

Part I – Information about electing pass-through entity

Name: _____

Address: _____

FEIN: _____

Reviewed year tax period ended (MM/DD/YYYY): _____

Pass-through entity tax type (check one):

Partnership

S Corporation

Fiduciary

Select the circumstance that applies to your election to pay (check one):

- 1. You are a partnership subject to a federal centralized partnership audit change
2. You are a pass-through entity subject to an Iowa pass-through audit change
3. During the reviewed year, you were a pass-through entity that was an owner (direct or indirect) of a partnership subject to a federal centralized audit change
4. During the reviewed year, you were a pass-through entity that was an owner (direct or indirect) of a pass-through entity subject to an Iowa pass-through audit change

Part II – Information about audited pass-through entity (if different)

If you checked box 3 or 4 above in Part I, identify the audited pass-through entity below. Otherwise, proceed to part III.

Name: _____

Address: _____

FEIN: _____

Reviewed year tax period ended (MM/DD/YYYY): _____

Part III –Income/loss adjustments

Caution: Before you complete Parts III through VI, read the instructions carefully.

Step 1—Net increase to Iowa taxable income

- 1. Net reviewed year adjustments that affect Iowa income/loss as finally determined... 1.
2. Iowa modifications to net adjustments, if any. Leave blank if you are electing to pay following an Iowa pass-through audit (Part I, box 2 or 4)... 2.
3. Enter the sum of lines 1 and 2. The amount entered on this line must be positive. 3.
4. Distributive share of line 3 amount reported to exempt owners. Do not include amounts subject to Iowa unrelated business income tax..... 4.
5. Net increase to Iowa taxable income. Subtract line 4 from line 3..... 5.

Step 2 – Allocation between owners

- 6. From the net increase to Iowa taxable income on Part III, Step 1, line 5, enter the distributive shares that are reported to:
a) C corporation owners, and exempt owners if it constitutes unrelated business income to the exempt owners. 6a.
b) Nonresident individual owners and nonresident fiduciary owners. 6b.
c) Resident individual owners and resident fiduciary owners. 6c.
d) Tiered owners and subject to sourcing..... 6d.
e) Tiered owners and not subject to sourcing. 6e.
f) Total. Add lines 6(a) through 6(e). 6f.

Note: Line 6(f) must equal Part III, Step 1, line 5, unless you are claiming that a portion of the amount that would be reported on line 6(e) is allocable to indirect owners that are not subject to tax on the adjustments. If so, include a detailed explanation of that amount and those owners.



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Step 3 – Calculation of tax

- 7. Multiply line 6(a) by the electing pass-through entity’s (PTE’s) Iowa Business Activity Ratio (BAR) for the reviewed year (_____ %), then multiply that product by the top Iowa corporate income tax rate for the reviewed year (_____ %). 7. _____
- 8. Multiply line 6(b) by the electing PTE’s Iowa BAR for the reviewed year (_____ %), then multiply that product by the top Iowa individual income tax rate for the reviewed year (_____ %). 8. _____
- 9. Multiply line 6(c) by the top Iowa individual income tax rate for the reviewed year (_____ %). 9. _____
- 10. Multiply line 6(d) by the electing PTE’s Iowa BAR for the reviewed year (_____ %), then multiply that product by the top Iowa individual income tax rate for the reviewed year (_____ %). 10. _____
- 11. Multiply line 6(e) by the top Iowa individual income tax rate for the reviewed year (_____ %). 11. _____
- 12. Total. Add lines 7 through 11. 12. _____

Part IV – Iowa tax credit adjustments

- 13. Enter the reduction to Iowa tax credits, if any. 13. _____

Part V – Apportionment adjustments following Iowa pass-through audit

Step 1 - Net increase to Iowa apportioned income

- 14. Total all-source income for Iowa tax purposes. 14. _____
- 15. Multiply line 14 by the electing PTE’s Iowa BAR for the reviewed year as finally determined (_____ %). 15. _____
- 16. Multiply line 14 by the electing PTE’s original Iowa BAR for the reviewed year. 16. _____
- 17. Subtract line 16 from line 15. 17. _____
- 18. Distributive share of line 17 amount reported to exempt owners.
Do not include amounts subject to Iowa unrelated business income tax. 18. _____
- 19. Net increase to Iowa apportioned income. Subtract line 18 from line 17. 19. _____

Step 2 - Allocation between owners

- 20. From the net increase to Iowa income on Part V, Step 1, line 19, enter the distributive shares that are reported to:
 - a) C corporation owners, and exempt owners if it constitutes unrelated business income to the exempt owner. 20a. _____
 - b) Nonresident individual owners and nonresident fiduciary owners. 20b. _____
 - c) Resident individual owners and resident fiduciary owners. 20c. _____
 - d) Tiered owners. 20d. _____
 - e) Total. Add lines 20(a) through 20(d). 20e. _____

Note: Line 20(e) must equal Part V, Step 1, line 19, unless you are claiming that a portion of the amount that would be reported on line 20(d) is allocable to indirect owners that are resident individuals or resident fiduciaries. If so, include a detailed explanation of that amount and those owners.

Step 3 – Calculation of tax

- 21. Multiply line 20(a) by the top Iowa corporate income tax rate for the reviewed year (_____ %). 21. _____
- 22. Multiply line 20(b) by the top Iowa individual income tax rate for the reviewed year (_____ %). 22. _____
- 23. Multiply line 20(d) by the top Iowa individual income tax rate for the reviewed year (_____ %). 23. _____
- 24. Total. Add lines 21 through 23 24. _____

Part VI – Computation of total tax, penalty, and interest due

25. Total tax due. Add lines 12, 13, and 24.	25.	_____
26. Penalty.....	26.	_____
27. Interest	27.	_____
28. Total amount due. Add lines 25, 26, and 27.	28.	_____

Make check payable to Iowa Department of Revenue.

When you pay by check, you authorize the Department of Revenue to convert your check to a one-time electronic banking transaction.

Mail your payment on or before the due date along with this form to:

Iowa Department of Revenue
 PO Box 10466
 Des Moines IA 50306-0466

By signing and filing this return, the pass-through entity makes the following representations and acknowledgments:

- The pass-through entity elects to pay the Iowa tax, penalty, and interest on behalf of its owners due to a federal centralized partnership audit or Iowa pass-through entity audit.
- The election to pay is irrevocable, unless in the discretion of the Director of Revenue, the Director determines otherwise.
- Any failure by the pass-through entity to pay the required amount due following an election may result in a notice of assessment to the pass-through entity.
- Any failure by the pass-through entity to pay pursuant to this election does not absolve the owners of their requirement to pay.
- Any payment made pursuant to an election is not eligible for refund to the pass-through entity or its owners.
- If the pass-through entity is not otherwise subject to any reporting or payment obligation to Iowa, the pass-through entity consents to be subject to the Iowa laws related to reporting, assessment, collection, and payment of Iowa tax, interest, and penalties calculated under this election.
- If this election to pay relates to a federal centralized partnership audit change, any negative federal adjustment taken into account by the audited partnership or its partners in the adjustment year on a federal tax return pursuant to IRC § 6225 and the applicable regulations must be added back on the applicable Iowa tax returns pursuant to Iowa Code §§ 422.7(59) or 422.35(26). If the audited partnership is making this election, the audited partnership will make the required adjustments on its Iowa return for the adjustment year, or provide adequate information to its partners to make the necessary Iowa return adjustments if the audited partnership does not have an Iowa tax return filing requirement in the adjustment year. If a tiered owner of the audited partnership is making this election, the tiered owner will request the appropriate information from the audited partnership or other lower-tier owner in order to make the necessary Iowa return adjustments if those adjustments are not made on the lower-tier owner’s Iowa return.

I, the undersigned, declare under penalties of perjury or false certificate, that I have examined this return, and, to the best of my knowledge and belief, it is true, correct, and complete.

Signature of state partnership representative: _____ Date: _____

Signature of preparer if other than taxpayer: _____ Date: _____

Name and address of preparer or preparer’s employer:

Preparer’s telephone number: _____ Preparer PTIN: _____

Purpose of Return Voucher

This return and voucher is used by a partnership, S corporation, or fiduciary (“pass-through entity”) to elect to pay the Iowa tax, penalty, and interest on its owners’ behalf resulting from a federal centralized partnership audit change or an Iowa pass-through audit change, as permitted under Iowa Code §§ 422.25A(5) and 422.25C(2).

Federal Centralized Partnership Audit Regime

Prior to tax year 2018, federal partnership audit adjustments and tax collection were generally administered at the partner level. For tax years 2018 and forward, the Internal Revenue Service (IRS) makes audit adjustments and generally collects taxes at the partnership level for partnerships subject to the federal centralized partnership audit regime. If a partnership under this regime is audited by the IRS, resulting in adjustments that affect Iowa tax liability, the partnership and its direct and indirect partners must follow certain procedures and timelines in Iowa Code § 422.25A for reporting the adjustments to Iowa and paying the resulting Iowa tax. As part of those procedures, Iowa Code § 422.25A(5) permits an audited partnership, or a direct or indirect partner of the audited partnership that is itself a pass-through entity (“tiered owner”), to elect to pay the resulting Iowa tax, penalty, and interest on its owners’ behalf.

Iowa Pass-Through Entity Audits

For tax year 2020 and forward, any audit of a pass-through entity by the Department of Revenue will generally be conducted solely at the pass-through entity level. If a pass-through entity is audited by the Department, resulting in adjustments to Iowa tax liability, the pass-through entity and its owners must follow the same type of procedures and timelines for reporting the adjustments to Iowa and paying any resulting Iowa tax as are required for a federal centralized partnership audit change, including but not limited to the ability of the audited pass-through entity or a tiered owner to elect to pay the resulting Iowa tax, penalty, and interest on its owners’ behalf. For more information, see Iowa Code §§ 422.25B and 422.25C. These provisions may be applied to a tax year prior to 2020 if the Department, the pass-through entity, and the pass-through entity owners agree.

Who May Use This Return and Voucher

This return and voucher may be used by the following pass-through entities to elect to pay the Iowa tax, penalty, and interest on its owners’ behalf:

- A partnership subject to a federal centralized partnership audit change with a final determination date on or after July 1, 2020, or a tiered owner of that audited partnership. See Iowa Code § 422.25A(1) for a definition of “final determination date.”
- Any pass-through entity subject to an Iowa pass-through entity audit change for tax year 2020 or later, or a tiered owner of that audited pass-through entity. This may also apply to years prior to tax year 2020 if a valid agreement to do so exists.

A single member LLC or other entity that is disregarded for federal and Iowa income tax purposes is also disregarded for purposes of this election to pay, and is not eligible to make an election to pay.

If multiple tax years are reviewed during an audit, use a separate IA 103 for each reviewed year, but the total amount due related to the audit may be made in one payment. “Reviewed year” refers to the tax year audited by the IRS or the Iowa Department of Revenue. An audit may include more than one reviewed year.

The pass-through entity filing this IA 103 must also file for the relevant reviewed year(s) an amended Iowa tax return (IA 1065, IA 1120S, or IA 1041) and include with the amended return an IA 102 and, if related to a federal audit, the federal document that shows the final determination and explains the final federal adjustments. For more information, see the instructions for the IA 102 and your applicable Iowa tax return.

Due Date

This return and voucher must be filed with the Department within the time period required in Iowa Code § 422.25A(5)(b).

Who Must Sign

The IA 103 must be signed by the pass-through entity’s state partnership representative pursuant to Iowa Code § 422.25B.

Line Instructions:**Part I**

Enter your name, address, Federal Employer Identification Number (FEIN), and reviewed year being reported on this IA 103.

Select the box indicating the type of pass-through entity you are for federal and Iowa tax purposes: partnership (1065 return), S corporation (1120S return), or fiduciary (1041 return).

Select the appropriate box 1-4 which indicates the circumstance that applies to your election to pay. For boxes 3 and 4, you are an owner for the reviewed year if the income/loss of the audited pass-through entity for the reviewed year flowed directly to you, or indirectly to you through another tiered owner.

Part II

If you checked box 3 or 4 in Part I, then enter the name, address, FEIN, and reviewed year of the audited pass-through entity.

Part III – Income/loss adjustments

Part III is used to determine your additional tax for adjustments that increase your Iowa taxable income.

Line 1: Enter the net reviewed year federal audit or Iowa audit adjustments that affect Iowa income/loss as finally determined. “Net” adjustments refer to adjustments that increase Iowa income, less adjustments that reduce Iowa income. Note the following rules:

- Include positive reallocation adjustments, but **do not** include negative reallocation adjustments. See Iowa Code § 422.25A(1) for a definition of “reallocation adjustment.” Any tax refund related to a negative reallocation adjustment must be requested on an amended return of the appropriate owner within the time period for requesting refunds in Iowa Code §§ 422.73(1)(a) or 422.25A(8)(b).
- Do not include changes to Iowa tax credits on line 1. A reduction to an Iowa tax credit may be included on Part IV, line 13 of this IA 103. An increase to an Iowa tax credit that results in a refund must be requested by the appropriate owner within the time period for requesting refunds in Iowa Code §§ 422.73(1)(a) or 422.25A(8)(b).

- If the reviewed year adjustments are from an Iowa pass-through audit and include an increase to the audited pass-through entity’s Iowa Business Activity Ratio (BAR), do not include those changes on this line. Such changes are reported in Part V of this IA 103.
- If the reviewed year adjustments are from a federal centralized partnership audit, do not include any adjustments reported on an amended federal return or other similar report filed pursuant to Internal Revenue Code (IRC) § 6225(c) during the partnership’s audit modification period. Federal adjustments reported in this manner require the filing of amended Iowa tax returns by the partners. For more information see Iowa Code § 422.25(1).

Line 2: Enter the net amount of modifications to the adjustments on line 1 that are required or allowed under Iowa Code chapter 422. No net operating loss or other owner-level tax attribute modification is allowed. Include an explanation of your modifications. If you checked box 2 or 4 under Part I (relating to an Iowa pass-through audit change) leave this line blank because the applicable Iowa modifications will already be incorporated into the final Iowa audit adjustments that were issued to the audited pass-through entity and should be included on line 1.

Line 3: Enter the sum of lines 1 and 2. The amount entered on this line must be positive.

Line 4: Enter the share of the line 3 amount that is reportable to owners exempt from Iowa taxation pursuant to Iowa Code § 422.34 to the extent the income is not subject to the Iowa unrelated business income tax (UBIT) under Iowa Code § 422.33(1A).

Line 6: Use line 6(a) through 6(f) to show the shares of the total net increase to Iowa income (line 5) that are distributed to your owners. All owners must be included in the election to pay, including but not limited to owners originally included on an IA 1040C composite return.

Line 6(a): Include amounts reported to C corporation owners. Also include amounts reported to exempt owners to the extent the amounts are subject to the Iowa UBIT.

Line 6(b): Include amounts reported to nonresident individual owners and to nonresident fiduciary owners.

Line 6(c): Include amounts reported to resident individual owners and resident fiduciary owners.

Line 6(d): Include amounts reported to tiered owners which are of a type that would be subject to sourcing within and without Iowa as a nonresident individual under Iowa Code § 422.8(2)(a) and the associated Iowa administrative rules.

Line 6(e): Include amounts reported to tiered owners which are of a type that would not be subject to sourcing within and without Iowa as a nonresident individual under Iowa Code § 422.8(2)(a) and the associated Iowa administrative rules.

Line 6(f): Add lines 6(a) through 6(e). Line 6(f) must equal Step 1, line 5, unless you are claiming that a portion of the amount that would be reported on line 6(e) is allocable to indirect owners that are not subject to tax on the adjustments. If so, include a detailed explanation of that amount and those owners.

Lines 7 – 11: Complete the formula on lines 7 through 11 of the form for computing the Iowa tax associated with the income/loss adjustments. Enter the relevant reviewed year Iowa BAR and income tax rate on the relevant line where requested. Use the Iowa BAR reported on your Iowa tax return for the reviewed year or on an amended return if one was filed, unless the Iowa BAR has been determined or adjusted by the Department of Revenue in an Iowa pass-through audit, in which case enter the Iowa BAR as finally determined in that Iowa audit. Enter the resulting product on each line, rounded to the nearest dollar.

Part IV – Iowa tax credit adjustments

Line 13: Enter the reduction to Iowa tax credits, if any, resulting from a federal centralized partnership audit change or an Iowa pass-through audit change. Do not include any increase to an Iowa tax credit on this line. An increase to an Iowa tax credit that results in a refund must be requested by the appropriate owner on amended returns within the time period for requesting refunds in Iowa Code §§ 422.73(1)(a) or 422.25A(8)(b)

Part V – Apportionment adjustments following Iowa pass-through audit

Part V is used to determine your additional tax for adjustments to your Iowa BAR following an Iowa pass-through audit. Use this Part V only if you previously filed an Iowa tax return and later had your Iowa BAR modified by an Iowa pass-through audit.

Line 14: Enter your total all-source income, including Iowa modifications, for Iowa tax purposes as reported on your Iowa tax return, or as determined in a previous federal centralized partnership audit or Iowa pass-through audit. For example, this will be the income reportable on the “total all-source partnership income” line of your IA 1065, or the “modified federal net income” line of your IA 1120S. Do not include adjustments to income/loss resulting from the audit you are reporting on this IA 103 because those adjustments are accounted for on Part III, line 1 of this IA 103.

Line 15: Multiply line 14 by the electing PTE’s Iowa BAR for the reviewed year as finally determined by the Iowa pass-through audit. Enter the relevant Iowa BAR on line 15 where requested.

Line 16: Multiply line 14 by the electing PTE’s previous Iowa BAR for the reviewed year before this Iowa pass-through audit. Enter the relevant Iowa BAR on line 16 where requested.

Line 17: Subtract line 16 from line 15. This amount represents your increase to Iowa apportioned income from the Iowa pass-through audit’s increase to your Iowa BAR.

Line 18: Enter the share of the line 17 amount that is reportable to owners exempt from Iowa taxation pursuant to Iowa Code § 422.34 to the extent the income is not subject to the Iowa unrelated business income tax (UBIT) under Iowa Code § 422.33(1A).

Line 20: Use line 20(a) through 20(e) to show the shares of the total increase to Iowa apportioned income (line 19) that are distributed to your owners. All owners must be included in the election to pay, including but not limited to owners originally included on an IA 1040C composite return.

Line 20(a): Include amounts reported to C corporation owners. Also include amounts reported to exempt owners to the extent the amounts are subject to the Iowa UBIT.

Line 20(b): Include amounts reported to nonresident individual owners and to nonresident fiduciary owners.

Line 20(c): Include amounts reported to resident individual owners and resident fiduciary owners.

Line 20(d): Include amounts reported to tiered owners.

Line 20(e): Add lines 20(a) through 20(d). Line 20(e) must equal Part V, Step 1, line 19, unless you are claiming that a portion of the amount that would be reported on line 20(d) is allocable to indirect owners that are resident individuals or resident fiduciaries. If so, include a detailed explanation of that amount and those owners.

Lines 21-23: Complete the formula on lines 21 through 23 of the form for computing the Iowa tax associated with the increase to Iowa apportioned income. Enter the relevant reviewed year income tax rate on the relevant line where requested. Enter the resulting product on each line, rounded to the nearest dollar.

Part VI – Computation of total tax, penalty, and interest due

Part VI is used to determine your total tax, penalty, and interest due for your audit changes.

Line 26: Enter your penalties associated with the total tax due from line 25. Pursuant to Iowa law under the election to pay, penalties on the amount due by the pass-through entity shall be computed from the day after the due date of the reviewed year return without extension, and shall be imposed as if the pass-through entity was required to pay tax or show tax due on the original return for the reviewed year. Iowa imposes several penalties related to income tax, including a 10% penalty for failure to timely file a return, a 5% penalty for failure to timely pay the tax due, a 5% penalty for audit deficiencies, and a 75% for willful failure to file with intent to evade tax. For more information about Iowa penalties and exceptions to penalties, see Iowa Code § 421.27, and the Department’s website at: tax.iowa.gov/penalty-and-interest-rates.

Line 27: Enter your interest associated with the total tax due from line 25. Pursuant to Iowa law under the election to pay, interest on the amount due by the pass-through entity shall be computed from the day after the due date of the reviewed year return without extension, and shall be imposed as if the pass-through entity was required to pay tax or show tax due on the original return for the reviewed year. Interest accrues on the unpaid tax at a rate prescribed by law until payment is received. See <https://tax.iowa.gov/interest-rates>. Any portion of a month is considered a full month in calculating interest due on unpaid tax.

Line 28: Add lines 25, 26, and 27. This is your total tax, penalty, and interest due for the reviewed year on your owners’ behalf pursuant to your election to pay.

Part VI – Schedule of pass-through owners

Complete Part VI in its entirety and include the completed schedule with your IA 103. Include multiple schedules if necessary. In columns A, B, and C of the schedule, enter the name, Tax ID, and address of each reviewed year owner of the pass-through entity, including exempt owners. A single member LLC or other entity that is disregarded for federal and Iowa income tax purposes is also disregarded for purposes of this schedule. Instead, enter the appropriate beneficial owners.

In column D of the schedule enter each owner’s allocated share of the total adjustments (sum of the adjustments computed on lines 3, 13, and 17 of the IA 103). Sum all the amounts in column D and enter in the box labeled “Total of Column D”. If you have more than one page, enter the total amounts on the first page only. In column E, designate the type of each owner using the following codes:

- Resident individual (code: RI)
- Resident fiduciary (code: RF)
- Nonresident individual (code: NRI)
- Nonresident fiduciary (code: NRF)
- C Corporation (code: C)
- S Corporation (code: SC)
- Partnership (code: P)
- Exempt entity (code: E)