all of the following:

(i) (A) A person engaged in agricultural production as defined in [section 423.1](#), except if the credit is based on conducting agriscience research and the person or the business is engaged in bovine and porcine veterinary research, the person shall not be considered to be engaged in agricultural production as defined in [section 423.1](#).

(B) As used in this subparagraph subdivision, "*agriscience research*" means research that is approved and overseen or monitored by a board that includes, at a minimum, an individual who was employed with, contracted by, or professionally trained by an accredited university as a researcher in an applied animal science and an individual holding a doctor of veterinary medicine or a doctoral degree in an applied animal science; is conducted in this state in an applied animal science; improves the scientific knowledge base or increases scientific innovation, performance, or viability within this state; the results of the research are evaluated by a person educated and trained in statistics by an accredited university and capable of applying generally accepted methodologies to the results in accordance with industry standards in an applied animal science; and the results of the research are made available to the public by submission to or publication in a journal, magazine, or similar periodical, if the statistical evaluation indicated the research is reliable and relevant to an applied animal science.

(C) As used in this subparagraph subdivision, "*applied animal science*" includes the areas of animal science, veterinary medicine, nutritional science, genetic science, and microbiology.

(ii) A person who is a contractor, subcontractor, builder, or a contractor-retailer that engages in commercial and residential repair and installation, including but not limited to heating or cooling installation and repair, plumbing and pipe fitting, security system installation, and electrical installation and repair. For purposes of this subparagraph subdivision, "*contractor-retailer*" means a business that makes frequent retail sales to the public or to other contractors and that also engages in the performance of construction contracts.

(iii) A finance or investment company.

(iv) A retailer.

(v) A wholesaler.

(vi) A transportation company.

(vii) A publisher.

(viii) An agricultural cooperative association as defined in [section 502.102](#).

(ix) A real estate company.

(x) A collection agency.

(xi) An accountant.

(xii) An architect.

(2) The business claims and is allowed a research credit for such qualified research expenses under section 41 of the Internal Revenue Code for the same taxable year as it is claiming the credit provided in [this subsection](#).

(3) The credit provided in [this subsection](#) is claimed on a return filed by the due date for filing the return, including extensions of time. If timely claimed, the business shall not increase the credit claim on an amended return or otherwise unless either of the following apply:

(a) The amended return is filed within six months of the due date for filing the return which includes extensions of time.

(b) The increase results from an audit or examination by the internal revenue service or the department.

f. (1) For purposes of [this subsection](#), “base amount” means the product of the fixed-based percentage times the average annual gross receipts of the taxpayer for the four taxable years preceding the taxable year for which the credit is being determined, but in no event shall the base amount be less than fifty percent of the qualified research expenses for the credit year.

(2) For purposes of [this subsection](#), “basic research payment” and “qualified research expense” mean the same as defined for the federal credit for increasing research activities under section 41 of the Internal Revenue Code, except as otherwise described in paragraph “b”, subparagraph (2), and paragraph “d”, subparagraph (2).

g. (1) (a) The following percentage of the credit in excess of the tax liability for the taxable year shall be refunded with interest in accordance with [section 421.60, subsection 2, paragraph “e”](#):

(i) For the tax year beginning on or after January 1, 2023, but before January 1, 2024, ninety percent.

(ii) For the tax year beginning on or after January 1, 2024, but before January 1, 2025, eighty percent.

(iii) For the tax year beginning on or after January 1, 2025, but before January 1, 2026, seventy percent.

(iv) For the tax year beginning on or after January 1, 2026, but before January 1, 2027, sixty percent.

(b) In lieu of claiming a refund pursuant to this subparagraph, a taxpayer may elect to have the overpayment otherwise eligible for a refund shown on its final, completed return credited to the tax liability for the following taxable year.

(2) Commencing with tax years beginning on or after January 1, 2027, fifty percent of any credit in excess of the tax liability for the taxable year shall be refunded with interest in accordance with [section 421.60, subsection 2, paragraph “e”](#). In lieu of claiming a refund, a taxpayer may elect to have the overpayment otherwise eligible for a refund shown on its final, completed return credited to the tax liability for the following taxable year.

(3) In applying the credit in [this subsection](#) against tax liability and computing the eligible refund amount, the credit shall be applied after all nonrefundable credits available to the taxpayer are applied, but before any other refundable credit available to the taxpayer is applied.

h. The department shall by February 15 of each year issue an annual report to the general assembly containing the total amount of all claims made by employers under [this subsection](#) and the portion of the claims issued as refunds, for all claims processed during the previous calendar year. The report shall contain the name of each claimant for whom a tax credit in excess of five hundred thousand dollars was issued and the amount of the credit received.

i. [This subsection](#) is repealed January 1, 2027.

6. a. The taxes imposed under [this subchapter](#) shall be reduced by a new jobs tax credit. An industry which has entered into an agreement under [chapter 260E](#) and which has increased its base employment level by at least ten percent within the time set in the agreement or, in the case of an industry without a base employment level, adds new jobs within the time set in the agreement is entitled to this new jobs tax credit for the tax year selected by the industry. In determining if the industry has increased its base employment level by ten percent or added new jobs, only those new jobs directly resulting from the project covered by the agreement and those directly related to those new jobs shall be counted.

b. The amount of this credit is equal to the product of six percent of the taxable wages, as defined in [section 96.1A, subsection 36](#), upon which an employer is required to contribute to the state unemployment compensation fund, times the number of new jobs existing in the tax year that directly result from the project covered by the agreement or new jobs that directly result from those new jobs. The tax year chosen by the industry shall either begin or end during the period beginning with the date of the agreement and ending with the date by which the project is to be completed under the agreement. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following ten tax years or until depleted in less than the ten years.

c. For purposes of [this section](#), “agreement”, “industry”, “new job”, and “project” mean the same as defined in [section 260E.2](#) and “base employment level” means the number of full-time jobs an industry employs at the plant site which is covered by an agreement under [chapter 260E](#) on the date of that agreement.

7. Reserved.

8. The taxes imposed under [this subchapter](#) shall be reduced by a franchise tax credit. A taxpayer who is a shareholder in a financial institution, as defined in section 581 of the Internal Revenue Code, which has in effect for the tax year an election under subchapter S of the Internal Revenue Code shall compute the amount of the tax credit by recomputing the amount of tax under [this subchapter](#) by reducing the taxable income of the taxpayer by the taxpayer’s pro rata share of the items of income and expense of the financial institution. This recomputed tax shall be subtracted from the tax computed under [this subchapter](#) and the resulting amount, which shall not exceed the taxpayer’s pro rata share of franchise tax paid by the financial institution, is the amount of the franchise tax credit allowed.

9. a. (1) The taxes imposed under [this subchapter](#) shall be reduced by an assistive device tax credit through the tax year beginning on or after January 1, 2024, but before January 1, 2025. A small business purchasing, renting, or modifying an assistive device or making workplace modifications for an individual with a disability who is employed or will be employed by the small business is eligible, subject to availability of credits, to receive this assistive device tax credit which is equal to fifty percent of the first five thousand dollars paid during the tax year for the purchase, rental, or modification of the assistive device or for making the workplace modifications. The following percentage of any credit in excess of the tax liability shall be refunded with interest in accordance with [section 421.60, subsection 2](#), paragraph “e”, as follows:

(a) For the tax year beginning on or after January 1, 2023, but before January 1, 2024, ninety-five percent.

(b) For the tax year beginning on or after January 1, 2024, but before January 1, 2025, ninety percent.

(2) In lieu of claiming a refund, a taxpayer may elect to have the overpayment otherwise eligible for a refund shown on the taxpayer’s final, completed return credited to the tax liability for the following tax year. If the small business elects to take the assistive device tax credit, the small business shall not deduct for Iowa tax purposes any amount of the cost of an assistive device or workplace modifications which is deductible for federal income tax purposes.

b. To receive the assistive device tax credit, the eligible small business must submit an application to the economic development authority. If the taxpayer meets the criteria for eligibility, the economic development authority shall issue to the taxpayer a certification of entitlement for the assistive device tax credit. However, the combined amount of tax credits that may be approved for a fiscal year under [this subsection](#) shall not exceed five hundred thousand dollars. Tax credit certificates shall be issued on an earliest filed basis. The certification shall contain the taxpayer’s name, address, tax identification number, the amount of the credit, and tax year for which the certificate applies. The taxpayer must file the tax credit certificate with the taxpayer’s corporate income tax return in order to claim the tax credit. The economic development authority and department of revenue shall each adopt rules to jointly administer [this subsection](#) and shall provide by rule for the method to be used to determine for which fiscal year the tax credits are approved.

c. For purposes of [this subsection](#):

(1) “Assistive device” means any item, piece of equipment, or product system which is used to increase, maintain, or improve the functional capabilities of an individual with a disability in the workplace or on the job. “Assistive device” does not mean any medical device, surgical device, or organ implanted or transplanted into or attached directly to an individual. “Assistive device” does not include any device for which a certificate of title is issued by the state department of transportation, but does include any item, piece of equipment, or product system otherwise meeting the definition of “assistive device” that is incorporated, attached, or included as a modification in or to such a device issued a certificate of title.

(2) “Disability” means the same as defined in [section 15.102](#), except that it does not include alcoholism.

(3) “Small business” means a business that either had gross receipts for its preceding tax year of three million dollars or less or employed not more than fourteen full-time employees during its preceding tax year.

(4) “Workplace modifications” means physical alterations to the work environment.

d. [This subsection](#) is repealed January 1, 2031.

10. The taxes imposed under [this subchapter](#) shall be reduced by a historic preservation tax credit allowed under [chapter 404A](#).

11. Reserved.

11A. Reserved.

11B. The taxes imposed under [this subchapter](#) shall be reduced by an E-85 gasoline promotion tax credit for each tax year that the taxpayer is eligible to claim the tax credit under [this subsection](#).

a. The taxpayer shall claim the tax credit in the same manner as provided in [section 422.11O](#). The taxpayer may claim the tax credit according to the same requirements, for the same amount, and calculated in the same manner, as provided for the E-85 gasoline promotion tax credit pursuant to [section 422.11O](#).

b. Any E-85 gasoline promotion tax credit which is in excess of the taxpayer’s tax liability shall be refunded or may be shown on the taxpayer’s final, completed return credited to the tax liability for the following tax year in the same manner as provided in [section 422.11O](#).

c. [This subsection](#) is repealed January 1, 2028.

11C. The taxes imposed under [this subchapter](#) shall be reduced by a biodiesel blended fuel tax credit for each tax year that the taxpayer is eligible to claim the tax credit under [this subsection](#).

a. The taxpayer may claim the biodiesel blended fuel tax credit according to the same requirements, for the same amount, and calculated in the same manner, as provided for the biodiesel blended fuel tax credit pursuant to [section 422.11P](#).

b. Any biodiesel blended fuel tax credit which is in excess of the taxpayer’s tax liability shall be refunded or may be shown on the taxpayer’s final, completed return credited to the tax liability for the following tax year in the same manner as provided in [section 422.11P](#).

c. [This subsection](#) is repealed January 1, 2028.

11D. The taxes imposed under [this subchapter](#) shall be reduced by an E-15 plus gasoline promotion tax credit for each tax year that the taxpayer is eligible to claim the tax credit under this subsection.

a. The taxpayer shall claim the tax credit in the same manner as provided in [section 422.11Y](#). The taxpayer may claim the tax credit according to the same requirements, for the same amount, and calculated in the same manner, as provided for the E-15 plus gasoline promotion tax credit pursuant to [section 422.11Y](#).

b. Any E-15 plus gasoline promotion tax credit which is in excess of the taxpayer’s tax liability shall be refunded or may be shown on the taxpayer’s final, completed return credited to the tax liability for the following tax year in the same manner as provided in [section 422.11Y](#).

c. [This subsection](#) is repealed January 1, 2028.

12. a. The taxes imposed under [this subchapter](#) shall be reduced by an investment tax credit authorized pursuant to [section 15E.27](#) for an investment in a qualifying business.

b. The taxes imposed under [this subchapter](#) shall be reduced by investment tax credits authorized pursuant to [sections 15.508](#) and [15.496](#).

13. The taxes imposed under [this subchapter](#) shall be reduced by an innovation fund investment tax credit allowed under [section 15E.52](#).

14. The taxes imposed under [this subchapter](#) shall be reduced by an endow Iowa tax credit authorized pursuant to [section 15E.305](#).

15. The taxes imposed under [this subchapter](#) shall be reduced by a workforce housing investment tax credit allowed under [section 15.355, subsection 3](#).

16. The taxes imposed under [this subchapter](#) shall be reduced by tax credits for wind

energy production allowed under [chapter 476B](#) and for renewable energy allowed under [chapter 476C](#).

17. The taxes imposed under [this subchapter](#) shall be reduced by the research and development tax credit allowed pursuant to [section 15.524](#).

18. Reserved.

19. Reserved.

20. The taxes imposed under [this subchapter](#) shall be reduced by a tax credit authorized pursuant to [section 15E.66](#), if redeemed, for investments in the Iowa fund of funds.

21. The taxes imposed under [this subchapter](#) shall be reduced by a beginning farmer tax credit as allowed under [chapter 16, subchapter VIII, part 5, subpart B](#).

22. The taxes imposed under [this subchapter](#) shall be reduced by a renewable chemical production tax credit allowed under [section 15.319](#). [This subsection](#) is repealed January 1, 2041.

23. The taxes imposed under [this subchapter](#) shall be reduced by a sustainable aviation fuel tax credit allowed under [section 15.533](#). [This subsection](#) is repealed January 1, 2037.

24. Reserved.

25. a. The taxes imposed under [this subchapter](#) shall be reduced by a charitable conservation contribution tax credit equal to fifty percent of the fair market value of a qualified real property interest located in the state that is conveyed as an unconditional charitable donation in perpetuity by the taxpayer to a qualified organization exclusively for conservation purposes. The maximum amount of tax credit is one hundred thousand dollars. The amount of the contribution for which the tax credit is claimed shall not be deductible in determining taxable income for state tax purposes.

b. For purposes of [this section](#), “conservation purpose”, “qualified organization”, and “qualified real property interest” mean the same as defined for the qualified conservation contribution under section 170(h) of the Internal Revenue Code, except that a conveyance of land for open space for the purpose of fulfilling density requirements to obtain subdivision or building permits shall not be considered a conveyance for a conservation purpose.

c. Any credit in excess of the tax liability is not refundable but the excess for the tax year may be credited to the tax liability for the following twenty tax years or until depleted, whichever is the earlier.

26. The taxes imposed under [this subchapter](#) shall be reduced by a redevelopment tax credit allowed under [chapter 15, subchapter II, part 9](#).

27. Reserved.

28. The taxes imposed under [this subchapter](#) shall be reduced by a school tuition organization tax credit allowed under [section 422.11S](#).

29. a. The taxes imposed under [this subchapter](#) shall be reduced by a solar energy system tax credit equal to sixty percent of the federal energy credit related to solar energy systems provided in section 48(a)(2)(A)(i)(II) and section 48(a)(2)(A)(i)(III) of the Internal Revenue Code, not to exceed twenty thousand dollars. For installations occurring on or after January 1, 2016, the applicable percentage of the federal energy credit related to solar energy systems shall be fifty percent.

b. The taxpayer may claim the credit pursuant to [this subsection](#) according to the same requirements, conditions, and limitations as provided pursuant to [section 422.11L](#).

30. The taxes imposed under [this subchapter](#) shall be reduced by a from farm to food donation tax credit as allowed under [chapter 190B](#).

31. The taxes imposed under [this subchapter](#) shall be reduced by a Hoover presidential library tax credit allowed under [section 15E.364](#).

32. a. The taxes imposed under [this subchapter](#) shall be reduced by an employer child care tax credit allowed pursuant to [section 237A.31](#).

b. [This subsection](#) is repealed January 1, 2031.

[C35, §6943-f29; C39, §6943.065; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.33; [81 Acts, ch 135, §1 – 3](#); [82 Acts, ch 1023, §12, 13, 30, 31, ch 1234, §1](#)]

[83 Acts, ch 179, §14, 15, 22, 25](#); [83 Acts, ch 207, §90, 93](#); [85 Acts, ch 32, §81](#); [85 Acts, ch 230, §7](#); [86 Acts, ch 1007, §28](#); [86 Acts, ch 1194, §1](#); [86 Acts, ch 1236, §8](#); [86 Acts, ch 1241, §22](#); [87 Acts, ch 22, §11](#); [87 Acts, 1st Ex, ch 1, §6, 7](#); [88 Acts, ch 1028, §33](#); [88 Acts, ch 1099, §1](#); [89](#)

Acts, ch 251, §20 – 22; 89 Acts, ch 285, §5; 90 Acts, ch 1171, §5; 90 Acts, ch 1196, §2; 91 Acts, ch 215, §5; 92 Acts, ch 1200, §1, 4; 93 Acts, ch 113, §3; 94 Acts, ch 1165, §19; 94 Acts, ch 1166, §8, 11; 95 Acts, ch 83, §4, 35; 95 Acts, ch 152, §5, 7; 97 Acts, ch 135, §7, 9; 98 Acts, ch 1078, §7, 10; 99 Acts, ch 95, §8, 9, 12, 13; 99 Acts, ch 151, §10, 11, 89; 2000 Acts, ch 1146, §8, 9, 11; 2000 Acts, ch 1194, §12 – 14, 21; 2001 Acts, ch 123, §3, 6; 2001 Acts, ch 127, §8 – 10; 2002 Acts, ch 1006, §8, 13; 2002 Acts, ch 1069, §9, 10, 14; 2002 Acts, ch 1156, §3, 8; 2003 Acts, ch 139, §9, 11, 12; 2003 Acts, ch 145, §286; 2003 Acts, 1st Ex, ch 1, §113, 133; 2003 Acts, 1st Ex, ch 2, §85, 89 [2003 Acts, 1st Ex, ch 1, §113, 133 amendment adding new subsection 15 stricken pursuant to *Rants v. Vilsack*, 684 N.W.2d 193]

2004 Acts, ch 1073, §18; 2004 Acts, ch 1175, §405, 418; 2005 Acts, ch 24, §8, 10, 11; 2005 Acts, ch 146, §2, 3; 2005 Acts, ch 150, §14, 62, 69; 2005 Acts, ch 160, §2, 14; 2006 Acts, ch 1136, §2; 2006 Acts, ch 1140, §7, 10, 11; 2006 Acts, ch 1142, §42 – 49; 2006 Acts, ch 1158, §29 – 33; 2006 Acts, ch 1159, §26; 2006 Acts, ch 1161, §4, 7; 2006 Acts, ch 1175, §16, 17, 23; 2007 Acts, ch 12, §6 – 8; 2007 Acts, ch 162, §7, 13; 2007 Acts, ch 165, §5, 9; 2008 Acts, ch 1004, §2, 7; 2008 Acts, ch 1011, §7, 9; 2008 Acts, ch 1169, §33 – 35; 2008 Acts, ch 1173, §9; 2008 Acts, ch 1191, §63, 107, 137, 163, 168; 2009 Acts, ch 41, §125; 2009 Acts, ch 100, §34, 35; 2009 Acts, ch 177, §44; 2009 Acts, ch 179, §133, 153, 234; 2010 Acts, ch 1061, §84, 182; 2010 Acts, ch 1138, §12, 16, 22, 26; 2011 Acts, ch 34, §98; 2011 Acts, ch 41, §13, 14, 16; 2011 Acts, ch 113, §19, 22, 23, 29, 33, 34, 36, 39, 40; 2011 Acts, ch 118, §85, 89; 2011 Acts, ch 130, §42, 47; 2012 Acts, ch 1007, §6 – 8; 2012 Acts, ch 1110, §10, 11; 2012 Acts, ch 1121, §8, 10, 11; 2012 Acts, ch 1136, §34, 39 – 41; 2013 Acts, ch 1, §6 – 8; 2013 Acts, ch 30, §89; 2013 Acts, ch 125, §21, 23, 24; 2013 Acts, ch 140, §146, 147; 2014 Acts, ch 1026, §87; 2014 Acts, ch 1076, §5 – 7; 2014 Acts, ch 1080, §87, 88, 98, 119, 125; 2014 Acts, ch 1092, §90; 2014 Acts, ch 1118, §9, 12; 2014 Acts, ch 1130, §20, 24 – 26, 38; 2014 Acts, ch 1141, §21, 76, 79, 80; 2015 Acts, ch 1, §6 – 8; 2015 Acts, ch 30, §118; 2015 Acts, ch 86, §1 – 3; 2015 Acts, ch 124, §3, 9; 2015 Acts, ch 138, §121, 126, 127; 2016 Acts, ch 1065, §13, 15, 16; 2016 Acts, ch 1095, §6, 14, 15; 2016 Acts, ch 1106, §2, 5, 9; 2017 Acts, ch 29, §121, 166; 2017 Acts, ch 157, §9, 10, 12, 14; 2018 Acts, ch 1161, §8, 9, 15, 16, 37 – 39, 43, 45, 88 – 93, 97, 98; 2019 Acts, ch 59, §123; 2019 Acts, ch 152, §59, 60; 2019 Acts, ch 161, §14, 18, 19; 2020 Acts, ch 1062, §93, 94; 2020 Acts, ch 1063, §224; 2020 Acts, ch 1118, §58 – 60, 99; 2021 Acts, ch 76, §74; 2021 Acts, ch 86, §4, 6, 7; 2021 Acts, ch 176, §3; 2022 Acts, ch 1002, §38 – 44, 52, 54 – 56; 2022 Acts, ch 1067, §46, 51, 53, 56, 58; 2022 Acts, ch 1148, §24, 28; 2023 Acts, ch 116, §16; 2025 Acts, ch 136, §47 – 49, 59, 73, 83, 88 – 90, 104 – 107, 116, 118, 126, 129, 130, 137, 138, 145

Referred to in §2.48, 16.82, 29C.24, 421.27, 422.8, 422.16B, 422.21, 422.25A, 422.34A, 422.36, 422.37, 422.85, 441.21, 476C.2

For future amendment to subsection 1, effective on the first January 1 after each rate of taxation on the net income received by a corporation is equalized to equal five and one-half percent pursuant to section 422.33, subsection 1, paragraph b, see 2022 Acts, ch 1002, §57 – 59

For provisions relating to requirements for claiming an E-85 gasoline promotion tax credit under subsection 11B in calendar year 2027 for a retail dealer whose tax year ends prior to December 31, 2027, see 2006 Acts, ch 1142, §49; 2011 Acts, ch 113, §20, 22, 23; 2016 Acts, ch 1106, §6; 2022 Acts, ch 1067, §47

For provisions relating to requirements for claiming a biodiesel blended fuel tax credit under subsection 11C in calendar year 2027 for a retail dealer whose tax year ends prior to December 31, 2027, see 2006 Acts, ch 1142, §49; 2011 Acts, ch 113, §31, 33, 34; 2016 Acts, ch 1106, §10; 2022 Acts, ch 1067, §52

For provisions relating to requirements for claiming an E-15 plus gasoline promotion tax credit under subsection 11D in calendar year 2027 for a retail dealer whose tax year ends prior to December 31, 2027, see 2011 Acts, ch 113, §37, 39, 40; 2016 Acts, ch 1106, §3; 2022 Acts, ch 1067, §57; 2025 Acts, ch 136, §146

Subsection 7 stricken pursuant to its own terms effective January 1, 2022, for tax years beginning on or after that date

2022 amendments to subsection 5, paragraphs b – d take effect January 1, 2023, and apply to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1002, §43, 44

Subsection 5, paragraph e, subparagraph (3) takes effect January 1, 2023, and applies to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1002, §43, 44

2022 amendment to subsection 5, paragraph f, subparagraph (2) takes effect January 1, 2023, and applies to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1002, §43, 44

2022 amendment to subsection 5, paragraph g takes effect January 1, 2023, and applies to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1002, §43, 44

2022 amendment to subsection 9, paragraph a takes effect January 1, 2023, and applies to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1002, §54, 55

2022 amendment to subsection 11C, paragraph c effective January 1, 2023; 2022 Acts, ch 1067, §53

2022 amendment to subsection 11D, paragraph c effective January 1, 2023; 2022 Acts, ch 1067, §58

Subsection 32 applies to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1148, §28

For preservation of existing rights relating to certain tax credits awarded, issued, or allowed prior to January 1, 2023, see 2022 Acts, ch 1002, §53

2025 amendment to subsection 5, paragraph e, subparagraph (1), subparagraph division (b), subparagraph subdivision (i) applies retroactively to January 1, 2017, for tax years beginning on or after that date; 2025 Acts, ch 136, §138

2025 amendment to subsection 9, paragraph a, subparagraph (1) applies retroactively to January 1, 2025, for tax years beginning on or after that date; 2025 Acts, ch 136, §90

Subsection 9, paragraph d applies retroactively to January 1, 2025, for tax years beginning on or after that date; 2025 Acts, ch 136, §90

Subsection 23 applies retroactively to January 1, 2025, for tax years beginning on or after that date; 2025 Acts, ch 136, §130
 Sustainable aviation fuel tax credits issued pursuant to the sustainable aviation tax credit program shall not be issued by the economic development authority prior to July 1, 2026, and shall not be claimed by a taxpayer prior to September 1, 2026; 2025 Acts, ch 136, §127
 For preservation of existing rights relating to tax incentives issued, awarded, or allowed before December 31, 2025, see 2025 Acts, ch 136, §58
 2025 strike of subsection 5, paragraph h effective December 31, 2025; 2025 Acts, ch 136, §59
 2025 amendment to subsection 12, paragraph b effective December 31, 2025; 2025 Acts, ch 136, §59
 2025 strike of subsection 19 effective December 31, 2025; 2025 Acts, ch 136, §59
 Subsection 5, paragraph a, unnumbered paragraph 1 amended
 Subsection 5, paragraph b, subparagraph (2), subparagraph division (d), subparagraph subdivision (iv) stricken
 Subsection 5, paragraph b, subparagraph (2), subparagraph division (e) amended
 Subsection 5, paragraph e, subparagraph (1), subparagraph division (b), subparagraph subdivision (i) amended
 Subsection 5, paragraph h stricken and former paragraph i redesignated as h
 Subsection 5, NEW paragraph i
 Subsection 9, paragraph a, subparagraph (1) amended
 Subsection 9, NEW paragraph d
 Subsection 11D, paragraph c amended
 Subsection 12 amended
 NEW subsection 17
 Subsection 19 stricken
 NEW subsection 23
 Subsection 32 amended

422.34 Exempted corporations and organizations.

The following organizations and corporations shall be exempt from taxation under [this subchapter](#):

1. All state, national, private, cooperative, and savings banks, credit unions, title insurance and trust companies, federally chartered savings and loan associations, production credit associations, insurance companies or insurance associations, reciprocal or inter-insurance exchanges, fraternal beneficiary associations, and investment subsidiaries included on a return due to an election under [section 422.60, subsection 1](#), paragraph “b”.

2. *a.* An organization described in section 501 of the Internal Revenue Code unless the exemption is denied under section 501, 502, 503, or 504 of the Internal Revenue Code.

b. An organization that would have qualified as an organization exempt from federal income tax under section 501(c)(19) of the Internal Revenue Code but for the fact that the requirement that substantially all of the members who are not past or present members of the United States armed forces is not met because such members include ancestors or lineal descendants, shall be considered for purposes of the exemption from taxation under [this subchapter](#) as an organization exempt from federal income tax under section 501(c)(19) of the Internal Revenue Code.

[C35, §6943-f30; C39, **§6943.066**; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.34]
[92 Acts, 2nd Ex, ch 1001, §239, 251; 94 Acts, ch 1165, §20; 2003 Acts, ch 142, §9; 2010 Acts, ch 1061, §56; 2012 Acts, ch 1017, §82; 2020 Acts, ch 1062, §94; 2024 Acts, ch 1094, §20, 24, 25](#)

Referred to in [§421.27, 422.25A, 422.33, 422.37](#)

2024 amendment to subsection 1 applies to tax years beginning on or after January 1, 2025; 2024 Acts, ch 1094, §25

422.34A Exempt activities of foreign corporations.

A foreign corporation shall not be considered doing business in this state or deriving income from sources within this state for the purposes of [this subchapter](#) by reason of carrying on in this state one or more of the following activities:

1. Holding meetings of the board of directors or shareholders or holiday parties or employee appreciation dinners.

2. Maintaining bank accounts.

3. Borrowing money, with or without security.

4. Utilizing Iowa courts for litigation.

5. Owning and controlling a subsidiary corporation which is incorporated in or which is transacting business within this state where the holding or parent company has no physical presence in the state as that presence relates to the ownership or control of the subsidiary.

6. Recruiting personnel where hiring occurs outside the state.

7. Training employees or educating employees, or using facilities in Iowa for this purpose.

8. Utilizing a distribution facility within this state, owning or leasing property at a distribution facility within this state that is used at or distributed from the distribution facility, or selling property shipped or distributed from a distribution facility. For purposes of

[this subsection](#), “distribution facility” means an establishment where shipments of tangible personal property are processed for delivery to customers. “Distribution facility” does not include an establishment where retail sales of tangible personal property or returns of such property are undertaken with respect to retail customers on more than twelve days a year except for a distribution facility which processes customer sales orders by mail, telephone, or electronic means, if the distribution facility also processes shipments of tangible personal property to customers provided that not more than ten percent of the dollar amount of goods are delivered and shipped so as to be included in the gross sales of the corporation within this state as provided in [section 422.33, subsection 2](#), paragraph “a”, subparagraph (2), subparagraph division (h).

96 Acts, ch 1123, §1, 2; 97 Acts, ch 46, §1, 2; 2006 Acts, ch 1179, §58, 66; 2014 Acts, ch 1026, §140; 2020 Acts, ch 1062, §94

422.35 Net income of corporation — how computed.

The term “net income” means the taxable income as properly computed for federal income tax purposes under the Internal Revenue Code, with the following adjustments:

1. Subtract interest and dividends from federal securities.
2. Add interest and dividends from foreign securities, from securities of state and other political subdivisions, and from regulated investment companies exempt from federal income tax under the Internal Revenue Code, except for those securities the interest and dividends from which are exempt from taxation by the state of Iowa as otherwise provided by law, including those set forth in [section 422.7, subsection 2](#).
3. *a.* If the taxpayer is a small business corporation, subtract an amount equal to sixty-five percent of the wages paid to individuals, but not to exceed twenty thousand dollars per individual, named in subparagraphs (1), (2), and (3) who were hired for the first time by the taxpayer during the tax year for work done in this state:
 - (1) An individual with a disability domiciled in this state at the time of the hiring who meets any of the following conditions:
 - (a) Has a physical or mental impairment which substantially limits one or more major life activities.
 - (b) Has a record of that impairment.
 - (c) Is regarded as having that impairment.
 - (2) An individual domiciled in this state at the time of the hiring who meets any of the following conditions:
 - (a) Has been convicted of a felony in this or any other state or the District of Columbia.
 - (b) Is on parole pursuant to [chapter 906](#).
 - (c) Is on probation pursuant to [chapter 907](#), for an offense other than a simple misdemeanor.
 - (d) Is in a work release program pursuant to [chapter 904, subchapter IX](#).
 - (3) An individual, whether or not domiciled in this state at the time of the hiring, who is on parole or probation and to whom the interstate compact for adult offender supervision under [chapter 907B](#) applies.
- b.* This deduction is allowed for the wages paid to the individuals successfully completing a probationary period named in paragraph “a”, subparagraphs (1), (2), and (3), during the twelve months following the date of first employment by the taxpayer and shall be deducted in the tax years when paid.
- c.* For purposes of [this subsection](#):
 - (1) “Physical or mental impairment” means any physiological disorder or condition, cosmetic disfigurement, or anatomical loss affecting one or more of the body systems or any mental or psychological disorder, including intellectual disability, organic brain syndrome, emotional or mental illness, and specific learning disabilities.
 - (2) (a) “Small business” means a profit or nonprofit business, including but not limited to an individual, partnership, corporation, joint venture, association, or cooperative, to which the following apply:
 - (i) It is not an affiliate or subsidiary of a business dominant in its field of operation.
 - (ii) It has either twenty or fewer full-time equivalent positions or not more than the

equivalent of three million dollars in annual gross revenues as computed for the preceding fiscal year or as the average of the three preceding fiscal years.

(iii) It does not include the practice of a profession.

(b) “*Small business*” includes an employee-owned business which has been an employee-owned business for less than three years or which meets the conditions of subparagraph division (a), subparagraph subdivisions (i) through (iii).

(c) For purposes of this definition, “*dominant in its field of operation*” means having more than twenty full-time equivalent positions and more than three million dollars in annual gross revenues, and “*affiliate or subsidiary of a business dominant in its field of operation*” means a business which is at least twenty percent owned by a business dominant in its field of operation, or by partners, officers, directors, majority stockholders, or their equivalents, of a business dominant in that field of operation.

4. a. If the taxpayer is a business corporation and does not qualify for the adjustment under [subsection 3](#), subtract an amount equal to sixty-five percent of the wages paid to individuals, but shall not exceed twenty thousand dollars per individual, named in subparagraphs (1) and (2) who were hired for the first time by the taxpayer during the tax year for work done in this state:

(1) An individual domiciled in this state at the time of the hiring who meets any of the following conditions:

(a) Has been convicted of a felony in this or any other state or the District of Columbia.

(b) Is on parole pursuant to [chapter 906](#).

(c) Is on probation pursuant to [chapter 907](#), for an offense other than a simple misdemeanor.

(d) Is in a work release program pursuant to [chapter 904, subchapter IX](#).

(2) An individual, whether or not domiciled in this state at the time of the hiring, who is on parole or probation and to whom the interstate compact for adult offender supervision under [chapter 907B](#) applies.

b. This deduction is allowed for the wages paid to the individuals successfully completing a probationary period named in paragraph “a”, subparagraphs (1) and (2), during the twelve months following the date of first employment by the taxpayer and shall be deducted in the tax years when paid.

c. The department shall develop and distribute information concerning the deduction available for businesses employing persons named in paragraph “a”, subparagraphs (1) and (2).

5. a. Add any federal net operating loss deduction carried over from a taxable year beginning prior to January 1, 2023.

b. Any Iowa net operating loss carried over from a taxable year beginning prior to January 1, 2023, may be deducted as provided in [section 422.35, subsection 11](#), Code 2018.

6. Subtract the loss on the sale or exchange of a share of a regulated investment company held for six months or less to the extent the loss was disallowed under section 852(b)(4)(B) of the Internal Revenue Code.

7. Add, to the extent it reduced federal taxable income, any amount contributed under section 170 of the Internal Revenue Code to the extent such contribution was made to an organization for the purpose of deposit in the Iowa education savings plan trust established in [chapter 12D](#), and the taxpayer designated that any part of the contribution be used for the direct benefit of any dependent of a shareholder of the taxpayer or any other single beneficiary designated by the taxpayer.

8. Subtract the amount of foreign dividend income, including subpart F income as defined in section 952 of the Internal Revenue Code, based upon the percentage of ownership as set forth in section 243 of the Internal Revenue Code.

9. Subtract, to the extent included, the amount of any biodiesel production refund provided pursuant to [section 423.4](#).

10. Any adjustment subtracted from federal taxable income for an adjustment year pursuant to section 6225 of the Internal Revenue Code and the regulations thereunder shall be added back in computing net income of the partnership and the partners for state tax purposes for the adjustment year.

11. a. Section 163(j) of the Internal Revenue Code does not apply in computing net income for state tax purposes. If the taxpayer's federal taxable income for the tax year was increased or decreased by reason of the application of section 163(j) of the Internal Revenue Code, the taxpayer shall recompute net income for state tax purposes under rules prescribed by the director.

b. For any tax year in which paragraph "a" does not apply, a taxpayer shall not be permitted to deduct any amount of interest expense paid or accrued in a previous taxable year that is allowed as a deduction in the current taxable year by reason of the carryforward of disallowed business interest provisions of section 163(j)(2) of the Internal Revenue Code, if either of the following apply:

(1) The interest expense was originally paid or accrued during a tax year in which paragraph "a" applied.

(2) The interest expense was originally paid or accrued during a tax year in which the taxpayer was not required to file an Iowa return.

12. Subtract, to the extent included, global intangible low-taxed income under section 951A of the Internal Revenue Code.

13. a. Subtract, to the extent included, the amount of a federal, state, or local grant provided to a communications service provider, if the grant is used to install broadband infrastructure that facilitates broadband service in targeted service areas at or above the download and upload speeds.

b. As used in [this subsection](#), "broadband infrastructure", "communications service provider", and "targeted service area" mean the same as defined in [section 8.76](#), respectively.

14. a. Subtract, to the extent included, the amount of any qualifying state disaster recovery new housing grant issued to a business by the economic development authority.

b. For purposes of [this subsection](#), "qualifying state disaster recovery new housing grant" means an award of a state disaster recovery new housing grant that was applied for between August 20, 2024, and December 31, 2024, and approved and issued by the economic development authority.

c. [This subsection](#) is repealed January 1, 2028.

[C35, §6943-f31; C39, §**6943.067**; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.35; **81 Acts**, ch 132, §8, 9; **82 Acts**, ch 1023, §14, 15, 30, 31, ch 1203, §2, ch 1206, §1]

83 Acts, ch 174, §2, 3; **83 Acts**, ch 179, §16, 24; **86 Acts**, ch 1236, §9; **86 Acts**, ch 1238, §20; **86 Acts**, ch 1241, §23; **87 Acts**, 1st Ex, ch 1, §8 – 11; **89 Acts**, ch 175, §3; **89 Acts**, ch 225, §20, 21; **90 Acts**, ch 1168, §46; **90 Acts**, ch 1171, §6; **90 Acts**, ch 1195, §2; **90 Acts**, ch 1251, §53; **91 Acts**, ch 210, §3; **92 Acts**, ch 1222, §5, 6; **92 Acts**, ch 1225, §2, 5; **94 Acts**, ch 1107, §26; **94 Acts**, ch 1166, §9, 10, 12; **95 Acts**, ch 152, §6, 7; **96 Acts**, ch 1129, §113; **97 Acts**, ch 135, §8, 9; **98 Acts**, ch 1078, §8, 12; **98 Acts**, ch 1172, §13, 14; **99 Acts**, ch 95, §10 – 13; **2001 Acts**, ch 15, §3, 4; **2001 Acts**, ch 116, §7, 28; **2001 Acts**, 2nd Ex, ch 6, §23 – 26, 37; **2003 Acts**, ch 139, §10 – 12; **2004 Acts**, ch 1101, §47; **2004 Acts**, 1st Ex, ch 1001, §40 – 42; **2005 Acts**, ch 2, §3, 4, 6; **2005 Acts**, ch 19, §54; **2005 Acts**, ch 24, §9 – 11; **2005 Acts**, ch 140, §41, 73; **2006 Acts**, 1st Ex, ch 1001, §42, 49; **2007 Acts**, ch 54, §36; **2007 Acts**, ch 162, §8, 13; **2007 Acts**, ch 186, §17; **2008 Acts**, ch 1011, §8, 9; **2009 Acts**, ch 133, §141 – 143; **2009 Acts**, ch 135, §4, 5; **2011 Acts**, ch 41, §21 – 25; **2011 Acts**, ch 113, §58, 60; **2012 Acts**, ch 1019, §130; **2012 Acts**, ch 1110, §12; **2012 Acts**, ch 1136, §35, 39 – 41; **2013 Acts**, ch 1, §10 – 12; **2013 Acts**, ch 70, §5, 6; **2013 Acts**, ch 100, §24, 27; **2015 Acts**, ch 1, §10 – 12; **2016 Acts**, ch 1107, §4 – 6; **2018 Acts**, ch 1161, §94 – 98, 128 – 130, 133, 134; **2019 Acts**, ch 4, §1 – 3; **2020 Acts**, ch 1062, §94; **2020 Acts**, ch 1118, §67, 71, 78, 80 – 82, 101, 103, 104, 119 – 121, 124, 126; **2021 Acts**, ch 80, §263, 264; **2021 Acts**, ch 86, §30 – 32; **2021 Acts**, ch 177, §1, 6 – 8, 53, 54, 56, 57; **2023 Acts**, ch 115, §4 – 6; **2025 Acts**, ch 28, §24 – 26

Referred to in §422.33, 422.61

2018 amendments to unnumbered paragraph 1 and subsection 11, and strike of former subsections 3, 4, 5, 7, 8, 10, 16, 17, 18, 19, 19B, 20, 22, and 24 are effective January 1, 2023, and apply to tax years beginning on or after that date; **2018 Acts**, ch 1161, §133, 144; **2021 Acts**, ch 177, §1

For business expense deductions using forgiven federal Paycheck Protection Program (PPP) proceeds in computing net income for certain fiscal-year filers under the federal Consolidated Appropriations Act, 2021; see **2021 Acts**, ch 177, §9, 10

2021 repeal of former subsection 19A applies retroactively to January 1, 2021, for tax years beginning on or after that date, and for qualified property placed in service on or after that date; **2021 Acts**, ch 177, §54

2021 amendment to subsection 10 applies retroactively to July 1, 2020, and applies to federal adjustments and federal partnership adjustments that have a final determination date after July 1, 2020; **2021 Acts**, ch 86, §32

2021 repeal of former subsection 27, paragraph b applies retroactively to January 1, 2021, for tax years beginning on or after that date; **2021 Acts**, ch 177, §57

Repeal of former subsections 19, 19B, 20, and 24, relating to bonus depreciation under section 168 of the Internal Revenue Code or increased expensing under section 179 of the Internal Revenue Code, applies retroactively to property placed in service on or after January 1, 2023; 2018 Acts, ch 1161, §130, 133, 134; 2021 Acts, ch 177, §1; 2023 Acts, ch 115, §4, 6

Subsection 14 applies retroactively to tax years beginning on or after January 1, 2024; 2025 Acts, ch 28, §26
NEW subsection 14

422.36 Returns.

1. A corporation shall make a return and the return shall be signed by the president or other duly authorized officer in accordance with forms and rules prescribed by the director. Before a corporation is dissolved and its assets distributed it shall make a return for settlement of the tax for income earned in the income year up to its final date of dissolution.

2. When any corporation, liable to taxation under [this subchapter](#), conducts its business in such a manner as either directly or indirectly to benefit the members or stockholders thereof or any person interested in such business by selling its products or the goods or commodities in which it deals at less than the fair price which might be obtained therefor, or where a corporation, a substantial portion of whose capital stock is owned either directly or indirectly by another corporation, acquires and disposes of the products, goods or commodities of the corporation so owning a substantial portion of its stock in such a manner as to create a loss or improper net income for either of said corporations, or where a corporation, owning directly or indirectly a substantial portion of the stock of another corporation, acquires and disposes of the products, goods, or commodities, of the corporation of which it so owns a substantial portion of the stock, in such a manner as to create a loss or improper net income for either of said corporations, the department may determine the amount of taxable income of either or any of such corporations for the calendar or fiscal year, having due regard to the reasonable profits which, but for such arrangement or understanding, might or could have been obtained, by the corporation or corporations liable to taxation under [this subchapter](#), from dealing in such products, goods, or commodities.

3. Where the director has reason to believe that any person or corporation so conducts a trade or business as either directly or indirectly to distort the person's or corporation's true net income and the net income properly attributable to the state, whether by the arbitrary shifting of income, through price fixing, charges for services, or otherwise, whereby the net income is arbitrarily assigned to one or another unit in a group of taxpayers carrying on business under a substantially common control, the director may require such facts as are necessary for the proper computation of the entire net income and the net income properly attributable to the state, and shall determine the same, and in the determination thereof the director shall have regard to the fair profits which would normally arise from the conduct of the trade or business.

4. Foreign and domestic corporations shall file a copy of their federal income tax return for the current tax year with the return required by [this section](#).

5. Where a corporation is not subject to income tax and the stockholders of such corporation are taxed on the corporation's income under the provisions of the Internal Revenue Code, the same tax treatment shall apply to such corporation and such stockholders for Iowa income tax purposes.

6. A foreign corporation is not required to file a return if its only activities in Iowa are the storage of goods for a period of sixty consecutive days or less in a warehouse for hire located in this state whereby the foreign corporation transports or causes a carrier to transport such goods to that warehouse and provided that none of the goods are delivered or shipped so as to be included in the gross sales of the corporation within this state as provided in [section 422.33, subsection 2, paragraph "a", subparagraph \(2\), subparagraph division \(h\)](#).

7. Notwithstanding [subsection 1](#), a return is not required by a taxpayer as provided in [section 29C.24](#).

8. *a.* A corporation shall file a return required under [this section](#) in an electronic format specified by the department for any tax year if any of the following circumstances apply:

(1) The corporation has gross receipts of two hundred fifty thousand dollars or more, as defined by rule by the department.

(2) The corporation reports twenty-five thousand dollars or more of Iowa tax credits on the return.

b. A corporation described in [subsection 5](#) shall file all returns required under [this section](#) in an electronic format specified by the department for any tax year if any of the following circumstances apply:

(1) The corporation has gross receipts of two hundred fifty thousand dollars or more, as defined by rule by the department.

(2) The corporation is required to provide ten or more Iowa schedules K-1 to shareholders.

(3) The corporation reports twenty-five thousand dollars or more of Iowa tax credits on the return.

c. [This subsection](#) applies to any form or schedule supporting a return required to be electronically filed or any amended return if the amended return meets any of the circumstances requiring electronic filing in [this subsection](#).

d. (1) Notwithstanding paragraphs “a” and “b”, the department may provide an exception to the requirement to file a return in an electronic format.

(2) A return subject to the electronic filing requirement in [this subsection](#) that is filed in a manner other than in an electronic format specified by the department shall not be considered a valid return unless the department provides an exception pursuant to this paragraph.

e. The department shall adopt rules to implement [this subsection](#).

[C35, §6943-f32; C39, §**6943.068**; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.36]

[87 Acts, 1st Ex, ch 1, §12; 89 Acts, ch 251, §23; 2001 Acts, ch 97, §1, 2; 2012 Acts, ch 1110, §13; 2014 Acts, ch 1026, §141; 2016 Acts, ch 1095, §7, 14, 15; 2020 Acts, ch 1062, §94; 2022 Acts, ch 1061, §6, 9](#)

Referred to in [§29C.24, 421.27, 422.16B, 422.31, 422.37, 422.62](#)

Subsection 8 applies to tax years ending on or after December 31, 2022, or for tax years ending on or after December 31 of the calendar year in which the department of revenue implements a system for receiving the electronic returns, whichever is later; 2022 Acts, ch 1061, §9

422.37 Consolidated returns.

Any affiliated group of corporations may, not later than the due date for filing its return for the taxable year, including any extensions thereof, under rules to be prescribed by the director, elect, and upon demand of the director shall be required, to make a consolidated return showing the consolidated net income of all such corporations and other information as the director may require, subject to the following:

1. The affiliated group filing under [this section](#) shall file a consolidated return for federal income tax purposes for the same taxable year.

2. All members of the affiliated group shall join in the filing of an Iowa consolidated return to the extent they are subject to the tax imposed by [section 422.33](#), except as otherwise provided in [section 29C.24](#).

3. Members of the affiliated group exempt from taxation by [section 422.34](#) of the Code shall not be included in a consolidated return.

4. All members of the affiliated group shall use the statutory method of allocation and apportionment unless the director has granted permission to all members to use an alternative method of allocation and apportionment.

5. Each member of the affiliated group shall consent to the rules governing a consolidated return prescribed by the director at the time the consolidated return is filed, unless the director requires the filing of a consolidated return. The filing of a consolidated return shall be considered the affiliated group's consent.

6. The filing of a consolidated return for any taxable year shall require the filing of consolidated returns for all subsequent taxable years so long as the filing taxpayers remain members of the affiliated group unless the director determines that the filing of separate returns will more clearly disclose the taxable incomes of each member of the affiliated group. This determination shall be made after specific request by the taxpayer for the filing of separate returns.

7. The computation of consolidated taxable income for the members of an affiliated group of corporations subject to tax shall be made in the same manner and under the same procedures, including all intercompany adjustments and eliminations, as are required for consolidating the incomes of affiliated corporations for the taxable year for federal income tax purposes in accordance with section 1502 of the Internal Revenue Code.

8. a. (1) The affiliated group shall file a return under [this section](#) for each taxable year in

an electronic format specified by the department, regardless of the total gross receipts of or amount of credits reported by the affiliated group.

(2) For purposes of the electronic filing requirement, a return of an affiliated group includes any form or schedule supporting the return or any amended return of the affiliated group.

(3) The financial institution is a corporation subject to the electronic filing requirement under [section 422.36, subsection 8](#), paragraph “b”.

b. (1) Notwithstanding paragraph “a”, the department may provide an exception to file a return in an electronic format.

(2) A return subject to the electronic filing requirement in paragraph “a” that is filed in a manner other than in an electronic format specified by the department shall not be considered a valid return unless the department provides an exception pursuant to this paragraph.

c. The department shall adopt rules to implement [this subsection](#).

[C35, §6943-f33; C39, §**6943.069**; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.37] [86 Acts, ch 1213, §10](#); [87 Acts, 1st Ex, ch 1, §13](#); [92 Acts, 2nd Ex, ch 1001, §240, 252](#); [2016 Acts, ch 1095, §8, 14, 15](#); [2022 Acts, ch 1061, §7, 9](#)

Referred to in [§29C.24, 421.27, 422.7\(42\)\(c\), 422.25](#)

Subsection 8 applies to tax years ending on or after December 31, 2022, or for tax years ending on or after December 31 of the calendar year in which the department of revenue implements a system for receiving the electronic returns, whichever is later; [2022 Acts, ch 1061, §9](#)

422.38 Statutes governing corporations.

All the provisions of [sections 422.15 through 422.22](#) of [subchapter II](#), insofar as the same are applicable, shall apply to corporations taxable under [this subchapter](#).

[C35, §6943-f34; C39, §**6943.070**; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.38] [2020 Acts, ch 1062, §94](#); [2020 Acts, ch 1063, §225](#)

422.39 Statutes applicable to corporations and corporation tax.

All the provisions of [sections 422.24 through 422.27](#) of [subchapter II](#), respecting payment, collection, reporting, examination, and assessment, shall apply in respect to a corporation subject to the provisions of [this subchapter](#) and to the tax due and payable by a corporation taxable under [this subchapter](#). This includes but is not limited to a corporation that is a pass-through entity as defined in [section 422.25A](#).

[C35, §6943-f35; C39, §**6943.071**; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.39] [2020 Acts, ch 1062, §94](#); [2020 Acts, ch 1118, §68, 71](#)

422.40 Cancellation of authority — penalty — offenses.

1. If a corporation required by the provisions of [this subchapter](#) to file any report or return or to pay any tax or fee, either as a corporation organized under the laws of this state, or as a foreign corporation doing business in this state for profit, or owning and using a part or all of its capital or plant in this state, fails or neglects to make any such report or return or to pay any such tax or fee for ninety days after the time prescribed in [this subchapter](#) for making such report or return, or for paying such tax or fee, the director may certify such fact to the secretary of state. The secretary of state shall thereupon cancel the articles of incorporation of any such corporation which is organized under the laws of this state by appropriate entry upon the margin of the record thereof, or cancel the certificate of authority of any such foreign corporation to do business in this state by proper entry. Thereupon all the powers, privileges, and franchises conferred upon such corporation by such articles of incorporation or by such certificate of authority shall cease and determine. The secretary of state shall immediately notify by registered mail such domestic or foreign corporation of the action taken by the secretary of state.

2. Any person or persons who shall exercise or attempt to exercise any powers, privileges, or franchises under articles of incorporation or certificate of authority after the same are canceled, as provided in any section of [this subchapter](#), shall pay a penalty of not less than one hundred dollars nor more than one thousand dollars, to be recovered by an action to be brought by the director.

3. Any corporation whose articles of incorporation or certificate of authority to do business in this state have been canceled by the secretary of state, as provided in [subsection](#)

1, or similar provisions of prior revenue laws, upon the filing, within ten years after such cancellation, with the secretary of state, of a certificate from the department that it has complied with all the requirements of [this subchapter](#) and paid all state taxes, fees, or penalties due from it, and upon the payment to the secretary of state of an additional penalty of fifty dollars, shall be entitled again to exercise its rights, privileges, and franchises in this state; and the secretary of state shall cancel the entry made by the secretary under the provisions of [subsection 1](#) or similar provisions of prior revenue laws, and shall issue a certificate entitling such corporation to exercise its rights, privileges and franchises.

4. A person, officer or employee of a corporation, or member or employee of a partnership, who, with intent to evade a requirement of [this subchapter](#) or a lawful requirement of the director, fails to pay tax or fails to make, sign, or verify a return or fails to supply information required under [this subchapter](#), is guilty of a fraudulent practice. A person, corporation, officer or employee of a corporation, or member or employee of a partnership, who, with intent to evade any of the requirements of [this subchapter](#), or any lawful requirements of the director, makes, renders, signs, or verifies a false or fraudulent return or statement, or supplies false or fraudulent information, or who aids, abets, directs, causes, or procures anyone so to do, is guilty of a class “D” felony. The penalty is in addition to all other penalties in [this subchapter](#).

[C35, §6943-f36; C39, §6943.072; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.40]

[83 Acts, ch 160, §6](#); [2020 Acts, ch 1062, §94](#)

Referred to in [§422.16](#)

422.41 Corporations.

All the provisions of [sections 422.28](#), [422.29](#), and [422.30](#) of subchapter II in respect to revision, appeal, and jeopardy assessments shall be applicable to corporations taxable under [this subchapter](#).

[C35, §6943-f37; C39, §6943.073; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §422.41]

[2020 Acts, ch 1062, §94](#)

SUBCHAPTER IV

RETAIL SALES TAX

Referred to in [§422.1](#)

422.42 through 422.47 Repealed by 2003 Acts, 1st Ex, ch 2, §151, 205. See chapter 423.

422.47A through 422.47C Repealed by 96 Acts, ch 1034, §70.

422.48 through 422.59 Repealed by 2003 Acts, 1st Ex, ch 2, §151, 205. See chapter 423.

SUBCHAPTER V

TAXATION OF FINANCIAL INSTITUTIONS

Referred to in [§15.293A](#), [15.355](#), [15.496](#), [15.508](#), [15E.27](#), [15E.28](#), [15E.52](#), [15E.62](#), [15E.305](#), [15E.364](#), [237A.31](#), [404A.2](#), [422.1](#), [422.11](#), [422.16C](#), [422.73](#), [422.85](#), [476B.2](#), [476B.6](#), [476B.7](#), [476C.4](#), [476C.6](#)

422.60 Imposition of tax — credit.

1. a. A franchise tax according to and measured by net income is imposed on financial institutions for the privilege of doing business in this state as financial institutions.

b. (1) A financial institution with an investment subsidiary may elect under the regulations of the director to include the income and expenses of an investment subsidiary on the franchise tax return for the purpose of imposing the franchise tax in paragraph “a”.

(2) An election made under this paragraph shall require the inclusion of the income and expenses of the investment subsidiary on all subsequent returns of the financial institution so long as the investment subsidiary remains a subsidiary of the financial institution unless the

director determines that the filing of separate returns will more clearly disclose the taxable income of the investment subsidiary or financial institution. This determination shall be made after specific request by the taxpayer for the filing of separate returns.

2. Reserved.

3. Reserved.

4. The taxes imposed under [this subchapter](#) shall be reduced by a historic preservation tax credit allowed under [chapter 404A](#).

5. a. The taxes imposed under [this subchapter](#) shall be reduced by an investment tax credit authorized pursuant to [section 15E.27](#) for an investment in a qualifying business.

b. The taxes imposed under [this subchapter](#) shall be reduced by investment tax credits authorized pursuant to [sections 15.508 and 15.496](#).

6. The taxes imposed under [this subchapter](#) shall be reduced by an endow Iowa tax credit authorized pursuant to [section 15E.305](#).

7. The taxes imposed under [this subchapter](#) shall be reduced by tax credits for wind energy production allowed under [chapter 476B](#) and for renewable energy allowed under [chapter 476C](#).

8. Reserved.

9. The taxes imposed under [this subchapter](#) shall be reduced by a tax credit authorized pursuant to [section 15E.66](#), if redeemed, for investments in the Iowa fund of funds.

10. The taxes imposed under [this subchapter](#) shall be reduced by a redevelopment tax credit allowed under [chapter 15, subchapter II, part 9](#).

11. The taxes imposed under [this subchapter](#) shall be reduced by an innovation fund investment tax credit allowed under [section 15E.52](#).

12. a. The taxes imposed under [this subchapter](#) shall be reduced by a solar energy system tax credit equal to sixty percent of the federal energy credit related to solar energy systems provided in [section 48\(a\)\(2\)\(A\)\(i\)\(II\)](#) and [section 48\(a\)\(2\)\(A\)\(i\)\(III\)](#) of the Internal Revenue Code, not to exceed twenty thousand dollars. For installations occurring on or after January 1, 2016, the applicable percentage of the federal energy credit related to solar energy systems shall be fifty percent.

b. The taxpayer may claim the credit pursuant to [this subsection](#) according to the same requirements, conditions, and limitations as provided pursuant to [section 422.11L](#).

13. The taxes imposed under [this subchapter](#) shall be reduced by a workforce housing investment tax credit allowed under [section 15.355, subsection 3](#).

14. The taxes imposed under [this subchapter](#) shall be reduced by a Hoover presidential library tax credit allowed under [section 15E.364](#).

15. a. The taxes imposed under [this subchapter](#) shall be reduced by an employer child care tax credit allowed pursuant to [section 237A.31](#).

b. [This subsection](#) is repealed January 1, 2031.

[C71, 73, 75, 77, 79, 81, §422.60; 82 Acts, ch 1023, §16, 31]

83 Acts, ch 179, §17, 22; 86 Acts, ch 1241, §28; 87 Acts, 1st Ex, ch 1, §14; 89 Acts, ch 285, §6; 2002 Acts, ch 1003, §3, 5; 2002 Acts, ch 1006, §9, 13; 2002 Acts, ch 1156, §4, 8; 2003 Acts, 1st Ex, ch 2, §86, 89; 2004 Acts, ch 1175, §406, 418; 2005 Acts, ch 150, §15, 63, 69; 2005 Acts, ch 160, §3, 14; 2006 Acts, ch 1158, §34 – 38; 2007 Acts, ch 162, §9, 13; 2007 Acts, ch 165, §6, 9; 2008 Acts, ch 1173, §10; 2008 Acts, ch 1191, §164; 2009 Acts, ch 41, §126; 2010 Acts, ch 1138, §13, 16, 23, 26; 2011 Acts, ch 25, §82, 143; 2011 Acts, ch 130, §43, 47, 71; 2012 Acts, ch 1136, §36, 39 – 41; 2014 Acts, ch 1093, §27 – 29; 2014 Acts, ch 1118, §10, 12; 2014 Acts, ch 1130, §21, 24 – 26, 39; 2014 Acts, ch 1141, §78 – 80; 2015 Acts, ch 30, §119; 2015 Acts, ch 124, §4, 9; 2015 Acts, ch 138, §122, 126, 127; 2017 Acts, ch 29, §122; 2019 Acts, ch 152, §10, 15, 65, 66; 2020 Acts, ch 1062, §94; 2021 Acts, ch 86, §5 – 7; 2021 Acts, ch 176, §4; 2022 Acts, ch 1148, §25, 28; 2023 Acts, ch 64, §108; 2024 Acts, ch 1094, §21, 24, 25; 2025 Acts, ch 136, §50, 51, 59, 74, 84

Referred to in [§422.16B](#), [422.34](#), [422.63](#), [422.85](#)

Former subsection 2 stricken pursuant to its own terms on January 1, 2021, for tax years beginning on or after that date

Former subsection 3 stricken pursuant to its own terms on January 1, 2022, for tax years beginning on or after that date

2021 amendment to subsection 8 applies retroactively to January 1, 2020, for tax years beginning on or after that date; 2021 Acts, ch 86, §7

Subsection 15 applies to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1148, §28

2024 amendment to subsection 1 applies to tax years beginning on or after January 1, 2025; 2024 Acts, ch 1094, §25

For preservation of existing rights relating to tax incentives issued, awarded, or allowed before December 31, 2025, see [2025 Acts, ch 136, §58](#)

2025 amendment to subsection 5, paragraph b effective December 31, 2025; 2025 Acts, ch 136, §59

2025 strike of subsection 8 effective December 31, 2025; 2025 Acts, ch 136, §59
 Subsection 5 amended
 Subsection 8 stricken
 Subsection 15 amended

422.61 Definitions.

In [this subchapter](#), unless the context otherwise requires:

1. “*Financial institution*” means a state bank as defined in [section 524.103](#), a state bank chartered under the laws of any other state, a national banking association, a trust company, a federally chartered savings and loan association, an out-of-state state chartered savings bank, a financial institution chartered by the federal home loan bank board, a non-Iowa chartered savings and loan association, or a production credit association.

2. “*Investment subsidiary*” means an affiliate that is owned, capitalized, or utilized by a financial institution with one of its purposes being to make, hold, or manage, for and on behalf of the financial institution, investments in securities which the financial institution would be permitted by applicable law to make for its own account.

3. “*Net income*” means the net income of the financial institution computed in accordance with [section 422.35](#), with the following adjustments:

a. Federal income taxes paid or accrued shall not be subtracted.

b. Notwithstanding [section 422.35](#), [subsection 2](#), or any other provisions of law, income from obligations of the state and its political subdivisions and franchise taxes paid or accrued under [this subchapter](#) during the taxable year shall be added. Income from sales of obligations of the state and its political subdivisions and interest and dividend income from these obligations are exempt from the taxes imposed by [this subchapter](#) only if the law authorizing the obligations specifically exempts the income from the sale and interest and dividend income from the state franchise tax.

c. Interest and dividends from federal securities shall not be subtracted.

d. Interest and dividends derived from obligations of United States possessions, agencies, and instrumentalities, including bonds which were purchased after January 1, 1991, and issued by the governments of Puerto Rico, Guam, and the Virgin Islands shall be added, to the extent they were not included in computing federal taxable income.

e. A deduction disallowed under section 265(b) or section 291(e)(1)(B) of the Internal Revenue Code shall be subtracted.

f. (1) Except as provided in subparagraph (2), a deduction shall not be allowed for that portion of the taxpayer’s expenses computed under this paragraph which is allocable to an investment in an investment subsidiary. The portion of the taxpayer’s expenses which is allocable to an investment in an investment subsidiary is an amount which bears the same ratio to the taxpayer’s expenses as the taxpayer’s average adjusted basis, as computed pursuant to section 1016 of the Internal Revenue Code, of investment in that investment subsidiary bears to the average adjusted basis for all assets of the taxpayer. The portion of the taxpayer’s expenses that is computed and disallowed under this paragraph shall be added.

(2) A deduction shall not be disallowed and may be subtracted for that portion of the taxpayer’s expenses computed under this paragraph which is allocable to an investment in an investment subsidiary if the taxpayer makes an election to include the investment subsidiary on the same return required of the taxpayer pursuant to [section 422.62](#).

g. Where a financial institution as defined in section 581 of the Internal Revenue Code is not subject to income tax and the shareholders of the financial institution are taxed on the financial institution’s income under the provisions of the Internal Revenue Code, such tax treatment shall be disregarded and the financial institution shall compute its net income for franchise tax purposes in the same manner under [this subsection](#) as a financial institution that is subject to or liable for federal income tax under the Internal Revenue Code in effect for the applicable year.

4. “*Taxable year*” means the calendar year or the fiscal year ending during a calendar year, for which the tax is payable. “*Fiscal year*” includes a tax period of less than twelve months if, under the Internal Revenue Code, a corporation is required to file a tax return covering a tax period of less than twelve months.

5. “Taxpayer” means a financial institution subject to any tax imposed by [this subchapter](#). [C71, 73, 75, 77, 79, 81, §422.61]

85 Acts, ch 230, §8; 87 Acts, ch 18, §2; 87 Acts, 1st Ex, ch 1, §15, 16; 89 Acts, ch 285, §7; 91 Acts, ch 217, §1; 95 Acts, ch 193, §1 – 3; 97 Acts, ch 154, §2, 3; 2001 Acts, ch 116, §10, 28; 2012 Acts, ch 1017, §83; 2013 Acts, ch 70, §7; 2020 Acts, ch 1062, §94; 2022 Acts, ch 1062, §2; 2024 Acts, ch 1094, §22, 24, 25

Referred to in §321.105, 421.27, 422.16B

2024 amendment to subsection 3, paragraph f applies to tax years beginning on or after January 1, 2025; 2024 Acts, ch 1094, §25

422.62 Due and delinquent dates.

1. The franchise tax is due and payable on the first day following the end of the taxable year of each financial institution, and is delinquent after the last day of the fourth month following the due date or forty-five days after the due date of the federal tax return, excluding extensions of time to file, whichever is the later. Every financial institution shall file a return as prescribed by the director on or before the delinquency date.

2. *a.* (1) A financial institution shall file a return required under [this section](#) in an electronic format specified by the department for any tax year if any of the following circumstances apply:

(a) The financial institution has two hundred fifty thousand dollars or more in gross receipts, as defined by rule by the department.

(b) The financial institution reports twenty-five thousand dollars or more of Iowa tax credits on the return.

(c) The financial institution is a corporation subject to the electronic filing requirement under [section 422.36, subsection 8](#), paragraph “b”.

(2) This paragraph “a” applies to any form or schedule supporting a return required to be electronically filed or any amended return if the amended return meets any of the circumstances requiring electronic filing in this paragraph.

b. (1) Notwithstanding paragraph “a”, the department may provide an exception to the requirement to file a return in an electronic format.

(2) A return subject to the electronic filing requirement in paragraph “a” that is filed in a manner other than in an electronic format specified by the department shall not be considered a valid return unless the department provides an exception pursuant to this paragraph.

c. The department shall adopt rules to implement [this subsection](#).

[C71, 73, 75, 77, 79, 81, §422.62]

85 Acts, ch 230, §9; 86 Acts, ch 1237, §25; 2022 Acts, ch 1061, §8, 9

Referred to in §421.27, 422.16B, 422.61

Subsection 2 applies to tax years ending on or after December 31, 2022, or for tax years ending on or after December 31 of the calendar year in which the department of revenue implements a system for receiving the electronic returns, whichever is later; 2022 Acts, ch 1061, §9

422.63 Amount of tax.

1. *a.* The franchise tax is imposed annually in an amount equal to the percent specified in [subsection 2](#) of the net income received or accrued during the taxable year. If the net income of the financial institution is derived from its business carried on entirely within the state, the tax shall be imposed on the entire net income, but if the business is carried on partly within and partly without the state, the portion of net income reasonably attributable to the business within the state shall be specifically allocated or equitably apportioned within and without the state under rules of the director.

b. For purposes of apportioning income within and without the state, if an election is made pursuant to [section 422.60, subsection 1](#), paragraph “b”, the commercial domicile of an investment subsidiary included on the return of the financial institution pursuant to the election shall be that of the financial institution rather than the investment subsidiary.

2. *a.* For tax years beginning prior to January 1, 2023, five percent.

b. For tax years beginning on or after January 1, 2023, but before January 1, 2024, four and seven-tenths percent.

c. For tax years beginning on or after January 1, 2024, but before January 1, 2025, four and four-tenths percent.

d. For tax years beginning on or after January 1, 2025, but before January 1, 2026, four and one-tenth percent.

e. For tax years beginning on or after January 1, 2026, but before January 1, 2027, three and eight-tenths percent.

f. For tax years beginning on or after January 1, 2027, three and one-half percent.

[C71, 73, 75, 77, 79, 81, §422.63]

86 Acts, ch 1194, §2; 2022 Acts, ch 1138, §60; 2024 Acts, ch 1094, §23 – 25

Referred to in §421.27, 422.16B

2024 amendment to subsection 1 applies to tax years beginning on or after January 1, 2025; 2024 Acts, ch 1094, §25

422.64 Reserved.

422.65 Allocation of revenue. Repealed by 2003 Acts, ch 178, §11.

422.66 Department to enforce.

The department shall administer and enforce the provisions of [this subchapter](#), and all applicable provisions of [sections 422.24](#), [422.25](#), [422.26](#), [422.28](#), [422.29](#), and [422.30](#), and [subchapter VI of this chapter](#), apply to financial institutions and to the franchise tax imposed by [this subchapter](#).

[C71, 73, 75, 77, 79, 81, §422.66]

2020 Acts, ch 1062, §94

SUBCHAPTER VI

ADMINISTRATION

Referred to in §422.1, 422.16, 422.16B, 422.66

422.67 Generally — bond — approval.

The director shall administer the taxes imposed by [this chapter](#). The director shall give a bond in an amount to be fixed by the governor, which has been issued by a surety company authorized to transact business in this state and approved by the insurance commissioner as to solvency and responsibility. The reasonable cost of said bond shall be paid by the state, out of the proceeds of the taxes collected under the provisions of [this chapter](#).

[C35, §6943-f54; C39, §6943.091; C46, 50, 54, 58, 62, 66, §422.60; C71, 73, 75, 77, 79, 81, §422.67]

Referred to in §99G.30A, 321.105A, 423.42, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5

422.68 Powers and duties.

1. The director shall have the power and authority to prescribe all rules not inconsistent with the provisions of [this chapter](#), necessary and advisable for its detailed administration and to effectuate its purposes.

2. The director may, for administrative purposes, divide the state into districts, provided that in no case shall a county be divided in forming a district.

3. a. The director shall destroy useless records of any taxpayer filed with or kept by the department by the end of the calendar year following the year in which the record is determined by the department to be useless.

b. (1) A taxpayer or the department may request that a specific record be retained beyond the useful life of the record.

(2) The director shall have the discretion to approve or deny a request made pursuant to subparagraph (1).

c. Notwithstanding paragraph “a”, the department may retain any of the following:

(1) A record that no longer contains personally identifiable information of a specific taxpayer.

(2) A record described in [section 17A.3, subsection 1](#), paragraph “a” or “b”.

d. The department shall adopt rules pursuant to [chapter 17A](#) to administer [this subsection](#).

4. The department may make electronic or photographic copies of records filed by the taxpayer or prepared by the department, or make such copies by other methods. In addition,

the department may create or use any system of recordkeeping reasonably calculated to preserve its records for any time period required by law. When a copy is made, the department may destroy the original record which served as the basis for the copy in any manner prescribed by the director. A copy shall be subject to destruction as provided in [subsection 3](#). A copy shall be admissible in evidence when duly certified and authenticated by the officer having custody and control of the record.

[C35, §6943-f55; C39, §6943.092; C46, 50, 54, 58, 62, 66, §422.61; C71, 73, 75, 77, 79, 81, §422.68]

85 Acts, ch 230, §10; 99 Acts, ch 151, §24, 89; 99 Acts, ch 152, §9, 40; 2022 Acts, ch 1061, §1, 2

Referred to in §99G.30A, 257.22, 321.105A, 422D.3, 423.42, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5, 437A.17, 437B.13

422.69 Moneys paid and deposited.

1. All fees, taxes, interest, and penalties imposed under [this chapter](#) shall be paid to the department in the form of remittances payable to the department and the department shall transmit each payment daily to the state treasurer.

2. Unless otherwise provided the fees, taxes, interest, and penalties collected under [this chapter](#) shall be credited to the general fund.

[C35, §6943-f56; C39, §6943.093, 6943.101; C46, §422.62, 422.70; C50, 54, 58, 62, 66, §422.62; C71, 73, 75, 77, 79, 81, §422.69]

85 Acts, ch 32, §88; 85 Acts, ch 258, §13; 88 Acts, ch 1154, §2; 89 Acts, ch 236, §15; 91 Acts, ch 260, §1231; 92 Acts, ch 1227, §29; 96 Acts, ch 1034, §37; 2020 Acts, ch 1118, §18

Referred to in §99G.30A, 321.105A, 423.42, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5

422.70 General powers — hearings.

1. The director, for the purpose of ascertaining the correctness of a return or for the purpose of making an estimate of the taxable income or receipts of a taxpayer, has the following powers:

- a. To examine or cause to be examined by an agent or representative designated by the director, books, papers, records, or memoranda.
- b. To require by subpoena the attendance and testimony of witnesses.
- c. To issue and sign subpoenas.
- d. To administer oaths, to examine witnesses and receive evidence.
- e. To compel witnesses to produce for examination books, papers, records, and documents relating to any matter which the director has the authority to investigate or determine.

2. Where the director finds the taxpayer has made a fraudulent return, the costs of any hearing, including a contested case hearing, shall be taxed to the taxpayer. In all other cases the costs shall be paid by the state.

3. The fees and mileage to be paid witnesses and charged as costs shall be the same as prescribed by law in proceedings in the district court of this state in civil cases. All costs shall be charged in the manner provided by law in proceedings in civil cases. If the costs are charged to the taxpayer they shall be added to the taxes assessed against the taxpayer and shall be collected in the same manner. Costs charged to the state shall be certified by the director and the department of administrative services shall issue warrants on the state treasurer for the amount of the costs, to be paid out of the proceeds of the taxes collected under [this chapter](#).

4. In case of disobedience to a subpoena the director may invoke the aid of any court of competent jurisdiction in requiring the attendance and testimony of witnesses and production of records, books, papers, and documents, and such court may issue an order requiring the person to appear before the director and give evidence or produce records, books, papers, and documents, as the case may be, and any failure to obey such order of court may be punished by the court as a contempt thereof.

5. Testimony on hearings before the director may be taken by a deposition as in civil cases,

and any person may be compelled to appear and depose in the same manner as witnesses may be compelled to appear and testify as hereinbefore provided.

[C35, §6943-f57; C39, §6943.094; C46, 50, 54, 58, 62, 66, §422.63; C71, 73, 75, 77, 79, 81, §422.70]

88 Acts, ch 1134, §79; 88 Acts, ch 1243, §9; 95 Acts, ch 83, §10; 2004 Acts, ch 1101, §48; 2013 Acts, ch 30, §90; 2014 Acts, ch 1026, §88

Referred to in §22A.6, 99G.30A, 257.22, 321.105A, 422D.3, 423.42, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5, 425.27, 437A.17, 437B.13
Contempts, chapter 665

422.71 Assistants — salaries — expenses — bonds.

1. The director may appoint and remove such agents, auditors, clerks, and employees as the director may deem necessary, such persons to have such duties and powers as the director may, from time to time, prescribe.

2. The salaries of all assistants, agents, and employees shall be fixed by the director in a budget to be submitted to the department of management and approved by the legislature.

3. All such agents and employees shall be allowed such reasonable and necessary traveling and other expenses as may be incurred in the performance of their duties.

4. The director may require certain officers, agents, and employees to give bond for the faithful performance of the duties in such sum and with such sureties as the director may determine and the state shall pay, out of the proceeds of the taxes collected under the provisions of [this chapter](#), the premiums on such bonds.

5. The director may utilize the office of treasurer of the various counties in order to administer [this chapter](#) and effectuate its purposes, and may appoint the treasurers of the various counties as agents to collect any or all of the taxes imposed by [this chapter](#), provided, however, that no additional compensation shall be paid to said treasurer by reason thereof.

[C35, §6943-f58; C39, §6943.095; C46, 50, 54, 58, 62, 66, §422.64; C71, 73, 75, 77, 79, 81, §422.71]

88 Acts, ch 1134, §80

Referred to in §99G.30A, 321.105A, 331.559, 423.42, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5, 437A.17, 437B.13

422.72 Information deemed confidential — informational exchange agreement — redactions — subpoenas.

1. a. (1) It is unlawful for the director, or any person having an administrative duty under [this chapter](#), or any present or former officer or other employee of the state authorized by the director to examine returns, to willfully or recklessly divulge in any manner, the business affairs, operations, or information obtained by an investigation under [this chapter](#) of records and equipment of any person visited or examined in the discharge of official duty, or the amount or source of income, profits, losses, expenditures or any particular thereof, set forth or disclosed in any return; or to willfully or recklessly permit any return or copy of a return or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law.

(2) It is unlawful for any person to willfully inspect, except as authorized by the director, any return or return information.

(3) However, the director may authorize examination of such state returns and other state information which is confidential under [this section](#), if a reciprocal arrangement exists, by tax officers of another state or the federal government.

b. The director may, by rules adopted pursuant to [chapter 17A](#), authorize examination of state information and returns by other officers or employees of this state to the extent required by their official duties and responsibilities. Disclosure of state information to tax officers of another state is limited to disclosures which have a tax administrative purpose and only to officers of those states which by agreement with this state limit the disclosure of the information as strictly as the laws of this state protecting the confidentiality of returns and information. The director shall place upon the state tax form a notice to the taxpayer that state tax information may be disclosed to tax officials of another state or of the United States for tax administrative purposes.

c. The department shall not authorize the examination of tax information by officers and employees of this state, another state, or of the United States if the officers or employees

would otherwise be required to obtain a judicial order to examine the information if it were to be obtained from another source, and if the purpose of the examination is other than for tax administration. However, the director may provide sample individual income tax information to be used for statistical purposes to the legislative services agency. The information shall not include the name or mailing address of the taxpayer or the taxpayer's social security number. Any information contained in an individual income tax return which is provided by the director shall only be used as a part of a database which contains similar information from a number of returns. The legislative services agency shall not have access to the income tax returns of individuals. Each request for individual income tax information shall contain a statement by the director of the legislative services agency that the individual income tax information received by the legislative services agency shall be used solely for statistical purposes. [This subsection](#) does not prevent the department from authorizing the examination of state returns and state information under the provisions of [section 252B.9](#). [This subsection](#) prevails over any general law of this state relating to public records.

d. The director shall provide state tax returns and return information to the auditor of state, to the extent that the information is necessary to complete the annual audit of the department required by [section 11.2](#). The state tax returns and return information provided by the director shall remain confidential and shall not be included in any public documents issued by the auditor of state.

2. Federal tax returns, copies of returns, and return information as defined in section 6103(b) of the Internal Revenue Code, which are required to be filed with the department for the enforcement of the income tax laws of this state, shall be held as confidential by the department and subject to the disclosure limitations in [subsection 1](#).

3. a. Unless otherwise expressly permitted by [section 8G.4](#), [section 11.41](#), [section 96.11](#), [subsection 6](#), [section 421.17](#), [subsections 22, 23, and 26](#), [section 421.17](#), [subsection 27](#), paragraph "k", [section 421.17](#), [subsection 31](#), [section 252B.9](#), [section 321.40](#), [subsection 6](#), [sections 321.120, 421.19, 421.28, 421.65, 422.20, 452A.63](#), and [section 556.19](#), [subsection 2](#), [this section](#), or another provision of law, a tax return, return information, or investigative or audit information shall not be divulged to any person or entity, other than the taxpayer, the department, or internal revenue service for use in a matter unrelated to tax administration.

b. This prohibition precludes persons or entities other than the taxpayer, the department, or the internal revenue service from obtaining such information from the department, and a subpoena, order, or process which requires the department to produce such information to a person or entity, other than the taxpayer, the department, or internal revenue service for use in a nontax proceeding is void.

4. A person violating [subsection 1, 2, 3, or 6](#) is guilty of a serious misdemeanor.

5. The director may disclose taxpayer identity information to the press and other media for purposes of notifying persons entitled to tax refunds when the director, after reasonable effort and lapse of time, has been unable to locate the persons.

6. a. The department may enter into a written informational exchange agreement for tax administration purposes with a city or county which is entitled to receive funds due to a local hotel and motel tax or a local sales and services tax. The written informational exchange agreement shall designate no more than two paid city or county employees that have access to actual return information relating to that city's or county's receipts from a local hotel and motel tax or a local sales and services tax.

b. City or county employees designated to have access to information under [this subsection](#) are deemed to be officers and employees of the state for purposes of the restrictions pursuant to [subsection 1](#) pertaining to confidential information. The department may refuse to enter into a written informational exchange agreement if the city or county does not agree to pay the actual cost of providing the information and the department may refuse to abide by a written informational exchange agreement if the city or county does not promptly pay the actual cost of providing the information or take reasonable precautions to protect the information's confidentiality.

7. a. Notwithstanding [subsection 3](#), the director shall provide state tax returns and return information in response to a subpoena issued by the court pursuant to [rule of criminal procedure 2.15](#) commanding the appearance before the attorney general or an assistant

attorney general if the subpoena is accompanied by affidavits from such person and from a sworn peace officer member of the department of public safety affirming that the information is necessary for the investigation of a felony violation of [chapter 124](#) or [chapter 706B](#).

b. The affidavits accompanying the subpoenas and the information provided by the director shall remain a confidential record which may be disseminated only to a prosecutor or peace officer involved in the investigation, or to the taxpayer who filed the information and to the court in connection with the filing of criminal charges or institution of a forfeiture action. A person who knowingly files a false affidavit with the director to secure information or who divulges information received under [this subsection](#) in a manner prohibited by [this subsection](#) commits a serious misdemeanor.

8. a. Prior to the record in an appeal or contested case being made available for public inspection, the department shall redact the following information from any pleading, exhibit, attachment, motion, written evidence, final order, decision, or opinion contained in that record:

- (1) A financial account number.
- (2) An account number generated by the department to identify an audit or examination.
- (3) A social security number.
- (4) A federal employer identification number.
- (5) The name of a minor.
- (6) A medical record or other medical information.
- (7) A return as defined in [section 421.6](#).

b. Upon a motion filed by the taxpayer, the department may redact from the record in an appeal or contested case any other information from a pleading, exhibit, attachment, motion, or written evidence, if the taxpayer proves by clear and convincing evidence that the release of such information would disclose a trade secret or be a clear, unwarranted invasion of personal privacy.

c. Notwithstanding paragraph “a”, when making final orders, decisions, or opinions available for public inspection, the department may disclose the items in paragraph “a” if the department determines such information is relevant or necessary to the resolution or decision of the appeal or case.

d. Except as described in paragraphs “a” and “b”, all information contained in a pleading, exhibit, attachment, motion, written evidence, final order, decision, opinion, and the record in an appeal or contested case is subject to examination to the extent provided by [chapter 22](#).

9. The department may permit, by rule, the disclosure of state tax information to a person a taxpayer has authorized to receive such state tax information, in the manner prescribed by the department.

[C35, §6943-f59; C39, §6943.096; C46, 50, 54, 58, 62, 66, §422.65; C71, 73, 75, 77, 79, 81, §422.72]

83 Acts, ch 32, §1, 2; 87 Acts, ch 199, §9; 88 Acts, ch 1028, §34; 88 Acts, ch 1153, §3, 4; 90 Acts, ch 1232, §19; 91 Acts, ch 159, §20; 97 Acts, ch 158, §22, 23; 99 Acts, ch 151, §25, 89; 99 Acts, ch 152, §10, 40; 2003 Acts, ch 35, §45, 46, 49; 2003 Acts, ch 145, §257; 2008 Acts, ch 1113, §10, 11; 2010 Acts, ch 1146, §15, 26; 2010 Acts, ch 1193, §148, 149; 2011 Acts, ch 122, §52; 2013 Acts, ch 30, §91; 2013 Acts, ch 70, §8, 9; 2019 Acts, ch 152, §18; 2020 Acts, ch 1064, §21, 28; 2020 Acts, ch 1118, §19, 20, 73, 74; 2021 Acts, ch 76, §75; 2021 Acts, ch 86, §80, 81; 2022 Acts, ch 1021, §101; 2023 Acts, ch 66, §100; 2025 Acts, ch 148, §4, 5

Referred to in §2A.3, 99G.30A, 257.22, 321.105A, 421.17, 421.19, 421.24, 421.28, 421.65, 422.20, 422D.3, 423.42, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5, 425.28

Subsection 3, paragraph a amended

422.73 Correction of errors — refunds, credits, and carrybacks.

1. For purposes of [this section](#), “*federal adjustment*”, “*final determination date*”, and “*final federal adjustment*” all mean the same as defined in [section 422.25](#).

2. a. If it appears that an amount of tax, penalty, or interest has been paid which was not due under [subchapter II, III or V of this chapter](#), then that amount shall be credited against any tax due on the books of the department by the person who made the excessive payment, or that amount shall be refunded to the person or with the person’s approval, credited to tax to become due. A claim for refund or credit that has not been filed with the department

within three years after the return upon which a refund or credit claimed became due, or within one year after the payment of the tax upon which a refund or credit is claimed was made, whichever time is the later, shall not be allowed by the director. If, as a result of a carryback of a net operating loss or a net capital loss, the amount of tax in a prior period is reduced and an overpayment results, the claim for refund or credit of the overpayment shall be filed with the department within the three years after the return for the taxable year of the net operating loss or net capital loss became due.

b. Notwithstanding the period of limitation specified in paragraph “a”, the taxpayer shall have one year from the final determination date of any final federal adjustment arising from an internal revenue service audit or other similar action by the internal revenue service with respect to the particular tax year to claim an income tax refund or credit arising from that final federal adjustment.

3. Notwithstanding [subsection 2](#), a claim for refund or credit of the individual income tax paid which resulted from a reduction in a person’s federal adjusted gross income due to section 1106 of the FAA Modernization and Reform Act of 2012, Pub. L. No. 112-95, shall be considered timely if the claim is filed with the department on or before June 30, 2013.

4. The department shall enter into an agreement with the internal revenue service for the transmission of federal income tax reports on individuals required to file an Iowa income tax return who have been involved in an income tax matter with the internal revenue service. After the final determination date of the income tax matter that involves a final federal adjustment between the taxpayer and the internal revenue service, the department shall determine whether the individual is due a state income tax refund as a result of that final federal adjustment from such income tax matter. If the individual is due a state income tax refund, the department shall notify the individual within thirty days and request the individual to file a claim for refund or credit with the department.

[C35, §6943-f60; C39, **§6943.097**; C46, 50, 54, 58, 62, 66, §422.66; C71, 73, 75, 77, 79, 81, §422.73; [81 Acts, ch 138, §1](#)]

[83 Acts, ch 154, §1, 2](#); [83 Acts, ch 155, §1 – 3](#); [84 Acts, ch 1155, §1](#); [85 Acts, ch 230, §11](#); [86 Acts, ch 1194, §3](#); [86 Acts, ch 1237, §26](#); [87 Acts, 2nd Ex, ch 1, §12](#); [89 Acts, ch 285, §8](#); [91 Acts, ch 221, §1, 2](#); [94 Acts, ch 1023, §51](#); [98 Acts, ch 1078, §9, 13](#); [99 Acts, ch 156, §4, 23](#); [2003 Acts, 1st Ex, ch 2, §185, 205](#); [2006 Acts, 1st Ex, ch 1001, §43, 49](#); [2007 Acts, ch 186, §18](#); [2011 Acts, ch 25, §143](#); [2012 Acts, ch 1110, §14](#); [2013 Acts, ch 1, §13 – 15](#); [2020 Acts, ch 1062, §94](#); [2020 Acts, ch 1118, §69 – 71](#)

Referred to in [§99G.30A, 257.22, 421.65, 422.16, 422.25, 422.25A, 422.91, 422D.3, 423.37, 423.42, 423B.6, 423C.4, 428A.8, 453B.14](#)

422.74 Certification of refund.

If a refund is authorized in any subchapter of [this chapter](#), the director shall certify the amount of the refund and the name of the payee and draw a warrant on the general fund of the state in the amount specified payable to the named payee, and the treasurer of state shall pay the warrant.

[C35, §6943-f61; C39, **§6943.098**; C46, 50, 54, 58, 62, 66, §422.67; C71, 73, 75, 77, 79, 81, §422.74]

[91 Acts, ch 97, §47](#); [2020 Acts, ch 1062, §94](#)

Referred to in [§99G.30A, 257.22, 321.105A, 422D.3, 423.42, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5, 453B.14](#)

422.75 Statistics — publication.

The department shall prepare and publish an annual report which shall include statistics reasonably available, with respect to the operation of [this chapter](#), including amounts collected, classification of taxpayers, and such other facts as are deemed pertinent and valuable.

[C35, §6943-f62; C39, **§6943.099**; C46, 50, 54, 58, 62, 66, §422.68; C71, 73, 75, 77, 79, 81, §422.75]

[98 Acts, ch 1119, §28](#); [2006 Acts, ch 1010, §102](#); [2007 Acts, ch 186, §19](#); [2021 Acts, ch 151, §5](#); [2025 Acts, ch 115, §27, 40](#); [2025 Acts, ch 148, §7](#)

Referred to in [§99G.30A, 257.22, 321.105A, 422D.3, 423.42, 423A.6, 423B.6, 423C.4, 423D.4, 423G.5, 437A.17, 437B.13](#)

Section amended

422.76 through 422.84 Reserved.

SUBCHAPTER VII

ESTIMATED TAXES BY CORPORATIONS AND FINANCIAL INSTITUTIONS

Referred to in [§422.1](#)

422.85 Imposition of estimated tax.

A taxpayer subject to the tax imposed by [sections 422.16C, 422.33, and 422.60](#) shall make payments of estimated tax for the taxable year if the amount of tax payable, less credits, can reasonably be expected to be more than one thousand dollars for the taxable year. For purposes of [this subchapter](#), “*estimated tax*” means the amount which the taxpayer estimates to be the tax due and payable under [subchapter II, III, or V of this chapter](#) for the taxable year.

[C79, 81, §422.85]

[89 Acts, ch 251, §26; 2020 Acts, ch 1062, §94; 2023 Acts, ch 78, §3, 6, 7](#)

Referred to in [§422.86](#)

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](#)

2023 amendment applies retroactively to January 1, 2022, for tax years beginning on or after that date; 2023 Acts, ch 78, §7

422.86 Payment of estimated tax.

A taxpayer required to pay estimated tax under [section 422.85](#) shall pay the estimated tax in accordance with the following schedule:

1. If it is first determined that the estimated tax will be greater than one thousand dollars on or before the last day of the fourth month of the taxable year, the estimated tax shall be paid in four equal installments. The first installment shall be paid not later than the last day of the fourth month of the taxable year. The second and third installments shall be paid not later than the last day of the sixth and ninth months of the taxable year, and the final installment shall be paid on or before the last day of the taxable year.

2. If it is first determined that the estimated tax will be greater than one thousand dollars after the last day of the fourth month but not later than the last day of the sixth month of the taxable year, the estimated tax shall be paid in three equal installments. The first installment shall be paid not later than the last day of the sixth month of the taxable year. The second installment shall be paid on or before the last day of the ninth month of the taxable year and the third installment shall be paid on or before the last day of the taxable year.

3. If it is first determined that the estimated tax will be greater than one thousand dollars after the last day of the sixth month but not later than the last day of the ninth month of the taxable year, the estimated tax shall be paid in two equal installments. The first installment shall be paid not later than the last day of the ninth month and the second installment shall be paid on or before the last day of the taxable year.

4. If it is first determined that the estimated tax will be greater than one thousand dollars after the last day of the ninth month of the taxable year, the estimated tax shall be paid in full on or before the last day of the taxable year.

5. If, after paying any installment of estimated tax, the taxpayer makes a new estimate, the remaining installments shall be ratably adjusted to reflect the increase or decrease in the estimated tax.

[C79, 81, §422.86]

[89 Acts, ch 251, §27](#)

422.87 Reserved.

422.88 Failure to pay estimated tax.

1. If the taxpayer submits an underpayment of the estimated tax, the taxpayer is subject to an underpayment penalty at the rate established under [section 421.7](#) upon the amount of the underpayment for the period of the underpayment.

2. The amount of the underpayment shall be the excess of the amount of the installment which would be required to be paid if the estimated tax was equal to one hundred percent

of the tax shown on the return of the taxpayer for the taxable year over the amount of installments paid on or before the date prescribed for payment.

3. If the taxpayer did not file a return during the taxable year, the amount of the underpayment shall be equal to one hundred percent of the taxpayer's tax liability for the taxable year over the amount of installments paid on or before the date prescribed for payment.

4. The period of the underpayment shall run from the date the installment was required to be paid to the last day of the fourth month following the close of the taxable year or the date on which such portion is paid, whichever date first occurs.

5. A payment of estimated tax on any installment date shall be considered a payment of any previous underpayment only to the extent such payment exceeds the amount of the installment determined under [subsection 2 or 3 of this section](#) for such installment date.

[C79, 81, §422.88; [82 Acts, ch 1180, §4, 9](#)

[95 Acts, ch 83, §11, 36](#); [2009 Acts, ch 179, §135, 153](#)

Referred to in [§422.89](#)

422.89 Exception to penalty.

The penalty for underpayment of any installment of estimated tax imposed under [section 422.88](#) shall not be imposed if the total amount of all payments of estimated tax made on or before the last date prescribed for the payment of such installment equals or exceeds the amount which would have been required to be paid on or before such date if the estimated tax amounts at least to one of the following:

1. The tax shown on the return of the taxpayer for the preceding taxable year, if a return showing a liability for tax was filed by the taxpayer for the preceding taxable year and such preceding year was a taxable year of twelve months.

2. An amount equal to the tax computed at the rates applicable to the taxable year but otherwise on the basis of the facts shown on the return of the taxpayer for, and the law applicable to, the preceding taxable year.

3. *a.* An amount equal to one hundred percent of the tax for the taxable year computed by placing on an annualized basis the taxable income:

(1) For the first three months of the taxable year if an installment is required to be paid in the fourth month;

(2) For the first three months or for the first five months of the taxable year if an installment is required to be paid in the sixth month;

(3) For the first six months or for the first eight months of the taxable year if an installment is required to be paid in the ninth month; and

(4) For the first nine months or for the first eleven months of the taxable year if an installment is required to be paid in the twelfth month of the taxable year.

b. The taxable income shall be placed on an annualized basis by multiplying the taxable income as determined under [this subsection](#) by twelve and dividing the resulting amount by the number of months in the taxable year (three, five, six, eight, nine, or eleven months, as the case may be) referred to in [this subsection](#).

[C79, 81, §422.89]

[95 Acts, ch 83, §12, 36](#); [2011 Acts, ch 25, §143](#); [2012 Acts, ch 1110, §15, 17](#); [2021 Acts, ch 80, §265](#)

422.90 Penalty not subject to waiver. Repealed by [99 Acts, ch 151, §85, 89](#).

422.91 Credit for estimated tax.

1. Any amount of estimated tax paid is a credit against the amount of tax due on a final, completed return, and any overpayment of five dollars or more shall be refunded to the taxpayer with interest in accordance with [section 421.60, subsection 2](#), paragraph "e", and the return constitutes a claim for refund for this purpose. Amounts less than five dollars shall be refunded to the taxpayer only upon written application in accordance with [section 422.73](#), and only if the application is filed within twelve months after the due date for the return.

2. In lieu of claiming a refund, the taxpayer may elect to have the overpayment shown on

its final, completed return for the taxable year credited to the tax liability for the following taxable year.

[C79, 81, §422.91; 81 Acts, ch 133, §3, 4; 82 Acts, ch 1180, §5, 9]
89 Acts, ch 251, §28; 2018 Acts, ch 1161, §10, 15, 16

422.92 Rules for short taxable year.

A taxpayer having a taxable year of less than twelve months shall pay estimated tax under rules adopted by the director.

[C79, 81, §422.92]
89 Acts, ch 251, §29

422.93 Public utility accounting method.

Nothing in [this chapter](#) shall be construed to require the utilities commission to allow or require the use of any particular method of accounting by any public utility to compute its tax expense, depreciation expense, or operating expense for purposes of establishing its cost of service for rate-making purposes and for reflecting operating results in its regulated books of account.

[82 Acts, ch 1023, §17]
2023 Acts, ch 19, §2667; 2024 Acts, ch 1170, §369

422.94 through 422.99 Reserved.

SUBCHAPTER VIII ALLOCATION OF REVENUES

Referred to in [§422.1](#), [422.2](#)

422.100 Allocation to the child care credit fund. Repealed by [2009 Acts, ch 182, §138](#).

422.101 through 422.104 Repealed by 2002 Acts, ch 1150, §22.

422.105 through 422.109 Reserved.

SUBCHAPTER IX FUEL TAX CREDIT

Referred to in [§422.1](#), [452A.17](#)

422.110 Income tax credit in lieu of refund.

1. In lieu of the fuel tax refund provided in [section 452A.17](#), a person or corporation subject to taxation under [subchapter II](#) or [III of this chapter](#) may elect to receive an income tax credit. The person or corporation which elects to receive an income tax credit shall cancel its refund permit obtained under [section 452A.18](#) within thirty days after the first day of its tax year or the permit becomes invalid at that time. For the purposes of [this section](#), “person” includes a person claiming a tax credit based upon the person’s pro rata share of the earnings from a partnership, limited liability company, or corporation which is not subject to a tax under [subchapter II](#) or [III of this chapter](#) as a partnership, limited liability company, or corporation. If the election to receive an income tax credit has been made, it remains effective for at least one tax year, and for subsequent tax years unless a change is requested and a new refund permit applied for within thirty days after the first day of the person’s or corporation’s tax year. The income tax credit shall be the amount of the Iowa fuel tax paid on fuel purchased by the person or corporation and is subject to the conditions provided in [section 452A.17](#) with the exception that the income tax credit is not available for refunds relating to casualty losses, transport diversions, pumping credits, blending errors, idle time, power takeoffs, reefer units, and exports by distributors.

2. The right to a credit under [this section](#) is not assignable and the credit may be claimed only by the person or corporation that purchased the fuel.

[C75, 77, §422.86; C79, 81, §422.110; [82 Acts, ch 1176, §2](#)]

[86 Acts, ch 1141, §19](#); [86 Acts, ch 1241, §29](#); [88 Acts, ch 1205, §22, 23](#); [95 Acts, ch 155, §6, 7, 44](#); [99 Acts, ch 151, §26, 89](#); [2001 Acts, ch 116, §11](#); [2020 Acts, ch 1062, §94](#)

Referred to in [§2.48](#)

422.111 Fuel tax credit as income tax credit.

1. The fuel tax credit may be applied against the income tax liability of the person or corporation as determined on the tax return filed for the year in which the fuel tax was paid. The department shall provide forms for claiming the fuel tax credit. If the fuel tax credit would result in an overpayment of income tax, the person or corporation may apply for a refund of the amount of overpayment or may have the overpayment credited to income tax due in subsequent years. Each person or corporation that claims a fuel tax credit shall maintain the original invoices showing the purchase of the fuel on which a credit is claimed. An invoice is not acceptable in support of a claim for credit unless the invoice is a separate serially numbered invoice covering no more than one purchase of motor fuel or undyed special fuel, prepared by the seller on a form approved by the department, or unless the invoice is legibly written with no corrections or erasures and shows the date of sale, the name and address of the seller and of the purchaser, the kind of fuel, the gallonage in figures, the per gallon price of the fuel, the total purchase price including the Iowa fuel tax, and that the total purchase price has been paid. However, as to refund invoices made on a billing machine, the department may waive these requirements. If an original invoice is lost or destroyed, the department may approve a credit supported by a copy identified and certified by the seller as being a true copy of the original. Each person or corporation that claims a fuel tax credit shall maintain complete records of purchases of motor fuel or undyed special fuel on which Iowa fuel tax was paid, and for which a fuel tax credit is claimed.

2. In order to verify the validity of a claim for credit the department shall have the right to require the claimant to furnish such additional proof of validity as the department may determine and to examine the books and records of the claimant. Failure of the claimant to furnish the books and records for examination shall constitute a waiver of rights to claim a credit related to that taxpayer's year and the department may disallow the entire credit claimed by the taxpayer for that year.

[C75, 77, §422.87; C79, 81, §422.111]

[88 Acts, ch 1205, §24](#); [99 Acts, ch 151, §27, 28, 89](#); [2020 Acts, ch 1062, §94](#)

422.112 Aircraft fuel tax transfer.

The department shall certify quarterly to the treasurer of state the amount of credit that has been taken against income tax liability since the time of the last certification, for the Iowa fuel tax paid on motor fuel, special fuel and motor fuel used for the purpose of operating aircraft, and the treasurer of state shall transfer the amount of the total credit from the motor fuel tax fund, or in the case of aircraft motor fuel, from the separate fund established by [section 452A.82](#), to the general fund of the state.

[C75, 77, §422.88; C79, 81, §422.112]

422.113 through 422.119 Reserved.

SUBCHAPTER X

LIVESTOCK PRODUCTION TAX CREDIT

Referred to in [§422.1](#)

422.120 through 422.122 Repealed by 2009 Acts, ch 179, §152, 153.