

2021 Iowa Corporation Income Tax Instructions

To obtain copies of schedules and forms:

Additional information can be found on the Department website (tax.iowa.gov).

Questions:

Email: idr@iowa.gov

Phone: 515-281-3114 or 1-800-367-3388

eFile or mail your return to:

Corporation Tax Return Processing
Iowa Department of Revenue
PO Box 10468
Des Moines, IA 50306-0468

Internal Revenue Code (IRC) Changes

For tax years beginning on or after January 1, 2020, Iowa has adopted rolling conformity, meaning the state will automatically conform with any changes made to the IRC, except as specified by Iowa law.

Alternative Minimum Tax (AMT)

The Iowa alternative minimum tax (AMT) has been repealed for tax years beginning on or after January 1, 2021. You may still be able to use some or all of your remaining AMT credit from prior years on your 2021 return before it expires. The AMT credit will not be available for tax years beginning on or after January 1, 2022.

Net Operating Loss (NOL) Carryback

Corporations are not allowed to carry back Iowa NOLs. All NOLs may be carried forward for up to 20 tax years. However, any federal refund due to the carryback of a federal NOL must still be reported as income on the Iowa return to the extent a deduction for federal taxes was allowed on prior Iowa returns.

Capital Loss Carryback

Corporations may still carry back a capital loss to the three preceding tax years. Refund requests for a capital loss carryback must be made on form IA 1139-CAP.

IA 148 Tax Credits Schedule

The IA 148 Tax Credits Schedule must be completed for any tax credits claimed other than the fuel tax credit on Schedule C1.

Other Forms

The **IA 1120X** must be used to change a previously filed IA 1120 unless the change was due only to a capital loss carryback.

Auxiliary Schedules

Form IA 4562B Iowa Depreciation Accumulated Adjustment Schedule must be completed to record the cumulative effect of the depreciation adjustment and must be included with the return.

Schedules F and G must be completed when NOLs are being carried forward.

Schedule H must be completed by corporations with filing status 2 or 3 to document the computation of any federal tax deduction and/or refunds included in the Iowa return.

Schedules I, J, and L must be used by corporations with filing status 3 to document information included in the Iowa return.

Schedule M must be completed by corporations with filing status 3 if one or more members of the federal consolidated group are claiming Public Law 86-272 protection in Iowa.

General Instructions

Which Return to File

- **Regular Corporations:** Every corporation doing business in this state or deriving income from sources within this state, unless exempt by Iowa Code section 422.34, must file an Iowa corporation income tax return, IA 1120.
- **Cooperatives, nonprofits subject to unrelated business income tax (UBIT):** Cooperative associations as defined in section 6072(d) of the IRC and entities subject to UBIT must file an IA 1120.
- **Foreign Sales Corporations (FSCs):** FSCs domiciled or incorporated in Iowa must file an IA 1120S if any income or loss is reportable to Iowa.
- **S Corporations, Interest Charge Domestic International Sales Corporations (IC-DISCs):** S corporations and IC-DISCs must file an Iowa Income Tax Return for an S Corporation, IA 1120S.
- **Limited Liability Companies (LLCs):** LLCs that are taxed as corporations for federal purposes must file IA 1120. All other LLCs must file form IA 1065, Partnership Return of Income. Single member LLCs do not need to file an IA 1065. They must include their business income from federal Schedule C on their individual tax returns or on the corporation income tax return of the owner.
- **Financial Institutions:** Every bank, savings and loan association, and other financial institution as defined in Iowa Code section 422.61 doing business in this state as a financial institution must file an Iowa Franchise Tax Return, IA 1120F.
- **Credit Unions:** State credit unions are subject to the Moneys and Credits tax under Iowa Code section 533.329. State credit unions must file an Iowa Credit Union Moneys and Credits Tax Return, form 57-150.
- **When to File**
 - **Regular Corporations Calendar Year filers:** Return is due no later than May 2, 2022.
 - **Fiscal Year:** Return is due within four months after the end of the fiscal year.

- **Cooperative:** Cooperative associations have until the 15th day of the ninth month after the close of their tax period to file a return.
- **Short Period:** If a corporation is required to file a short period return under the IRC then the Iowa short period return is due 45 days after the original federal due date.
- **UBIT** A nonprofit corporation reporting unrelated business income on federal form 990-T must file on or before the 15th day of the fifth month following the end of the tax period. If the nonprofit corporation has no unrelated business income, even if filing a form 990-T to claim the small business health care tax credit, no Iowa return or copy of the federal return is required to be filed.

Note: If a period or due date ends on a weekend, federal holiday, or legal holiday as defined in Iowa Code section 4.1(34), substitute the next regular business day.

Automatic Extension of Time to File

All taxpayers who have paid 90% or more of their correct tax on or before the original due date of their return automatically have an additional six months in which to file their return and pay any additional tax due with no penalty. Taxpayers who have not paid 90% or more of their correct tax on or before the original due date of their corporation income tax return are not allowed the additional six-month period of time to file, and owe both penalty and interest on the additional tax due after the original due date of their return. If an additional payment is necessary in order to meet the 90% requirement, it must be made by the original due date of the return. The automatic extension does not change the due date of the return; it only extends the time to file the return.

Such payments can be made electronically on eFile & Pay or by using form 1120V, Iowa Corporation Tax Payment Voucher.

Interest will accrue on any tax due after the original due date of the return. All elections made on a return filed within six months of the original due date will be considered timely.

IA 1120 Instructions

All corporations filing a return with the Department must complete all lines on the front page for the return to be accepted. "See schedule included" is not acceptable; the return will be considered incomplete and may be returned.

Step 1 - Taxpayer Information

Tax Period

Enter dates as MMDDYY.

Name/Address

If name and address is different from your prior period return and you have not previously notified the department of the change, check the name/address change box.

Note: Taxpayer information is confidential. The Iowa Department of Revenue will discuss confidential tax information only with the taxpayer or an individual authorized under Iowa Code section 421.59(2)(d), unless the taxpayer has a valid power of attorney form on file with the Department. If the taxpayer wants to allow the Department to discuss its 2021 IA 1120 with the preparer who signed the return or any other person, including employees of the corporation, the taxpayer must complete and submit an IA 2848 Iowa Power of Attorney Form, for that person.

Short Period

If the current filing is for less than 12 months, check the short period box.

Business Code

Enter the business code from the list provided by the IRS for the specific industry group corresponding to the corporation's primary business activity.

County Number

Enter the number of the Iowa county, which can be found on the Department's website, that is the corporation's commercial domicile or principal place of business. Enter 00 if the commercial domicile or principal place of business is not located in Iowa.

First/Final Return

If this is a first or final return, check the box that best describes the reason.

Step 2 - Filing Status

Filing Status/Type of Return

Mark the appropriate box for filing status and return type.

Inactive Return

Mark the appropriate box if the corporation has no business operations in any state.

Federal Changes

Mark the appropriate box. If yes, provide the tax periods changed and file an IA 1120X for each period, if not already filed. Checking the box is not sufficient notice to inform the Department that federal changes have occurred.

Note: Taxpayers are required to notify the Department once all issues related to a particular federal audit or examination become final in order to trigger the one year period in which the Department may examine the effected returns. Even if the taxpayer notifies the Department of the final disposition of some issues that are resolved while others remain outstanding, the period of time in which the Department may examine the return will remain open until the taxpayer properly notifies the Department of the final disposition, triggering the one year examination period.

Property in Iowa

Mark the appropriate box. Property is defined as any tangible or real property owned or leased with its primary location in Iowa.

Step 3 - Net Income and Additions to Income

Line 1: Net Income - Enter the amount of federal taxable income computed after federal dividend deduction and before federal NOL deduction.

Line 2: Federal Refund - Enter 50% of any federal refunds received in or accrued to this tax period to the extent the refund was for federal taxes deducted on an Iowa return in a year beginning prior to January 1, 2021. Check the appropriate box to indicate the basis of this refund computation. See step 4, line 5 for additional instructions.

Line 3: Other Additions - Enter the total from IA 1120, Schedule A, line 16.

Step 4 - Reductions to Income

Line 5: Federal Tax Paid or Accrued - Enter 50% of federal income taxes paid or accrued during the tax year, to the extent the payment is for a tax year beginning prior to January 1, 2021. The deduction must be computed using one of the following methods:

Accrual Basis: Taxpayers must determine the total tax paid during the tax year to the extent the payment is for a tax year beginning prior to January 1, 2021 and multiply by 50%.

Cash Basis: Taxpayers must compute the sum of federal taxes paid in the tax year to the extent the payment is for a tax year beginning prior to January 1, 2021 and fuel tax credits applied against the tax liability in the tax year. Multiply the resulting amount by 50%.

Consolidated Federal Return: If the company is a member of an affiliated group that files a consolidated federal return but the company files a separate Iowa corporation tax return, or the Iowa consolidated return does not include all of the same members as the federal consolidated return, the federal income tax deduction must be computed using the formula on the Iowa Schedule H1.

Check the appropriate box to indicate the basis of this federal tax deduction computation. If filing status 2 or 3, include pages 1-5 of the consolidated federal return, consolidating income statements, and complete the Iowa Schedule H1. All lines on Schedule H must be completed.

Line 6: Other Reductions - Enter the total from IA 1120 Schedule A, line 16.

Step 5 - Taxable Income

Line 11: Iowa Percentage - Enter the amount from IA 1120 Schedule E, line 13, or 100%, if the corporation's business is entirely within Iowa.

Line 15: Net Operating Loss - Enter amount from IA 1120 Schedule F, column E. A copy of IA 1120 Schedule F must be included with the return.

Public Law 86-272 Checkbox –

Separate filers- complete Lines 1-16 as if you were subject to tax in Iowa, including by entering your Iowa sales on Schedule E. Then check this box, and enter 0 on line 17.

Consolidated filers- Check this box if one or more members of your federal consolidated group is asserting Public Law 86-272 protection in Iowa for the tax year, list all such members on IA 1120, Schedule M. Include only those entities that are subject to Iowa tax for the tax year in completing lines 1-16, see instructions for Schedule I & J.

Step 6 - Tax, Credits, and Payments

Line 17: Total Tax - Enter the amount of tax computed from the tax rate schedule, IA 1120, page three. If the corporation has annualized for

federal income tax purposes, the corporation must annualize for Iowa income tax purposes. If tax is annualized, check the box and include a schedule of the formula used to compute the tax.

Step 7 - Balance Due

Line 25: Penalty for Underpayment of Estimated Tax - Corporations underpaying estimated tax for the entire tax shown on IA 1120, line 17 may be subject to a penalty for this underpayment. The underpayment penalty is in addition to the penalties on IA 1120, line 26. The underpayment penalty is computed on IA 2220 and the total from that form is entered on IA 1120, line 25. If the penalty is computed, IA 2220 must be included with the return. First return taxpayers are subject to this penalty.

Line 26: Late Filing and Payment Penalties–

Failure to Timely File a Return: If the return is filed after the original due date of the return and less than 90% of the correct amount of tax was paid by the original due date, multiply the unpaid tax by 5% (.05) and enter that amount on line 19. This penalty is in addition to any penalty for failure to timely pay the tax due, as described below. If you are subject to both penalties, add this penalty amount to the amount calculated below and enter the sum on line 26.

Failure to Timely Pay the Tax Due: A penalty of 5% must be added to the tax due if less than 90% of the correct amount of tax was paid by the original due date of the return. Multiply the unpaid tax by 5% (.05) and enter that amount on line 26. This penalty is in addition to any penalty for failure to timely file, as described above. If you are subject to both penalties, add this penalty amount to the amount calculated above and enter the sum on line 26.

Audit or Examination Deficiency: A penalty of 5% will be added to the unpaid tax if the Department discovers an underpayment during an audit or examination.

Fraud: A penalty of 75% will be added to the fraudulent claim or unpaid tax for fraudulent claims or willful failure to file a return.

Waivers: Penalties can be waived under limited circumstances, as described in Iowa Code section 421.27. Complete and submit a Penalty Waiver Request form (78-629) to request a penalty be waived.

Line 27: Interest - If payment is received after the due date of the return, interest accrues on the unpaid tax at a rate prescribed by law from the original due date of the return until payment is received. Any portion of a month is considered a full month in calculating interest due on unpaid tax.

Line 28: Total Amount Due - Payment options include payment through Modernized eFile (MeF), ePay (direct debit), ACH Credit, or payment by check. Go to the Department's website for electronic payment options. Do not send cash. Submit IA 1120V if making payment by check.

Make check payable to "Iowa Department of Revenue".

Step 8 - Overpayment

Line 29: Overpayment - Underpayment penalty may be applicable. Subtract any IA 2220 penalty on IA 1120, line 25; enter remaining overpayment, if any.

Line 30: Credit to Next Period's Estimated Tax - Enter the amount of overpayment to be credited to the next tax period. This credit can only be changed after the due date if the change is requested by the last day of the subsequent year.

Schedule A - Other Additions:

Line 1: Enter the amount of IRC section 613 percentage depletion of an oil, gas, or geothermal well that exceeds the cost depletion amount determined under IRC section 611 as claimed on the federal return.

Line 3: Enter any net capital loss included in the computation of IA 1120, line 1.

Line 4: Enter any net contributions deducted in excess of the federal limitation.

Lines 5: Enter deductions relating to sale-leaseback safe harbor leases for property placed into service prior to January 1, 1986. This includes interest expense and depreciation expense for the lessor and rent expense for the lessee. Include a schedule detailing the adjustments included on this line.

Line 6: Enter any addition to income from the interest expense adjustment from IA 163, line 6. Include IA 163 with your return.

Line 8: Expensing and depreciation allowed on the Iowa return may differ from amounts allowed on the federal return. Refer to IA 4562A and IA 4562B.

Line 9: Enter the amount of interest and dividends exempt from federal tax. Exclude interest received from certain Iowa bonds, which are listed in Iowa Administrative Code rule 701—40.3. If municipal interest taxable for Iowa purposes differs from total municipal interest reported on the federal return, a schedule must be included.

Line 10: Enter the amount of Iowa tax expensed on the federal return. Provide a breakdown of line 17, taxes and licenses, shown on the federal return.

Line 15: Refer to IA 101 Nonconformity Adjustments.

Line 16: Enter any amounts not specifically identified above. A detailed schedule must be included or these amounts may not be allowed. If adjusting an amount from a partnership or LLC, include a reconciliation of federal income to income reported on the Iowa partnership return. The difference must be specifically identified to indicate the Iowa adjustment being made.

Schedule A - Other Reductions:

Line 2: Enter the amount of Social Security taxes for tips not subtracted from federal taxable income due to the tip credit, federal form 8846.

Line 3: Enter any net capital loss previously not allowed as an Iowa deduction that was not taken at the federal level.

Line 4: Enter any net contributions previously not allowed as an Iowa deduction that was not taken at the federal level.

Lines 5: Enter income amounts related to sale-leaseback safe harbor leases for property. This includes rent income for the lessor and interest income and depreciation expense for the lessee. Include a schedule detailing the adjustments included on this line.

Line 6: Enter any reduction to income from the interest expense adjustment from IA 163, line 6. Include IA 163 with your return.

Line 7: The amount of any qualifying COVID-19 grant identified in Iowa Admin Code Rule 701—53.30 to the extent included on IA 1120, line 1.

Line 8: Expensing and depreciation allowed on the Iowa return may differ from amounts allowed on the federal return. Refer to IA 4562A and IA 4562B.

Line 10: Enter the amount of Iowa tax refund included in federal income. Do not include Iowa tax refunds from Iowa refundable tax credits.

Line 11: Enter the amount of wages not subtracted from federal taxable income due to the Work Opportunity Credit, federal form 5884.

Line 12: Enter the amount added to federal taxable income due to the Alcohol and Cellulosic Biofuel Tax Credit, federal form 6478.

Line 13: Foreign dividend income exclusion: Complete Schedule B.

The foreign dividend exclusion, including subpart F income, follows the same criteria as IRC section 243 does for domestic dividends.

- If the percentage of ownership is less than 20%, then 50% of the dividend income is excluded.
- If the percentage of ownership is equal to or greater than 20%, then 65% of the foreign dividend income is excluded.
- If the taxpayer is a small business investment company operating under the Small Business Investment Act of 1958 then 100% of the foreign dividend income is excluded.
- If the dividend is a qualifying dividend as defined in IRC section 243(b) then 100% of the foreign dividend is excluded.

These amounts are shown on federal form 1120 Schedule C, lines 13, 14, 16a, 16b, 16c, and 18.

Line 14: Enter the amount of interest and dividends from federal securities included in federal income. Do not include interest on federal refunds. Include a schedule showing a breakdown of federal security interest by payer.

Line 15: Refer to IA 101 Nonconformity Adjustments.

Line 16: Enter any amounts not specifically identified above. A detailed schedule must be included or these amounts may not be allowed. If adjusting an amount from a partnership or LLC, include a reconciliation of federal income to income reported on the Iowa partnership return. The difference must be specifically identified to indicate the Iowa adjustment being made. Amounts entered on this line may include, but are not limited to, the following:

- The net Global Intangible Low-Taxed Income (GILTI) to the extent included on IA 1120, line 1.

- The amount of a federal, state, or local grant provided to a communications service provider during the tax year, to the extent included on IA 1120, line 1, if the grant was used to install broadband infrastructure that facilitates broadband service in targeted service areas at or above the download and upload speeds.

Schedule B - Foreign Dividend Exclusion

See instructions for IA 1120 Schedule A, line 13.

Schedule C1 - Credits

Enter all applicable amounts on the lines specified. Include fuel credit, nonrefundable credits, and other refundable credits. Include schedule IA 4136 and schedule IA 148.

Schedule C2 - Payments

Enter all applicable amounts on the lines specified.

Note: Make sure to correctly distinguish between credits and payments. For example, credit from prior period overpayment must be listed as a payment on Schedule C2.

Additional Information

Complete all applicable statements and questions.

Enter the FEIN or PTIN for the preparer's identification.

Schedule E - Business Activity Ratio (BAR)

If all corporate business is conducted within Iowa, do not complete Schedule E.

Complete all applicable lines. All figures are net of amounts used in Iowa Schedule D. Dividends are net of special deductions and the Iowa foreign dividend exclusion.

Business income means income which arises from the corporation's unitary trade or business, a part of which is conducted within Iowa. Business income must be apportioned to Iowa by means of the BAR. Investment income may, at the taxpayer's election, be included in the computation of the BAR. On the return, the taxpayer elects whether to include investment income which was determined to be business income in the computation of its BAR for that and all subsequent years. Consequently, the subsequent year's total investment income which is determined to be business income is included in the numerator as follows:

- (1) Accounts receivable interest is to be included in the numerator to the extent allocable to Iowa.
- (2) Other interest, net dividends, capital and ordinary gains, and royalties from intangibles must be included in the numerator if the commercial domicile is in Iowa. See Iowa Admin. Code r. 701—54.2(3) for attributing certain income from intangibles.
- (3) Capital and ordinary gains, rent, and royalties from tangible and real property must be included in the numerator if the property is located in Iowa.

For a corporation first doing business in Iowa, the inclusion of investment income determined to be business income in the BAR of that year's initial return is binding on all subsequent years' returns. The election to include business investment income in the BAR can later be changed only with permission of the Director of the Iowa Department of Revenue.

Special Apportionment Guidelines: Some corporations are required to use an alternate calculation of the BAR (i.e. service companies, transportation, broadcasting). See Iowa Code § 422.33(2); Iowa Admin. Code r. 701—54.1 et seq.

Confidentiality and Fair Information Practices Notice: Information from this return may be made available to the IRS or to tax officials of another state under a tax information exchange program. Except as allowed by law, information on this return cannot be released to anyone who is not an Iowa Department of Revenue or IRS employee. Any Department of Revenue employee who discloses tax information without legal authority is subject to a fine of \$1,000.