

2021 IA 1120F Iowa Franchise Instructions

New for 2021

The Iowa alternative minimum tax (AMT) has been repealed for tax years beginning on or after January 1, 2021.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.

Who Must File

Entities doing business in Iowa as financial institutions must file an IA 1120F Franchise Return for Financial Institutions. Financial institutions include state banks chartered in or out of Iowa, national banks, national association banks, federal savings banks, production credit associations, federally chartered savings and loan associations, trust companies, financial institutions chartered by the federal Home Loan Bank Board, savings and loan associations incorporated in another state, and any financial institution controlled by the Resolution Trust Corporation.

Tax Period End

Iowa considers every period end to be the last day of the month. If your period end is not the last day of the month, you must use the month end closest to the end of your accounting period.

When to File

Franchise tax returns must be filed no later than the last day of the fourth month following the close of the financial institution's taxable year or 45 days after the due date of the federal tax return, excluding extensions of time to file, whichever is the latest. In order to claim a refund or credit due to overpayment of tax, an amended return must be filed within three years of the due date of the original return or within one year of the date the overpayment of tax was made. For 2021 calendar year filers, the return is due May 2, 2022.

Where to File

Mail your return to:
Franchise Tax Processing
Iowa Department of Revenue
PO Box 10413
Des Moines IA 50306-0413

How to Pay

You must use the IA 1120F V Iowa Franchise Tax Payment Voucher, form 43-009, for all franchise tax payments.

Additional Time to File

If 90% or more of the correct amount of tax due is paid by the due date of the return, then no late penalty will be assessed provided that the return

is filed within six months of the due date. Any tax elections made on the return will be considered timely if the return is filed no later than six months from the due date. If an additional payment is necessary in order to meet the 90% requirement, you must pay using the **IA 1120F V Iowa Franchise Tax Payment Voucher, form 43-009**.

Amended Returns

If you are submitting an amended return, check the appropriate box to indicate whether this is an amended pay or amended no pay return. When filing an amended return, you must also complete and submit the IA 102 Amended Return Schedule with the amended return.

Federal Conformity

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 Internal Revenue Code (IRC), except as specified by Iowa law. Taxpayers may have ongoing adjustments as a result of Iowa's nonconformity for tax year 2018 or 2019 that must be reported on this form. See IA 101, and instructions to Schedules A and D below.

Section 179 Expensing and Bonus Depreciation

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

Net Operating Loss Carrybacks

Iowa does not allow carrybacks of net operating losses for franchise tax. Net operating losses may be carried forward twenty taxable years.

Registration Information Changes

If you are changing the Federal Employer Identification Number (FEIN) or the name of the bank, send a letter prior to filing your tax return explaining the circumstances and the effective date of change. Send your letter to the same address listed under "Where to File" above.

Apportionment of Income

If you are subject to apportionment of income, complete the IA Franchise Schedule 59F.

How to File

Complete all questions on pages 1 and 2 of the IA 1120F. Include a complete copy of your federal return as filed with the Internal Revenue Service (IRS). If a copy is not included, this will not be considered a complete return. The preparer must

sign and date the return, and enter Social Security Number, FEIN, or Tax Identification Number.

Confidentiality

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 can only be released to an Iowa Department of Revenue or IRS employee.

Fair Information Practices Notice

Any applicable information requested must be provided. The information is necessary to complete, correct, or process tax returns; to calculate tax due; to collect tax, interest, and penalties, or to carry out administrative duties. If necessary information is not provided, or if fraudulent information is provided, penalties and interest may be assessed, and criminal prosecution may result. Without required information, the exemptions, credits, deductions, or adjustments shown on returns may be disallowed.

Questions:

idr@iowa.gov

515-581-3114 or 800-367-3388

Line 1: Net Income - Enter the amount of federal taxable income computed after the federal dividend deduction but before the federal net operating loss.

Line 2: Interest and Dividends - Enter total interest and dividends from the following sources:

- evidences of indebtedness
- securities of state and other political subdivisions exempt from federal income tax
- obligations of United States possessions purchased after January 1, 1991

If municipal interest taxable for Iowa purposes differs from total municipal interest reported on the federal return, a self-created schedule showing the difference should be included.

Line 3: Iowa Franchise Tax Expenses on Federal Return - Enter the amount of Iowa franchise tax expensed on your federal return.

Line 18: Penalty for Underpayment of Estimated Tax - A financial institution owing \$1,000 or more in franchise tax and which has not paid adequate estimated payments is subject to an underpayment of estimated tax penalty in addition to the tax and any late penalties. Iowa 2220 penalties may be assessed when the amount or

timing of the estimated payments is incorrect even if the return is overpaid by the original due date. If applicable, include IA 2220 with IA 1120F.

Line 19: 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 19.

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 19. 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 19.

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 21: Interest - For each month the required tax is not paid, interest accrues on the unpaid tax at a rate prescribed by law from the due date of the return until payment is received. Any portion of a month is considered a full month when calculating interest due on unpaid taxes.

Line 23: Net Overpayment - Enter the amount of overpayment. If applicable, reduce the overpayment by the penalty on line 18.

Line 24: Credit to Next Period's Estimated Tax - Enter the amount of overpayment to be credited to future tax liabilities. The carryforward election can only be made when the return is filed before the end of the next tax period. If a return is filed after the end of the next tax period, the overpayment

will not be credited, but instead will be refunded. The total of the amount claimed for refund and the amount claimed for credit to 2022 estimated tax must equal the overpayment amount.

Line 25: Refund Requested - Enter the amount of overpayment to be refunded.

IA 1120F Schedule A Instructions

Other Additions

Line 1: Include cash to accrual adjustment for Iowa franchise tax and for federal tax-exempt interest and dividends. Provide cash to accrual worksheets.

Line 2: Complete the Expense to Carry Investment Subsidiary Worksheet below and include a copy with the IA 1120F.

IA 1120F Expense to Carry Investment Subsidiary Worksheet

Iowa Code section 422.61 does not allow franchise taxpayers to deduct expenses allocable to investments in an investment subsidiary. The Iowa addition is applicable to all financial institutions with investments in an investment subsidiary. See Iowa Admin. Code r. 701—59.20 for further details.

1. Total federal deductions from line 27, federal 1120 return. \$ _____
2. Investment assets in investment subsidiary \$ _____
3. Total financial institution assets \$ _____
4. Ratio. Divide line 2 by line 3, carried to one ten thousandth of 1% by rounding to six decimals. (For example, .1234505 becomes 12.3451%.).....(____. ____ ____)
5. Iowa addition. Multiply line 1 by line 4..... \$ _____

Enter this number on the IA 1120F Schedule A, line 2.

Line 3: Add any contributions deducted in excess of the federal limitation on a separate company basis.

Line 4: Enter any net capital loss included in the computation of line 1 of the IA 1120F on a separate company basis.

Line 5: Include the Iowa depreciation adjustment from IA 4562A.

Line 6: Add any other additions to income not already included elsewhere including any

adjustments from IA 101, if any, to the total entered on this line.

IA 1120F Schedule D Instructions

Other Reductions

Line 1: Include cash to accrual adjustment for Iowa franchise tax and for federal tax exempt interest and dividends. Provide cash to accrual worksheets.

Line 2: The interest expense to purchase or carry obligations may be deducted where the interest is exempt from federal income tax. The interest expense is disallowed under sections 265(b) or 291(e)(1)(B) of the IRC.

Line 3: Deduct net contributions previously not allowed as an Iowa deduction, which were not taken at the federal level.

Line 4: Enter any net capital loss previously not allowed as an Iowa deduction, which was not taken at the federal level.

Line 7: Add any other reductions from income not already included elsewhere including any adjustments from IA 101, if any, to the total entered on this line.

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 1120F, 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 1120F, 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.
- The amount of any qualifying COVID-19 grant identified in Iowa Admin Code Rule 701—59.32 to the extent included on IA 1120F, line 1.

IA 1120F Schedule C Instructions

Payments

List the exact amount of each payment and the date it was paid. Amended return filers must record the tax amount previously paid or refunded on the original return on Schedule C and reduce or increase net payments accordingly.