

IOWA INCOME TAX

HOW TO CALCULATE PENALTY AND INTEREST ON UNPAID TAX

Do you owe a penalty on your unpaid tax?

If you did not pay at least 90% of the tax you owe by the due date, you will have either a 5% or 10% penalty, depending on whether or not you filed your return on time. Interest is not charged on penalty.

- If you did not file your return by the due date and did not have at least 90% of the correct tax paid, you owe an additional 10% of the unpaid tax.

Example: Your total tax liability for the year is \$2,000. You have already paid \$1,500. This is only 75% of what you owe. In addition, you did not file your return by the due date. Since you did not pay 90% by the due date and did not file by the due date, you must pay a 10% penalty. $\$500 \times .10 = \50 in penalty charges. Your total unpaid tax and penalty is now \$550. You must calculate interest on the \$500 and add it to the \$550.

- If you filed your return on time but did not pay at least 90% of the correct tax due by the due date, you owe an additional 5% of the unpaid tax. Interest is not charged on penalty.

Example: Your total tax liability for the year is \$2,000. You have already paid \$1,500. This is only 75% of what you owe. However, you did file your return by the due date. Since you did not pay 90% by the due date, you must pay a 5% penalty. $\$500 \times .05 = \25 in penalty charges. Your total unpaid tax and penalty is now \$525. You must calculate interest on the \$500 and add it to the \$525.

Do you owe interest on your unpaid tax?

Any tax you do not pay by the due date is subject to interest charges. Interest is not charged on penalty. Interest is charged on a monthly basis. Part of a month constitutes a whole month. Since interest charges may change yearly, the following chart has been developed to easily calculate interest. The chart is updated each January. See page 2 for an example.

TAX INTEREST RATE CHART

Interest on the unpaid tax is to be computed using the table below. To find the applicable rate, find the tax year for which you are filing your return in the left hand column. Then go to the right until you reach the column for the month in which the return is filed.

TAX YR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2019					0.6	1.2	1.8	2.4	3.0	3.6	4.2	4.8
2018	5.4	6.0	6.6	7.2	7.8	8.4	9.0	9.6	10.2	10.8	11.4	12.0
2017	11.8	12.4	13.0	13.6	14.2	14.8	15.4	16.0	16.6	17.2	17.8	18.4
2016	17.0	17.6	18.2	18.8	19.4	20.0	20.6	21.2	21.8	22.4	23.0	23.6
2015	21.8	22.4	23.0	23.6	24.2	24.8	25.4	26.0	26.6	27.2	27.8	28.4
2014	26.6	27.2	27.8	28.4	29.0	29.6	30.2	30.8	31.4	32.0	32.6	33.2
2013	31.4	32.0	32.6	33.2	33.8	34.4	35.0	35.6	36.2	36.8	37.4	38.0
2012	36.2	36.8	37.4	38.0	38.6	39.2	39.8	40.4	41.0	41.6	42.2	42.8
2011	41.0	41.6	42.2	42.8	43.4	44.0	44.6	45.2	45.8	46.4	47.0	47.6
2010	45.8	46.4	47.0	47.6	48.2	48.8	49.4	50.0	50.6	51.2	51.8	52.4
2009	50.6	51.2	51.8	52.4	53.0	53.6	54.2	54.8	55.4	56.0	56.6	57.2
2008	57.8	58.4	59.0	59.6	60.2	60.8	61.4	62.0	62.6	63.2	63.8	64.4
2007	67.0	67.6	68.2	68.8	69.4	70.0	70.6	71.2	71.8	72.4	73.0	73.6
2006	76.6	77.2	77.8	78.4	79.0	79.6	80.2	80.8	81.4	82.0	82.6	83.2
2005	85.4	86.0	86.6	87.2	87.8	88.4	89.0	89.6	90.2	90.8	91.4	92.0
2004	92.2	92.8	93.4	94.0	94.6	95.2	95.8	96.4	97.0	97.6	98.2	98.8
2003	98.2	98.8	99.4	100.0	100.6	101.2	101.8	102.4	103.0	103.6	104.2	104.8

EXAMPLE 1 OF CALCULATING INTEREST:

You are amending a **2017** Iowa income tax return.

An additional tax of \$500 is due.

You are amending in **August** 2020.

The interest rate to use is 16.0%.

The computed interest is equal to: $\$500 \times 0.16 = \80.00 .

TAX YR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2019					0.6	1.2	1.8	2.4	3.0	3.6	4.2	4.8
2018	5.4	6.0	6.6	7.2	7.8	8.4	9.0	9.6	10.2	10.8	11.4	12.0
2017	11.8	12.4	13.0	13.6	14.2	14.8	15.4	16.0	16.6	17.2	17.8	18.4
2016	17.0	17.6	18.2	18.8	19.4	20.0	20.6	21.2	21.8	22.4	23.0	23.6
2015	21.8	22.4	23.0	23.6	24.2	24.8	25.4	26.0	26.6	27.2	27.8	28.4
2014	26.6	27.2	27.8	28.4	29.0	29.6	30.2	30.8	31.4	32.0	32.6	33.2
2013	31.4	32.0	32.6	33.2	33.8	34.4	35.0	35.6	36.2	36.8	37.4	38.0
2012	36.2	36.8	37.4	38.0	38.6	39.2	39.8	40.4	41.0	41.6	42.2	42.8
2011	41.0	41.6	42.2	42.8	43.4	44.0	44.6	45.2	45.8	46.4	47.0	47.6
2010	45.8	46.4	47.0	47.6	48.2	48.8	49.4	50.0	50.6	51.2	51.8	52.4
2009	50.6	51.2	51.8	52.4	53.0	53.6	54.2	54.8	55.4	56.0	56.6	57.2
2008	57.8	58.4	59.0	59.6	60.2	60.8	61.4	62.0	62.6	63.2	63.8	64.4
2007	67.0	67.6	68.2	68.8	69.4	70.0	70.6	71.2	71.8	72.4	73.0	73.6
2006	76.6	77.2	77.8	78.4	79.0	79.6	80.2	80.8	81.4	82.0	82.6	83.2
2005	85.4	86.0	86.6	87.2	87.8	88.4	89.0	89.6	90.2	90.8	91.4	92.0
2004	92.2	92.8	93.4	94.0	94.6	95.2	95.8	96.4	97.0	97.6	98.2	98.8
2003	98.2	98.8	99.4	100.0	100.6	101.2	101.8	102.4	103.0	103.6	104.2	104.8

EXAMPLE 2 OF CALCULATING PENALTY AND INTEREST:

You are filing your **2013** Iowa income tax return for the first time in **December** 2020.

An additional tax of \$500 is due.

Calculate Interest

The interest rate to use is **38.0%**.

The computed interest is equal to: $\$500 \times 0.380 = \190.00 .

Calculate Penalty

If you did not file the return on time and did not have 90% of the tax due already paid, you must pay a 10% penalty on the tax due: $\$500 \times 0.10 = \50 .

Total Your Final Payment:

Tax Due: \$500

Interest: 190

Penalty: 50

TOTAL DUE:\$740