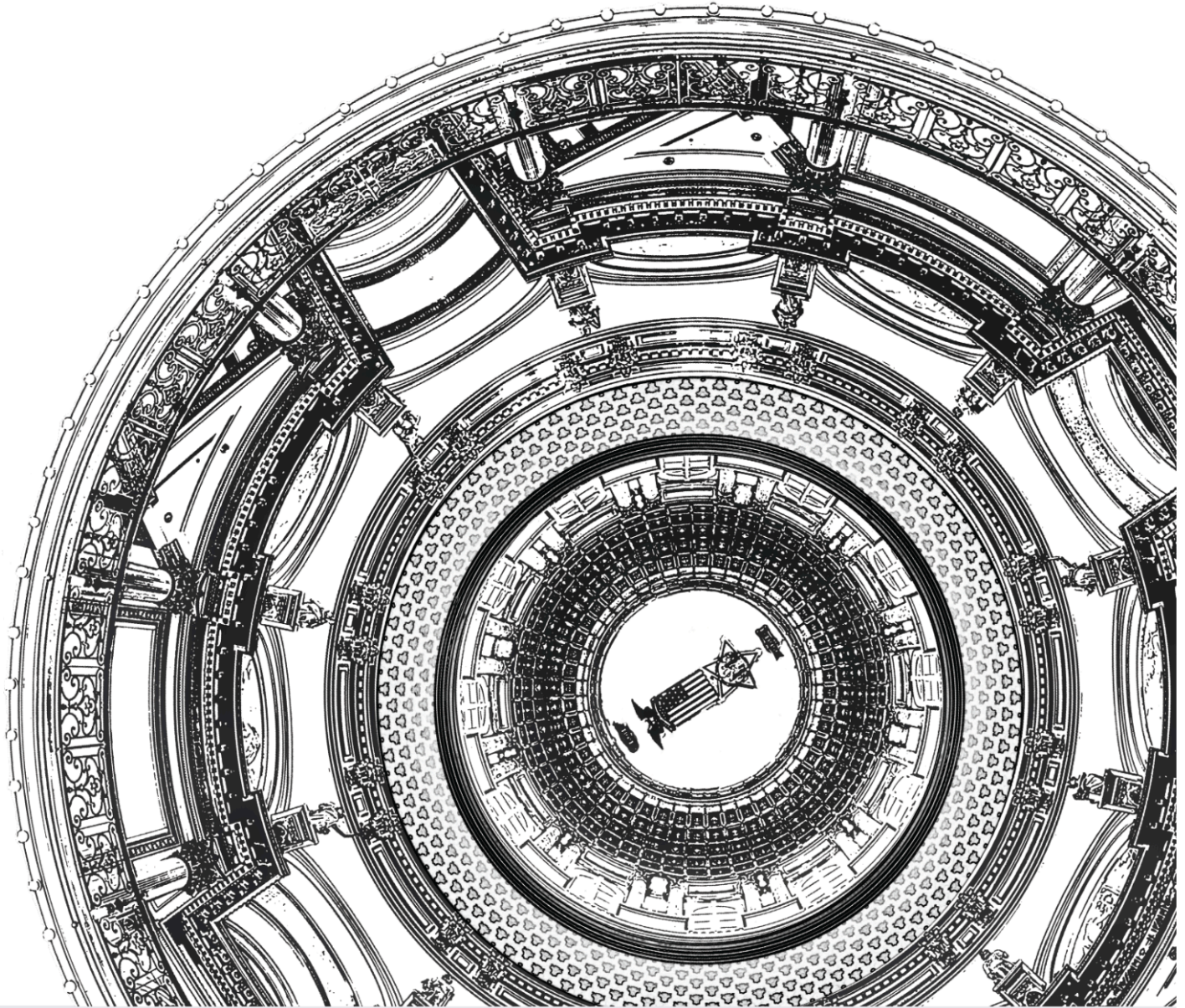


# IA 1040 Income Tax Return

**IOWA**<sup>TM</sup>

Department of Revenue

# 2023



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## New for 2023

**Note:** Due to a number of legislative changes to Iowa income tax taking effect on January 1, 2023, the IA 1040 has been substantially revised. Read these instructions carefully.

### All dollar amounts should be rounded to the nearest cent.

The starting point for taxation on the IA 1040 is now federal taxable income. You must complete the federal 1040 prior to completing the IA 1040. You may need to complete a federal 1040 even if you are below the federal filing requirement.

- This means that Iowa will now incorporate the federal standard or itemized deduction and will no longer allow an Iowa-specific standard or itemized deduction.
- Iowa will also now incorporate the federal net operating loss and will no longer allow an Iowa-specific net operating loss. Taxpayers must use Schedule 1 to carry forward any pre-2023 Iowa net operating loss and must use Schedule 1 to reduce federal taxable income by any pre-2023 federal net operating loss carryforward. Taxpayers must use the new IA 124 to calculate pre-2023 federal net operating loss carryforwards to add back and pre-2023 Iowa net operating loss carryforwards to deduct against taxable income.
- Additionally, this change incorporates the federal qualified business income deduction and the domestic production activities deduction, and those will no longer be deducted separately on the Iowa return.

**Step 2:** All taxpayers are now required to use the same filing status on their Iowa return that they use on their federal return. Married taxpayers no longer have the option to file separately on a combined return.

**Line 5:** The number of tax brackets has decreased as well as the rate for each bracket. These will continue to decrease until 2026 when Iowa will have a single tax rate of 3.9%.

Iowa's alternative minimum tax has been repealed. The alternative minimum tax credit carried forward from a previous year may be applied to this return, but will be repealed on January 1, 2024 and cannot be carried forward to a future tax year.

**Line 27:** Taxpayers claiming the Composite or Pass-Through Entity Tax (PTET) Credit should report the credit on line 27. Include the IA Schedule CC with your return. See the Department's website for more information on the PTET Credit.

**Schedule 1:** The IA 1040 now includes Schedule 1 (located on page 4 of the IA 1040) to enter any required Iowa adjustments to federal taxable income. See instructions below for more information about Schedule 1.

**Schedule 1, line 7:** The retirement income exclusion has been increased to include all qualifying pension and retirement income for qualifying taxpayers.

**Schedule 1, line 15:** The additional Iowa health insurance premiums deduction, previously allowed for all taxpayers, will be limited to taxpayers age 65 or older with Iowa taxable income of less than \$100,000. In order to determine whether a taxpayer's Iowa taxable income is less than \$100,000 for purposes of this provision, taxpayers are required to add back the following items:

- Iowa reportable Social Security
- Iowa pension or retirement income exclusion
- Federal standard or itemized deduction to the extent it does not exceed federal adjusted gross income
- Federal personal exemption deduction (\$0 for 2023)
- Federal qualified business income deduction



**Schedule 1, line 16:** There have been significant changes to the Iowa capital gain deduction. Most of the capital gain deductions have been repealed for transactions occurring after January 1, 2023. However, installments from sales occurring prior to January 1, 2023 may still be deducted. Taxpayers may deduct the capital gain from the sale of real property used in a farming business if they meet certain holding period and material participation requirements. Additionally, retired farmers may elect to deduct the capital gain from the sale of cattle, horses, or breeding livestock in certain circumstances. Also new for 2023 is an additional deduction for the capital gain from the sale or exchange of employee-owned capital stock in a qualified Iowa corporation. See the IA 100 forms and Iowa Administrative Code rules 701—302.41 and 302.87 for more information about the Iowa capital gain deductions.

**Schedule 1, line 19:**

- A deduction is allowed for the amount of student loan repayments paid by an employer that result in income. Payments on any qualified loan for this purpose include payments of principal or interest and those made to either the taxpayer or to a lender. No deduction will be allowed to the extent the taxpayer claimed deduction for federal purposes under section 221 of the IRC for interest on the same qualified education loan.
- Retired farmers may elect to exclude income from a farm tenancy agreement covering real property if certain holding period and material participation requirements are met. See Iowa Administrative Code rule 701—302.88 for more information.
- To the extent included for federal purposes, the amount of education savings account payments used for qualifying expenses.

**Step 9:** To allow another individual to discuss this tax return with the Department, complete the third-party designee section on the IA 1040, Step 9.

**IA 124:** Taxpayers should use this form to calculate any pre-2023 federal NOL carryforward that must be added back or any pre-2023 Iowa NOL that may be deducted. The IA 123 has been discontinued.

**IA 125:** Retired farmers may elect to exclude income from a farm tenancy agreement covering real property if certain holding period and material participation requirements are met. See IA 125 and Iowa Administrative Code rule 701—302.88 for more information.

**Track Your Return:** Use *Where's My Refund* to check the status of individual income tax returns and amended individual income tax returns you've filed within the last year or over the phone at 515-281-3114 or 800-367-3388.

## **Conformity with the Internal Revenue Code (IRC)**

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. The calculation of Iowa taxable income is the same as the calculation for federal taxable income. However, the calculation of Iowa taxable income will be different from the federal taxable income calculation when it comes to certain items described later in these instructions, such as depreciation for certain assets placed in service before tax year 2021, section 179 special election deductions, and the business interest expense limitation.

**Disclaimer:** Please be advised that this is an informational document. It should not be relied upon or otherwise cited as precedent. This information is subject to change at any time. If a member of the public wishes to request a binding decision, they must file a Petition for Declaratory Order pursuant to Iowa Administrative Code rule 701—7.24.

## Who Must File?

You must file an Iowa return if... you were a resident or part-year resident of Iowa in 2023 and meet any of the following requirements. Nonresidents, see items f. and g.

In meeting the filing requirements below, you must add back to Iowa taxable income reported on IA 1040, line 4:

- any amount of itemized or standard deduction from federal form 1040, line 12 (only add back the amount that does not exceed your federal adjusted gross income on federal form 1040, line 11)
- any amount of personal exemption deduction allowed for federal purposes (\$0 for 2023)
- any amount of QBI deduction from federal form 1040, line 13
- any amount of lump sum distribution separately taxed on federal form 4972, and
- any Iowa net operating loss carryforward

### Note to married couples:

Incomes of both spouses must be included when determining who must file.

- a. You had Iowa taxable income including the additions above of more than \$9,000 and your filing status is single or married filing separately. (\$24,000 if 65 or older on 12/31/23)
- b. You had Iowa taxable income including the additions above of more than \$13,500 and your filing status is other than single or married filing separately. (\$32,000 if you or your spouse is 65 or older on 12/31/23)
- c. You were claimed as a dependent on another person's Iowa return and had Iowa taxable income of \$5,000 or more.
- d. You were in the military service with Iowa shown as your legal residence even though stationed outside of Iowa unless you are below the income thresholds above. For information about military spouses, see Tax Responsibilities of Military Personnel.
- e. You were subject to Iowa lump-sum tax.
- f. You were a nonresident or part-year resident and your Iowa-source net income IA 126, line 25, (pdf) was \$1,000 or more, unless below the income thresholds above. In the case of married nonresidents, the spouses' combined income is used to determine if their income is high enough to require them to file an Iowa return. To understand "Iowa-source income," see the instructions for IA 126, lines 1 through 25. Common examples of Iowa-source income include:
  - Wages earned in Iowa
  - Income from Iowa property
    - Rental income
    - Capital gain on the sale of property
    - Farming income from Iowa farmland activities and land rent
  - Self-employment income earned while working in Iowa
  - Iowa unemployment benefits
  - Iowa gambling winnings
  - Income from an IA K-1 issued by pass-through entities, such as partnerships and S-corporations
- g. You were a nonresident or part-year resident and subject to Iowa lump-sum tax (even if Iowa-source net income is less than \$1,000).

**NOTE: If you do not meet any of the above requirements but you had Iowa tax withheld and you wish to receive a refund, you must file an Iowa return.**

# Step 1

## Before You Begin

### Step: 1

#### Step Subject: Name and Address

Make sure you have received all W-2s, 1099s, and other tax documents needed to prepare your return.

**Important:** Enter your Social Security Number(s) in the appropriate boxes on the form. Otherwise, we may be unable to process your return.

The Iowa Department of Revenue may require proof of any item listed on a return or schedule.

## Filing Period

If your filing period is other than calendar year 2023, enter the beginning and ending dates of your fiscal tax year on the line provided above the name and address boxes on the return.

## Name and Mailing Address

Enter your name and current mailing address on the tax return. If using a foreign mailing address, in place of the domestic city, state, ZIP, include the foreign city, country, and postal code.

Provide the Department with your updated address if you move after your return is filed. Send an email to [idrrup@iowa.gov](mailto:idrrup@iowa.gov).

**NOTE:** The email address entered will NOT be used to request or provide confidential information without your authorization.

## County

Enter the number of the county you lived in as of December 31, 2023. If you do not know your county number, view a list of districts by county and number.

- Nonresidents and part-year residents who moved out of Iowa before December 31, 2023, should enter "00" as your county number.
- Part-year residents who moved into Iowa should enter the number of the Iowa county in which you lived on December 31, 2023.
- Military personnel should enter the county number of their Iowa residence, even if the service member is not physically present in Iowa on the last day of the tax year.

## School District Number

Enter the district in which you lived on December 31, 2023. View a list of districts by county and number. This is not necessarily the district where your children attended school. Even if you do not have children, you must enter this number.

Other possible resources to identify your school district information include:

- Your voter registration card
- Search "school surtax" from the Iowa Tax Mapper
- Your county assessor's website

## Nonresidents, Part-Year Residents, and Military Personnel

- Nonresidents: Those who did not live in Iowa at all during 2023 should enter "0000" for the school district number. You are not subject to school district surtax on line 19.

- Part-year residents who moved into Iowa should enter the Iowa school district in which you lived on the last day of 2023. You may be subject to school district surtax on line 19.
- Part-year residents who moved out of Iowa before December 31, 2023, should enter "9999." You are not subject to school district surtax on line 19.
- Military personnel should enter the school district number of their Iowa residence, even if the service member is not physically present in Iowa on the last day of the tax year. You may be subject to school district surtax on line 19.

## Foreign Currency

Taxpayers who are paid in foreign currency must convert the currency to U.S. dollars as required for federal tax purposes.

## All Dollar Amounts Should be Rounded to the Nearest Cent

A new requirement beginning this year is for all dollar amounts to be rounded to the nearest cent. This is also applicable to the calculation of the amount of tax due which is based upon the use of tax rate schedules. You can round to whole dollars on the IA 1040 lines 1 and 2 as allowed for federal purposes, information on these lines should match your federal return exactly.

## Step 2

### Filing Status

**Step: 2**

**Step Subject:** Filing Status

Your filing status on the Iowa return is the same filing status as on your federal return.

#### Status 1. Single

Check filing status 1 if you used the single filing status on your federal return. All single filers must answer the question, "Were you claimed as a dependent on another person's Iowa return?"

If this question is not answered, you will be taxed as a dependent.

#### Status 2. Married Filing Jointly

Check filing status 2 if you used the married filing jointly status on your federal return.. Use the same filing status as your federal return, even if only one spouse had income from Iowa sources. Both spouses must sign the return.

#### Joint and several liability

Both spouses are jointly and severally liable for the total tax due on the return, except when one spouse is eligible for relief from joint and several liability under criteria established pursuant to section 6015 of the Internal Revenue Code.

#### Spouse with debts

If a spouse has outstanding debt that may be automatically paid (setoff) with your refund, be sure to read our Refunds May Be Used to Pay Debt information.

### **Status 3. Married Filing Separately**

Check filing status 3 if you and your spouse filed separate federal tax returns. Use the same filing status as your federal return, even if only one spouse had income from Iowa sources. Write your spouse's name and Social Security Number in the spaces provided at the top of the return in Step 1 and net income (as determined on line 1g of the Alternate Tax Worksheet, 41-145) in the space provided at the top of the return in Step 2. The processing of refunds, alternate tax calculations, and low-income exemptions will be delayed without this information or supporting schedules.

Taxpayers using filing status 3 may have to prorate (divide) certain items between them on the return. This information is included with instructions for each line of the return.

Married taxpayers using filing status 3 must use the combined income of both spouses in determining eligibility for exemption from tax.

If either spouse has a net operating loss that is carried back or forward, then the other spouse cannot use the low-income exemption. If the spouse with the net operating loss chooses not to carry the loss back or forward, then the other can claim the low-income exemption. A statement must be attached to the return saying that the spouse with the net operating loss will not carry it back or forward.

### **Status 4. Head of Household**

Check filing status 4 if you are filing as head of household for federal income tax purposes. If you have a qualifying person (as defined by the Internal Revenue Service) living with you who you did not claim as a dependent on this return, enter the person's name and Social Security Number in Step 3.

### **Status 5. Qualifying Surviving Spouse**

Check filing status 5 if you meet the federal filing requirements for qualifying surviving spouse. Enter the dependent's information in Step 3.

## **Step 3**

### **Exemption Credits**

**Step:** 3

**Step Subject:** Exemption Credits

#### **a. Personal Credit**

If you are filing single (status 1), married filing separately (status 3), or qualifying surviving spouse (status 5), enter 1 in the Personal Credit space.

If you are filing married filing jointly (status 2) or head of household (status 4), you are eligible for an extra credit and should enter 2 in the Personal Credit space.

Add the number of personal credits and multiply by \$40. Enter this amount on the \$ line.

Note to dependents filing their own returns:

You may claim a \$40 personal exemption credit even if you are claimed as a dependent on another person's Iowa return.



### **b. Additional Personal Credit: 65 or older or blind**

If you were 65 or older on or before January 1, 2024, you may take an additional personal credit.

If your spouse was 65 or older on or before January 1, 2024, and you are filing a joint return (status 2), you may take an additional personal credit for your spouse.

If you were blind on December 31, 2023, you may take an additional personal credit.

If your spouse was blind on December 31, 2023, and you are filing a joint return (status 2), you may take an additional personal credit for your spouse.

Add the number of credits for 65 or older and blind and multiply by \$20. Enter this amount on the \$ line.

### **c. Dependents: Consult IRS Publication 17 to learn who qualifies as a dependent.**

Enter the number of dependent children and other dependents you are claiming for federal income tax purposes. Add the number of dependent credits and multiply by \$40. Enter this amount on the \$ line.

Federal tax law determines whether or not a person is a dependent. Consult IRS Publication 17 to learn who qualifies as a dependent. The IRS has guidelines that also determine which parent/guardian can claim a dependent when separate returns are filed (such as in the case of divorced parents). The Iowa tax law follows federal guidelines.

### **d. Total**

Add the dollar amounts and enter on Step 3, line d and on line 8.

### **Dependent(s)**

Enter the first name, last name, social security number, and relationship to you for each dependent claimed on the tax return. If you have more than three dependents, include a separate page listing any additional dependents with this return.

### **Married Separate Filers:**

You must report the same dependents you claimed on your federal income tax return.

## **Step 4**

### **Reportable Social Security Benefits**

#### **Step: 4**

#### **Step Subject:** Reportable Social Security Benefits

Iowa does not tax Social Security benefits. While Social Security benefits are excluded from income when computing tax, some Social Security benefits are included as income in determining whether a taxpayer qualifies for the health insurance deduction.

1. Enter the amount from Box 5 of form(s) SSA-1099. If you filed a joint federal return, enter the totals for both spouses. Do not include Railroad Retirement benefits from form RRB-1099 here.	1.	
2. Enter one-half of line 1 amount	2.	
3. Add amounts from the federal form 1040 on lines 1z, 2b, 3b, 4b, 5b, 7 and 8	3.	

4. Add one-half of Railroad Retirement Net Social Security Equivalent benefits from Box 5 of RRB-1099*	4.	
5. Add any depreciation and section 179 adjustment from IA 1040 Schedule 1, line 9 and all other Iowa nonconformity adjustments to compute correct amount	5.	
6. Enter the amount from your federal 1040, line 2a	6.	
7. Add lines 2 through 6	7.	
8. Enter total adjustments from federal form 1040, Schedule 1, lines 11 through 20, line 23, plus the total other adjustments reported on line 25	8.	
9. Subtract line 8 from line 7	9.	
10. Enter one of the following amounts based on the federal filing status used on form 1040 <ul style="list-style-type: none"> <li>● Single, head of household, qualifying surviving spouse: enter \$25,000</li> <li>● Married filing jointly: enter \$32,000</li> <li>● Married filing separately: enter -0- if you lived with your spouse at any time in 2023 or \$25,000 if you did not live with your spouse at any time in 2023</li> </ul>	10.	
11. Subtract line 10 from line 9. If zero or less, enter -0- If line 11 is zero, stop here. None of the Social Security benefits are reportable. If line 11 is more than zero, go to line 12	11.	
12. Enter one-half of line 11	12.	
13. Iowa Reportable Social Security benefits: Enter the smaller of line 2 or line 12	13.	

**\* Notes: Depreciation / Section 179 / and All Other Iowa Taxable Income Nonconformity with Federal Tax Rules**

Iowa taxpayers who received Social Security benefits in 2023 and claimed depreciation / section 179 on their federal returns or have other Iowa taxable income nonconformity may have to recompute their reportable benefits on the worksheet. For other Iowa nonconformity adjustments see Schedule 1.

Those who need to recompute the reportable Social Security benefits should add the adjustment from line 5 of Schedule IA 4562A and all other Iowa taxable income nonconformity to the other amounts shown on line 5 of the Social Security Worksheet from the federal return and the RRB-1099. The rest of the form is then completed with the amounts normally used to complete the worksheet from the federal 1040.

**Include the following incomes or adjustments to income on line 5 if applicable.**

(These were excluded from federal AGI):

- foreign-earned income
- income excluded by residents of Puerto Rico or American Samoa
- proceeds from Savings Bonds used for higher education and
- employer-provided adoption benefits.

**Railroad Retirement Benefits**

Although Railroad Retirement benefits are not taxable, one-half of the Net Social Security Equivalent Benefits from Box 5 of the RRB-1099 received must be used to determine the amount of Social Security benefits that are reportable to Iowa.

**Interest from Federal Securities**

For purposes of determining reportable Social Security benefits, you must also include interest from federal securities.

## Federal Total Income

**Line:** 1

**Step:** 4

**Step Subject:** Taxable Income

Enter federal total income as reported on federal 1040, line 9. This information may be needed for taxpayers who claim the nonresident and part-year resident credit (IA 126) or the out-of-state tax credit (IA 130).

If you were not required to file a federal return you must enter on line 1 the amount that would have been reported on federal 1040, line 9, if a return was required to be filed.

## Federal Taxable Income

**Line:** 2

**Step:** 4

**Step Subject:** Taxable Income

Enter your federal taxable income as reported on Federal 1040, line 15.

If you were not required to file a federal return you must enter on line 2 the amount that would have been reported on federal 1040, line 15, if a return was required to be filed.

## Net Iowa Modifications

**Line:** 3

**Step:** 4

**Step Subject:** Taxable Income

Enter amount from IA 1040, Schedule 1, Line 22

### Schedule 1

Schedule 1 is used to report Iowa adjustments to federal taxable income. Amounts should only be reported if there is a difference between the federal and Iowa reportable amounts. Column A should be used to report additions to federal taxable income and Column B should be used to report subtractions from federal taxable income. Report all amounts as a positive number. Report all amounts on Lines 1-12 and 14-20 (Column A or B) as a positive number. If Lines 13, 21, or 22 are negative, enter as negative on the IA 1040, Line 3.

## Iowa Taxable Income

**Line:** 4

**Step:** 4

**Step Subject:** Taxable Income

Add lines 2 and 3.

**Check the box if** using low-income exemption, alternate tax, or tax reduction. When calculating income for the low-income exemption, the following income must be included:

- a. The incomes of both spouses must be combined to determine if you meet this exemption from tax.
- b. The federal itemized or standard deduction from federal form 1040, line 12 (only include the amount that does not exceed your federal adjusted gross income on federal form 1040, line 11).
- c. Personal exemption deduction allowed for federal purposes (\$0 for 2023).

- d. Qualified business income deduction allowed for federal purposes.
- e. Net operating loss carryover from IA 1040 Schedule 1, line 17b.
- f. Any amount of lump-sum distribution separately taxed on federal form 4972.

**Filing status 1, Single:** If you are using filing status 1 (single), you are exempt from Iowa tax if you meet either of the following conditions:

- a. Your Iowa taxable income from all sources, IA 1040, line 4, is \$9,000 or less and you are not claimed as a dependent on another person's Iowa tax return. (\$24,000 if you are 65 or older on 12/31/23)
- b. Your Iowa taxable income from all sources, IA 1040, line 4, is less than \$5,000 and you are claimed as a dependent on another person's Iowa return. For purposes of this condition, none of the income listed above is required to be added back to the Iowa taxable income.

**Filing status 3, Married Filing Separately:** If you are using filing status 3 (married filing separately), you are exempt from Iowa tax if you meet all of the following conditions:

- a. Your Iowa taxable income from all sources, IA 1040, line 4, with the additions above, is \$9,000 or less.
- b. You and your spouse's combined Iowa taxable income from all sources, IA 1040, line 4, with the additions above, is \$13,500 or less.
- c. You are not claimed as a dependent on another person's Iowa return.

**All other filing statuses:** If you are married filing jointly, head of household, or qualifying surviving spouse, you are exempt from Iowa tax if you meet both of the following conditions:

- 1. Your Iowa taxable income from all sources, IA 1040 line 4, is \$13,500 or less (\$32,000 if you or your spouse was 65 or older on 12/31/23).
- 2. You are not claimed as a dependent on another person's Iowa return.

**Nonresidents and Part-Year Residents:** In addition to the exemption provisions above, if you were a nonresident or part-year resident and had Iowa source net income of less than \$1,000 (see note below) you are exempt from Iowa tax. For a description of "Iowa-source income", see the instructions for the IA 126, lines 1 through 26. If you had Iowa taxes withheld and are requesting a refund, or choose to file an Iowa return even though you aren't required to do so, you must complete the entire IA 1040 and the entire IA 126.

**Note:** If you were a nonresident or part-year resident and subject to Iowa lump-sum tax (even if Iowa-source income is less than \$1,000), you are required to file an Iowa return reporting the lump-sum tax even if you have no regular Iowa income tax liability.

## Illinois Residents

See reciprocal agreement.

## Military Spouses

See Tax Responsibilities of Servicemembers and their Spouses

## Married Separate Filers:

Married taxpayers filing married filing separately must use the combined income of both spouses in determining eligibility for exemption from tax.

If either spouse has a net operating loss that is carried forward, then the other spouse cannot use the low income exemption. If the spouse with the net operating loss chooses not to carry the loss forward, then the other can claim the low income exemption. A statement must be included with the return saying that the spouse with the net operating loss will not carry it forward.

## Step 5

### Iowa Tax

Line: 5

Step: 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contributions

#### Iowa tax from tax rate schedule or alternate tax

Tax from tax rate schedule: Use the Tax Calculation Worksheet (41-026) or the 2023 IA 1040 Tax Calculator.

Alternate tax calculation: You may owe less tax by completing the worksheet below. All filing statuses except filing status 1, Single, may qualify for the Iowa alternate tax computation. Single taxpayers may be eligible for the Iowa income tax reduction; see Iowa Income Tax Reduction Worksheet.

If you are using alternate tax calculation on IA 1040 in lieu of the tax rate calculation, check the box in IA 1040, Step 5.

Special instructions for filing status 3, Married filing separately:

- The combined Iowa taxable incomes of both spouses must be used.
- The alternate tax between spouses must be prorated in the ratio of the Iowa taxable income of each spouse to the combined Iowa taxable income of both spouses using lines 7-11.
- If you are married filing separately and one spouse has a net operating loss that will be carried forward, then you cannot use the alternate tax computation. If the spouse with the net operating loss elects not to carry the net operating loss forward, then you can use the alternate tax computation.
- If you do not provide the other spouse's income on the IA 1040, Step 2, you will not be allowed to use the alternate tax calculation.

1. Enter:

- a. Iowa taxable income from IA 1040, line 4
- b. Itemized/standard deduction from federal form 1040, line 12
- c. Personal exemption deduction allowed for federal purposes (\$0 for 2023)
- d. QBI deduction from federal form 1040, line 13
- e. Net operating loss carryover from IA 1040 Schedule 1, line 17, column B
- f. Lump-Sum distributions of taxable income reported on federal form 4972, line 8
- g. Add lines a through f

Total of line g, columns A and B

2. Enter \$13,500 (\$32,000 if you or your spouse was 65 or older on 12/31/23)
3. Income subject to alternate tax calculation. Subtract line 2 from line 1
4. Multiply line 3 by 6% (.06)
5. Using the tax tables, determine the tax on the taxable income from the IA 1040, line 5.  
(Status 3 filers: Calculate tax separately and combine the amounts)
6. Compare the amounts on line 4 and line 5. Enter the smaller amount. If using filing statuses 2, 4, and 5, also enter on IA 1040, line 5. If using filing status 3 and line 4 is less than line 5, continue to line 7. If using status 3 and line 5 is less than line 4, then enter each spouse's tax from the tax rate schedule on IA 1040, line 5. 6



7. Taxable income of both spouses from line 1g above
8. Total adjusted Iowa taxable income, add lines 7a and 7b
9. Divide the amount on line 7a by the amount of line 8. Enter to the nearest tenth of a percent
10. Multiply line 6 by the percentage on line 9. Enter here and on IA 1040, line 5
11. Subtract line 10 from line 6. Enter here and on IA 1040, line 5 of your spouse's return

## Iowa Lump-Sum Tax

**Line:** 6

**Step:** 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contributions

A lump-sum distribution occurs when, in one tax year, you receive the total balance from a pension or profit-sharing plan of an employer due to termination of employment, termination of the plan, or death of the employee.

Iowa lump-sum tax applies only if federal form 4972 was used to compute the federal tax on any portion of the lump-sum distribution. If there is no federal lump-sum tax, then there is no Iowa lump-sum tax.

### Iowa Residents:

Enter 25% of the federal tax from federal form 4972 on the IA 1040, line 6. Include federal form 4972.

### Part-Year Residents:

If a lump-sum distribution reported on federal form 4972 was received while an Iowa resident, 25% of the federal tax from form 4972 must be entered on line 6. Part-year residents who receive a lump-sum distribution while not an Iowa resident are not subject to Iowa lump-sum tax on that distribution. A copy of the federal form 4972 must be included.

### Nonresidents:

Nonresidents receiving lump-sum distributions are not subject to Iowa lump-sum tax.

### Married Separate Filers:

Lump-sum tax is reported by the spouse who received the distribution.

## Total Tax

**Line:** 7

**Step:** 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contributions

Add lines 5 and 6.

Taxpayers who had a distressed sale in 2023 and have included the gain in Iowa taxable income may be eligible to limit their tax to their net worth immediately prior to the distressed sale. If you qualify, limit the amount on line 7 to your net worth before the distressed sale and include an Iowa Income Tax Balance Sheet / Statement of Net Worth (form IA 6251B).

Iowa's alternative minimum tax has been repealed. The alternative minimum tax credit carried forward from a previous year may be applied to this return, repealed on January 1, 2024 and cannot be carried forward to a future tax year.

## Total Exemption Credit

**Line:** 8

**Step:** 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contributions

Enter the total exemption credit amount from IA 1040, Step 3, line d.

## Tuition and Textbook Credit (K-12 Only)

**Line:** 9

**Step:** 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contributions

Taxpayers who have one or more dependents receiving private instruction in Iowa, as defined in section 422.12 (also referred to as homeschooling), or attending kindergarten through 12th grade in an accredited Iowa school (under section 256.11, not operated for a profit, and adheres to the provisions of the U.S. Civil Rights Act of 1964) may take a credit for each dependent for amounts paid for tuition and textbooks.

**Note:** Purchases made from Students First Educational Savings Account (ESA) funds authorized under Iowa Code section 257.11B are not eligible for the tuition and textbook credit.

The credit amount is 25% of the first \$2,000 of qualifying expenses paid for each dependent's tuition and textbooks. In the case of divorced or separated parents, only the spouse claiming the dependent can claim the amounts paid by that spouse for that dependent's tuition and textbooks. Qualifying expenses paid with 529 account distributions may qualify for the tuition and textbook credit.

### Calculating the Credit

Calculate the proper amount of expenses per dependent, not to exceed \$2,000, and multiply the amount by 25% (.25).

Keep records of your calculation, showing the name of each dependent, school(s) attended or qualifications for private instruction, and an itemized list of qualifying expenses.

Enter the total allowable credit on IA 1040, line 9.

Example: Students Karlee and Kurt have qualifying expenses of \$2,400 and \$1,700 respectively. Their parents can take a credit of \$500 (25% of \$2,000 maximum) for Karlee and \$425 (25% of \$1,700) for Kurt, for a total credit of \$925.

Example: Student Stephen received Students First ESA funds of \$7,635 in tax year 2023. Stephen's parents paid total tuition to an accredited private school in Iowa of \$9,000 for the tax year. They cannot claim a credit for the \$7,635 in tuition expenses paid with ESA funds. They may claim a credit of \$341.25 (25% of \$1,365) for the \$1,365 in out-of-pocket tuition expenses.

### Divorced or separated parents

Only the parent claiming the dependent can claim the amounts paid by that parent for that dependent's tuition and textbooks.

## Married Separate Filers:

This credit must be taken by the spouse claiming the dependent. Any unused part of this credit cannot be used by the other spouse.

## Eligible & Ineligible Expenditures for the Iowa Tuition and Textbook Tax Credit

Expense	Eligible Expenditures	Ineligible Expenditures
Tuition	Tuition for any K-12 school that is accredited or for competent private instruction as defined in Iowa Code section 299A.2.	Any amount for food, lodging, or clothing or amounts paid relating to the teaching of religious tenets, doctrines or worship; amounts for tutoring not paid to a school
Textbooks and Publications	Textbooks and other instructional materials used in teaching subjects legally and commonly taught in Iowa's public elementary and secondary schools, including those needed for extracurricular activities (including fees for required textbooks and supplies); computers, if required	Yearbooks or annuals; textbook fines
Required Materials and Supplies Other Than Textbooks	Pocket folders, spiral notebooks, pens, pencils, backpacks, rulers, calculators, flash drives and other items on a required supply list issued by the dependent's school	Items on a supply list that are optional
Clothing	Rental or purchase of "non-street" costumes for a play or special clothing for a concert not suitable for everyday wear; rental of prom dresses and tuxedos	Clothes which can be used for street wear, such as T-shirts for extracurricular events; clothing for a play or concert that is suitable for everyday wear; purchase of prom dresses and tuxedos
Driver's Education	Fees paid for driver's education	
Dues, Fees and Admissions	Annual school fees; fees or dues paid for extracurricular activities; booster club dues (for dependent only); fees for athletics; activity ticket or admission for K-12 school or private instruction-related athletic, academic, music, or dramatic events and awards banquets or buffets; fees for a physical education event such as roller skating; advanced placement fees if paid to high school or private instructor; fees for homecoming, winter formal, prom, or similar events; fees required to park at the school and paid to the school	Sports-related socials; special education programs like career conferences; special testing like SAT, PSAT, ACT and Iowa talent search tests; fees paid to K-12 schools for college credit or special programs at colleges and universities; advanced placement fees if paid to a college or a university; parking fines
Materials for Extracurricular Activities	Materials for extracurricular activities, such as sporting events, speech activities, musical or dramatic events, awards banquets, homecoming, prom, and other school or private instruction-related social events	Class rings
Music	Rental of musical instruments for school or private instruction-related band; music / instrument lessons at a school or as part of private instruction; sheet music used in a school or as part of private instruction; music books and materials used in school or private instruction-related bands or	Purchase of musical instruments (including rent-to-own contracts); sheet music for private use

	orchestras for maintenance of instruments, including reeds, strings, picks, grease, and other consumables	
Religion	-----	Amounts paid are not allowed if they relate to teaching of religious tenets, doctrines, or worship
Shoes	Football, soccer, and golf shoes; other shoes with cleats or spikes not suitable for street wear for teams associated with the school or private instruction	Basketball shoes and other shoes suitable for everyday wear
Supplies for Industrial Arts, Home Economics or Equivalent Classes	Cost of required basic materials for classes such as shop class, mechanics class, agricultural class, home economics class, or equivalent classes	Optional expenditures or materials used for personal projects of the dependents or for family benefit
Travel	Fees for transportation to and from school if paid to the school or private instructor; fees for field trips if the trip is during school hours	Travel expenses for overnight trips which involve payment for meals and lodging
Uniforms	School or private instruction-associated band and athletic uniforms	-----

## Volunteer Firefighter and Emergency Medical Services Personnel and Reserve Peace Officer Tax Credit

**Line:** 10

**Step:** 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contributions

The Volunteer Firefighter, Volunteer EMS Personnel, and Reserve Peace Officer Tax Credit is available for volunteer firefighters, volunteer EMS personnel, and volunteer reserve peace officers. In order to qualify for the credits, the taxpayer must meet the conditions listed below.

### Qualifying Conditions

#### For Volunteer Firefighters:

- Must be an active member of an organized volunteer fire department in Iowa.
- Must meet the minimum training standards established by the Fire Service Training Bureau, a division of the Iowa Department of Health and Human Services.
- A paid firefighter who volunteers for another fire department is eligible for the credit.
- A person who volunteers as a firefighter, for a fire department by which they are employed, is eligible for the credit if they are employed in a capacity other than as a firefighter.

#### For Volunteer Emergency Medical Services Personnel:

- Must be trained to provide emergency medical care, certified as a first responder, and must have received a certificate by the Iowa Department of Health and Human Services.
- A paid EMS personnel member who volunteers for another department is eligible for the credit.
- A person who volunteers as an EMS personnel member, for a department by which they are employed, is eligible for the credit if they are employed in a capacity other than as an EMS personnel member.

#### For Reserve Peace Officers:

- Must be a volunteer, non-regular, sworn member of a law enforcement agency who serves with or without compensation, has regular police powers while functioning as a law enforcement agency's

representative, and participates on a regular basis in the law enforcement agency’s activities including crime prevention and control, preservation of the peace, and enforcement of the law.

- Must have met the minimum training standards established by the Iowa Law Enforcement Academy.
- A person who volunteers as a reserve peace officer, for a department by which they are employed, is eligible for the credit if they are employed in a capacity other than as a peace officer.

### Amount of the Tax Credit

The tax credit equals \$250 if the volunteer serves for the entire calendar year. If the volunteer does not serve the entire year, the \$250 credit will be prorated based on the number of months that the volunteer served, rounded to the nearest dollar. If the volunteer served for a portion of a month, that will be considered as an entire month. The table below provides the qualifying amount of tax credit by months of service for the year.

Number of Months of Service	Amount of Tax Credit	Number of Months of Service	Amount of Tax Credit
1	\$21	7	\$146
2	\$42	8	\$167
3	\$63	9	\$188
4	\$83	10	\$208
5	\$104	11	\$229
6	\$125	12	\$250

If an individual serves in more than one position at the same time as a volunteer firefighter, volunteer EMS personnel, and/or reserve peace officer, the credit can only be claimed for one volunteer position.

### Written Statement Requirements

Taxpayers claiming the tax credit are required to have a written statement from the fire chief, the chief of police, sheriff, commissioner of public safety, or other appropriate supervisor verifying that the individual was a volunteer for the number of months that are being claimed. These letters do not have to be included with a filed return, but must be produced by the taxpayer upon request by the Iowa Department of Revenue. It is recommended that the statement contain the following information: Volunteer Name, Fire Department or EMS Service Name or Police Department, Number of Months of Service for the Year, Amount of Qualifying Credit, and the Name, Title, and Signature of the official authorizing the credit.

### Recordkeeping Recommendations

It is recommended that volunteer fire departments, EMS services, or police departments maintain a record of the letters that are authorized in the event that the Department requests a list of authorized credit recipients. It is recommended that these lists be kept for at least 10 years.



### **Married Separate Filers:**

This credit must be taken by the spouse who qualifies. Any unused part of this credit cannot be used by the other spouse.

## **Total Credits**

**Line:** 11

**Step:** 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contributions

Add lines 8, 9, and 10.

## **Balance**

**Line:** 12

**Step:** 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contributions

Subtract line 11 from line 7. If less than zero, enter zero.

## **Tax Reduction**

Single taxpayers may be eligible for the Iowa income tax reduction; see Income Tax Reduction Worksheet (41-146).

## **Credit for Nonresident or Part-Year Resident**

**Line:** 13

**Step:** 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contributions

### **Nonresidents or Part-Year Residents:**

A nonresident or part-year resident of Iowa must complete the IA 1040, lines 1 through 12 prior to completing the IA 126. The nonresident or part-year resident then completes a Schedule IA 126. On the IA 126, only Iowa income is reported and a percentage of Iowa income to total income is determined. The taxpayer receives a credit against the initial tax liability based on the percentage of income from outside Iowa. Therefore, the result of this credit is that only Iowa-source income is taxed.

NOTE: The Iowa income percentage is rounded to the nearest ten-thousandth of a percent in accordance with Iowa Administrative Code rule 701—304.5. The final credit from this form is used to reduce the total tax on your IA 1040.

Although non-Iowa income is used to calculate the initial tax liability at the appropriate tax rate, the non-Iowa income itself is not subject to tax. By using this method, Iowa taxes the Iowa-source income of nonresidents and part-year residents at the same rate it taxes Iowa residents. Iowa, like many states and the federal government, uses a graduated tax rate system based on level of income.

A nonresident of Iowa with all-source income of \$250,000 and \$10,000 of Iowa income, will use the same tax rate as an Iowa resident with \$250,000 of income to calculate their initial tax liability, rather than using the same tax rate as an Iowa resident with \$10,000 of total income.

Enter the amount of your nonresident or part-year resident tax credit from Schedule IA 126, line 32. A copy of Schedule IA 126 and a copy of your federal return must be included.

## **General instructions for completing the IA 126:**

### **Part-Year Iowa Residents:**

Iowa-source net income includes all income received while living in Iowa plus any Iowa-source income received while a nonresident.

**Part-Year Resident Example:** Michael lived and worked in Iowa the first six months of the tax year. In addition to Michael's wages, Michael received interest income from an Iowa bank. Michael then permanently moved to Missouri, where Michael was employed for the rest of the year. Michael continued to receive interest income from the Iowa bank.

Michael's IA 1040, line 1, will report all of the income from both states as all-source income. On the IA 126, Michael will report the wages and interest income earned while an Iowa resident as Iowa-source income. The interest income earned the last half of the year is not considered Iowa-source income since Michael was no longer an Iowa resident.

### **Nonresidents:**

Iowa-source net income will include all income from Iowa sources. Complete IA 126, lines 1 through 13 using only income from Iowa sources.

**Nonresident Example 1:** Nick is a resident of Nebraska and works in Iowa. Nick's income includes wages earned in Iowa and interest income from a Nebraska bank. Nick will report the wages and interest on the IA 1040 as all-source income. Nick will list only the Iowa wages on the IA 126 as Iowa-source income.

Iowa has a reciprocal agreement with Illinois, which means that wages and salaries are taxed by the individual's state of residence. All income received from other Iowa sources (gambling, unemployment, etc.) is taxable to Iowa regardless of the person's state of residence.

**Nonresident Example 2:** Tiana is a resident of Illinois. Tiana earned \$25,000 in wages from Iowa and won \$5,000 at an Iowa casino. Tiana will report income from all sources on the IA 1040. Only the gambling winnings will be reported on the IA 126 as Tiana's Iowa-source income.

**Full-Year Residents** (married jointly filers check the corresponding box if one spouse is a full-year Iowa resident)

For married taxpayers, if one spouse is a full year Iowa resident, the full year Iowa resident must include all of that spouse's income from the IA 1040.

### **Married Separate Filers:**

Divide your Iowa income between spouses using the instructions on each line of the IA 126 below for married separate filers.

## **1. Wages, Salaries, Tips, Etc.**

### **Part-year residents:**

Include all W-2 income earned or received while an Iowa resident, even if it was earned in another state, and any income for services performed in Iowa while a nonresident of the state. If it was earned in another state, you may also need to fill out the IA 130 (pdf) if you pay tax to the other state or local jurisdiction in another state. You will need to check with that state for their filing requirements.

### **Nonresidents:**

Report only Iowa-source income. If the portion of employee compensation earned in Iowa by a nonresident is not reported separately, allocate the compensation based upon the number of days worked in Iowa to total work days.

Severance pay and vacation pay from Iowa employment are Iowa-source income even if the pay was received after leaving Iowa.

**Note to nonresident military taxpayer:**

As a result of federal legislation, the nonresident military taxpayer does not include military pay on the IA 126, line 1 (nor is it reported on the IA 1040). In general, this applies to active duty military and does not include the National Guard or reserve personnel.

Military spouses, please see Iowa Tax Responsibilities of Servicemembers and Their Spouses.

**Married Separate Filers:**

W-2 income is reported by the spouse earning the income.

## 2. Taxable Interest Income

**Part-year residents:**

Report all interest shown on the IA 1040 that accrued while an Iowa resident and any interest received while a nonresident which was derived from a trade, business, or profession carried on within Iowa. Interest earned from an Iowa bank account is only considered Iowa-source income while the taxpayer is an Iowa resident.

**Nonresidents:**

Report only the interest derived from an Iowa trade, business, or profession.

**Married Separate Filers:**

Divide interest income based on ownership of the account or certificate.

- Jointly held: Divide equally between spouses.
- Held in the name of only one spouse: Allocate interest wholly to that spouse.

## 3. Dividend Income

**Part-year residents:**

Report all dividends received while an Iowa resident and any dividends derived from an Iowa trade, business, or profession while a nonresident.

**Nonresidents:**

Report the dividends derived from an Iowa trade, business, or profession.

**Married Separate Filers:**

Divide dividends based on registered ownership of stock.

- Jointly held: Divide equally.
- Held in the name of only one spouse: Allocate dividends wholly to that spouse.

## 4. Alimony Received

**Part-year residents:**

Report all taxable alimony or separate maintenance payments received while an Iowa resident.

**Nonresidents:**

Do not enter anything on this line.

**Married Separate Filers:**

Reported by the spouse who received the alimony.

## 5. Business Income or Loss

### Part-year residents:

From the total business income or loss shown on the federal Schedule 1, line 3, report the amount earned while an Iowa resident, and report any portion of the total business income or loss earned while a nonresident using the instructions for nonresidents given below.

### Nonresidents:

Report the portion of business income or loss attributable to a trade, business, or profession carried on within Iowa. Include a supporting schedule showing Iowa gross receipts divided by total gross receipts for each business; multiply this ratio times the total net income from the corresponding business. A sale of goods is considered an Iowa sale if goods are delivered or shipped to a point within the state regardless of Freight on Board (F.O.B.) point. A sale of a service is considered an Iowa sale if the recipient of the service receives the benefit of the service in Iowa.

### Married Separate Filers:

Reported by the spouse deriving the income or loss.

## 6. Capital Gain or (Loss)

### Part-year residents:

Include 100% of the capital gain or loss from assets sold while an Iowa resident. In addition, capital gain or loss from assets sold while a nonresident of Iowa should be reported on the basis of the instructions for nonresidents that follow.

### Nonresidents:

Include in Iowa income 100% of capital gain or loss from the following:

- a. Sales of real or tangible personal property if the property was located in Iowa at the time of the sale; or
- b. Sales of intangible personal property if the taxpayer's commercial domicile is in Iowa.

NOTE: You may have a gain here even if you have a net loss on the federal return.

### Married Separate Filers:

Taxpayers who filed separate federal returns should report capital gain or loss as reported for federal tax purposes.

If a joint federal return was filed, each spouse must report capital gain on the basis of ownership of the property sold or exchanged. The combined net capital gain or loss must be the same as reported on the joint federal return.

If a joint federal return was filed and both spouses have capital losses, each spouse may claim up to a \$1,500 capital loss plus any unused portion of their spouse's \$1,500 loss limitation. If both spouses are reporting capital losses, the sum of both spouses' losses may not exceed \$3,000.

## 7. Other Gains or (Losses)

### Part-year residents:

Report 100% of gains or losses from assets sold or exchanged while an Iowa resident and any gains or losses from federal form 4797 while a nonresident if the property was located in Iowa at the time of sale or exchange.

### Nonresidents:

Report any gains or losses from federal form 4797 if the property was located in Iowa.

NOTE: You may have a gain here even if you have a net loss on the federal return.

**Married Separate Filers:**

Divide gains or losses based on ownership of the asset sold or exchanged.

**8. Rents, Royalties, Partnerships, Estates, Trusts, Etc.****Part-year residents:**

Report all income shown on federal Schedule E that was earned or received while an Iowa resident. Also report all rents and royalties from Iowa sources and all Iowa partnership or S corporation income earned or received while a nonresident.

**Nonresidents:**

Report all rents and royalties from Iowa sources and all Iowa partnership or S corporation income. See instructions for allocation of business income on line 5 of this section.

**Married Separate Filers:**

Divide income or loss from Schedule E based upon ownership of the assets or business interest producing the income or loss, or the individual named as beneficiary.

**9. Farm Income or (Loss)****Part-year residents:**

Report all net farm income earned or received while an Iowa resident. Also report all net income from Iowa farm activities while a nonresident using the instructions for nonresidents given below.

**Nonresidents:**

Report the total net income from the Iowa farm activities. If farm activities were conducted both within and without Iowa, provide a separate schedule showing allocation of the income and expenses to Iowa.

**Married Separate Filers:**

Farm income must be reported by the spouse who claims it for self-employment tax purposes on the federal Schedule SE.

If the other spouse claims a share of the farm income, then that spouse must attach a worksheet showing how that share was determined based on capital contribution, management and control, and services rendered.

**10. Unemployment Compensation****Part-year residents:**

Report all unemployment benefits received while an Iowa resident and those benefits received the rest of the year that relate to past employment in Iowa.

**Nonresidents:**

Report the unemployment benefits that relate to employment in Iowa. If the unemployment benefits relate to employment in Iowa and employment in another state, report the benefits to Iowa on the basis of the Iowa salaries and wages to the total salary and wages.

**Married Separate Filers:**

If both spouses received unemployment benefits, each of the spouses should report the benefits received as shown on the 1099-G(s) for each spouse.



## 11. Gambling Winnings

### Part-year residents:

Report any gambling winnings that were received while an Iowa resident or winnings from Iowa sources while a nonresident.

### Nonresidents:

Report any gambling winnings that were received from Iowa sources.

### Married Separate Filers:

The spouse to whom the income was paid must report that income.

## 12. Other Income

### Part-year residents:

Report any income on the IA 1040, Schedule 1, line 11 which was received while an Iowa resident or income from Iowa sources while a nonresident. This includes any federal nonconformity adjustments including the depreciation/section 179 adjustment from the IA 4562A. This also includes non-exempt pension, annuity, and IRA income received while an Iowa resident.

### Nonresidents:

Report all other income from Iowa sources. This includes the Bonus Depreciation and Section 179 Adjustment attributable to Iowa from the IA 4562A. Where this other income or adjustment relates to income allocated to Iowa on another line of this form, include such other income or adjustments in the same ratio as the income to which it relates was allocated to Iowa.

### Married Separate Filers:

The spouse to whom the income was paid must report that income.

Modifications to partnership and S corporation income are allocated between spouses in the same manner as that income was divided on IA 1040, line 10.

## 13. Iowa source gross income

Add lines 1-12

## 14. Federal total income from IA 1040, line 1

Enter federal total income from IA 1040, line 1

## 15. Iowa modifications to federal total income from IA 1040 Schedule 1, line 13

Enter Iowa modifications to federal total income from IA 1040 Schedule 1, line 13

## 16. Total

Add lines 14 and 15.

## 17. Payments to an Individual Retirement Account (IRA), Keogh, or Simplified Employment Plan (SEP)

### Part-year residents:

Deduct the payments made to an IRA, Keogh, or SEP plan while an Iowa resident. Only enter the Iowa apportioned amount claimed on your federal tax return for payments made to your IRA, Keogh, SEP, SIMPLE, or other qualified plans. Payments made to a Roth IRA are not deductible.

### Nonresidents:

Deduct the payments made to an IRA, Keogh, or SEP plan. Only enter the Iowa apportioned amount claimed on your federal tax return for payments made to your IRA, Keogh Plan, SEP, SIMPLE, or Qualified Plans in the ratio of Iowa earned income to total earned income. Payments made to a Roth IRA are not deductible.

**1. Married Separate Filers:**

If only one spouse has earned income, that individual can contribute up to \$6,000 per year (\$7,000 if 50 or older) to an IRA account of the nonworking spouse and up to \$6,000 per year (\$7,000 if 50 or older) to an IRA account of the individual.

2. When claiming the deduction between spouses, the working spouse will usually claim all of the deduction, not to exceed the federal limits for both spouses. However, if the nonworking spouse has any earned income, then the nonworking spouse must claim the deduction to the extent of their earned income. The working spouse will then claim the balance of the IRA contribution of both spouses.
3. If both spouses earned income and made contributions to an IRA account, each spouse must claim their own contribution, not to exceed \$6,000 per spouse (\$7,000 if 50 or older).
4. If both spouses made contributions to an IRA but only a portion of the contribution is deductible on the federal return, the amount of the IRA deduction that is allowed for federal income tax purposes must be allocated between the spouses in the ratio of the IRA contribution made by each spouse to the total IRA contribution made by both spouses. (Example of how to prorate)
5. For Keogh Plans, SEPs, SIMPLE, or Qualified Plans, each spouse must claim their individual contributions.

## **18. Deductible Part of Self-employment Tax**

**Part-year residents:**

Deduct the portion of the self-employment tax allowed on your federal return that is attributable to the self-employment income earned while an Iowa resident.

**Nonresidents:**

Deduct the portion of the amount allowed on your federal return in the ratio of your Iowa self-employment income to your total self-employment income.

**Married Separate Filers:**

The deduction is allocated in the ratio of self-employment tax paid by each spouse to the total self-employment tax paid. (Examples of how to prorate)

## **19. Health Insurance Deduction for Over 65 Years Old**

Note: This deduction is only available for taxpayers who are 65 years of age or older and whose Iowa taxable income is less than \$100,000.

**Part-year residents:**

Self-employed: Enter the health insurance premiums reported on the Iowa 1040, Schedule 1, line 15, paid by a self-employed individual while an Iowa resident.

Deducted through wages: Enter the health insurance premiums reported on the Iowa 1040, Schedule 1, line 15, that were not withheld from your wages on a pretax basis while an Iowa resident.

Paid directly by the taxpayer: Enter the health insurance premiums reported on the Iowa 1040, Schedule 1, line 15, that you paid while an Iowa resident.

Excess advance premium tax credit repayment: Enter the amount from the federal 1040, Schedule 2, line 2 multiplied by your 2022 Iowa income percentage. If you filed a 2022 IA 126, your 2022 Iowa income percentage is shown on the 2022 IA 126, line 28. If you did not file a 2022 IA 126 because you were a resident of Iowa in 2022, your 2022 Iowa income percentage is 100%. If you did not file a 2022 IA 126 because you were a part-year resident or nonresident with no Iowa-source income in 2022, your 2022 Iowa income percentage is 0%.

**Nonresidents:**

Self-employed: Enter the health insurance premiums reported on the Iowa 1040, Schedule 1, line 15, paid by a self-employed individual multiplied by the ratio of Iowa self-employment income to total self-employment income.

Deducted through wages: Enter the health insurance premiums reported on the Iowa 1040, Schedule 1, line 15, that were not withheld from your wages on a pretax basis multiplied by the ratio of Iowa wages to total wages.

Paid directly by the taxpayer: Multiply the health insurance premiums reported on the Iowa 1040, Schedule 1, line 15, that you paid by the ratio of your Iowa-source net income on the IA 126, line 25 to total net income on the IA 1040, line 4. For this net income calculation, do not include line 19, the health insurance deduction in the above-referenced net income amounts.

Excess advance premium tax credit repayment: Enter the amount from the federal 1040, Schedule 2, line 2 multiplied by your 2022 Iowa income percentage. If you filed a 2022 IA 126, your 2022 Iowa income percentage is shown on the 2022 IA 126, line 28. If you did not file a 2022 IA 126 because you were a resident of Iowa in 2022, your 2022 Iowa income percentage is 100%. If you did not file a 2022 IA 126 because you were a part-year resident or nonresident with no Iowa-source income in 2022, your 2022 Iowa income percentage is 0%.

**Married Separate Filers:**

If one spouse is employed and has health or dental insurance premiums paid through their wages post tax, that spouse will claim the entire deduction. If both spouses pay health or dental insurance premiums through their wages post tax, each spouse will claim what that individual paid.

If both spouses have self-employment income, the deduction for self-employed health or dental insurance must be allocated between the spouses in the ratio of each spouse's self-employment income to the total self-employment income of both spouses.

For taxpayers who are not self-employed, if health or dental insurance premiums are paid directly by one spouse, that spouse will claim the entire deduction. If both spouses paid through a joint checking account, the deduction will be allocated between the spouses in the ratio of each spouse's Iowa-source net income to the total Iowa-source net income of both spouses. For this calculation, do not include line 19, the health or dental insurance deduction. (Examples of how to prorate)

## 20. Penalty on Early Withdrawal of Savings

**Part-year residents:**

Deduct the amount of any penalty you were charged because you withdrew funds from your time savings deposit before its maturity while an Iowa resident. Also report any penalty you were charged while a nonresident using the instructions for nonresidents given below.

**Nonresidents:**

Deduct the amount of any penalty you were charged because you withdrew funds from your time savings deposit, derived from an Iowa trade, business, or profession, before its maturity.

**Married Separate Filers:**

Divide the penalty amount between spouses based upon registered ownership of the time deposit.

- Jointly held: Divide the penalty equally between spouses.
- Held in the name of only one spouse: Allocate the entire penalty to that spouse.

## 21. Alimony Paid

### Part-year residents:

Deduct the amount of alimony allowed for federal purposes while an Iowa resident.

### Nonresidents:

Deduct the amount of alimony allowed for federal purposes in the ratio of Iowa gross income to total gross income.

### Married Separate Filers:

Only the spouse liable for these payments can deduct the amount of alimony allowed for federal purposes.

## 22. Iowa Capital Gain Deduction

Enter 100% of the qualifying capital gain deduction that is attributable to Iowa sources. See the applicable IA 100 for instructions.

### Married Separate Filers:

Divide the capital gain deduction based on ownership of the asset.

- Jointly held: Divide equally between spouses.
- If other than jointly held: Divide between spouses based on percentage of ownership.

## 23. Other Adjustments

Deduct miscellaneous adjustments to income in the same ratio as the income to which the adjustment relates was allocated to Iowa.

### Married Separate Filers:

When the adjustment is attributable to a specific spouse, it is taken on IA126 for that spouse.

When the adjustment is not attributable to any one spouse, it must be prorated on IA 126 for each spouse based on the Iowa-source net income amounts on line 25. Calculate through line 25 as if the adjustment in question were excluded.

If the adjustment is attributable to a dependent, such as the student loan interest deduction, it is prorated based on the Iowa-source net income before the adjustment in question. (Examples of how to prorate)

## 24. Total Adjustments

Add lines 17-23

## 25. Iowa-Source Net Income

Subtract line 24 from line 13 and enter the difference on this line. If line 25 is \$1,000 or more or you are subject to Iowa lump-sum tax, complete lines 26 through 32. If line 25 is less than \$1,000 and you are not subject to Iowa lump sum tax, you are not required to file an Iowa income tax return. Married taxpayers must combine their Iowa income amounts for purposes of the \$1,000 filing threshold. However, if you had Iowa tax withheld and are requesting a refund, or if you choose to file an Iowa return even if you are not required to do so, enter 100% on line 28, complete the remainder of the schedule, and enter the credit amount on IA 1040, line 13.

## 26. All Source Net Income

Subtract line 24, column A from line 16.

## 27. Iowa Income Percentage

Divide line 25 by line 26. Enter percentage rounded to the nearest ten-thousandth of a percent (e.g. 12.3456%). This can be no more than 100.0% and no less than 0.0%

## 28. Nonresident or Part-year resident credit percentage

Subtract the percentage on line 27 from 100.0%.

Enter percentage rounded to nearest ten-thousandth of a percent (e.g. 12.3456%).

## 29. Iowa tax on total income from IA 1040

Enter the amount from IA 1040, line 5.

## 30. Total Credits from IA 1040

Enter the amount from IA 1040, line 11.

## 31. Tax After Credits

Subtract line 30 from line 29.

Single taxpayers (filing status 1) who used the Tax Reduction Worksheet to calculate the amount on IA 1040, line 12 should enter the amount from IA 1040, line 12 on the IA 126, line 31.

## 32. Nonresident or part-year resident credit.

Multiply line 31 by the percentage on line 28. Enter this amount on IA 1040, line 13

## Balance

**Line:** 14

**Step:** 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contributions

Subtract line 13 from line 12.

## Out-of-State Tax Credit

**Line:** 15

**Step:** 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contributions

For additional information on the Iowa out-of-state tax credit, see Iowa Administrative Code rule 701—304.6.

## Who May Use the IA 130?

Only Iowa residents or part-year residents with an income tax liability in another state, local jurisdiction outside of Iowa, or foreign country may reduce their Iowa tax liability by claiming an Iowa Out-of-State Tax Credit.

Part-year residents of Iowa may claim this credit only if any income earned while an Iowa resident was also taxed by another state, local jurisdiction outside of Iowa, or foreign country. Only income included on the IA 126, and taxed by another state, local jurisdiction outside of Iowa, or foreign country, may qualify for this credit. Nonresidents of Iowa may NOT claim this credit.

Caution: Shareholders of S corporations who have income from the corporation that was apportioned outside Iowa through a claim to the IA 134 S Corporation Apportionment Tax Credit may NOT claim an out-of-state credit on this S corporation income.

## Filing Requirements

Complete a separate IA 130 for each state, local jurisdiction outside of Iowa, or foreign country. Separate IA 130s are not required for foreign taxes paid by mutual funds or other regulated investment companies. The

credit or portion of the credit must not exceed the amount of the Iowa tax imposed on the same income that was taxed by the other state, local jurisdiction outside of Iowa, or foreign country.

When filing your IA 1040, include all IA 130 schedules, the income tax return you filed with the other state, local jurisdiction outside of Iowa, or foreign country, the supplemental schedule that was provided by your pass-through entity if you are claiming income taxes paid by your pass-through entity, and federal form 1116, Foreign Tax Credit, if you are claiming income taxes paid to a foreign country and it is required with your federal return.

### **Married Filing Separate Filers**

If a taxpayer is married filing separately in Iowa but married filing jointly in another state, only the taxpayer's portion of the income taxed by the other state may be used in calculating the out-of-state tax credit. The spouse's income should be excluded from any amount of income reported on IA 130.

### **Lump-Sum Distribution Tax**

Do not include any lump-sum distribution tax when computing this credit for regular income tax paid. You must compute this credit separately for regular income tax and special lump-sum distribution tax. For more information, see the special instructions for lump-sum distribution tax at the end of these instructions.

### **Line Instructions for IA 130**

#### **Part 1: Iowa Source Income Taxed by Another State or Jurisdiction**

##### **1. Wages, Salaries, Tips, Etc.**

Include all W-2 income earned or received while an Iowa resident and taxed in another state, local jurisdiction outside of Iowa, or foreign country. For Iowa residents with W-2 income from Illinois, see Iowa - Illinois Reciprocal Agreement.

##### **Married Separate Filers:**

W-2 income is reported by the spouse earning the income.

##### **2. Taxable Interest Income**

Report all interest shown on the IA 1040 that accrued while an Iowa resident which was derived from a trade, business, or profession carried on outside of Iowa and taxed in another state, local jurisdiction outside of Iowa, or foreign country.

##### **Married Separate Filers:**

Divide interest income based on ownership of the account or certificate.

- Jointly held: Divide equally between spouses.
- Held in the name of only one spouse: Allocate interest wholly to that spouse.

##### **3. Dividend Income**

Report all dividends received while an Iowa resident that was taxed in another state, local jurisdiction outside of Iowa, or foreign country.

##### **4. Alimony Received**

Report all taxable alimony or separate maintenance payments received while an Iowa resident that was taxed in another state, local jurisdiction outside of Iowa, or foreign country.

##### **Married Separate Filers:**

Reported by the spouse who received the alimony.



## **5. Business Income or (Loss)**

From the total business income or loss shown on the federal Schedule 1, line 3, report the amount earned while an Iowa resident that was taxed in another state, local jurisdiction outside of Iowa, or foreign country.

### **Married Separate Filers:**

Reported by the spouse deriving the income or loss.

## **6. Capital Gain or (Loss)**

Include 100% of the capital gain or loss from assets sold while an Iowa resident that was taxed in another state, local jurisdiction outside of Iowa, or foreign country.

### **Married Separate Filers:**

Taxpayers should report capital gain or loss as reported for federal tax purposes.

## **7. Other Gains or (Losses)**

Report 100% of gains or losses from assets sold or exchanged while an Iowa resident that was taxed in another state, local jurisdiction outside of Iowa, or foreign country.

### **Married Separate Filers:**

Divide gains or losses based on ownership of the asset sold or exchanged.

## **8. Rents, Royalties, Partnerships, Estates, Trusts, Etc.**

Report all income shown on federal Schedule E that was earned or received while an Iowa resident that was taxed in another state, local jurisdiction outside of Iowa, or foreign country.

### **Married Separate Filers:**

Divide income or loss from Schedule E based upon ownership of the assets or business interest producing the income or loss, or the individual named as beneficiary.

## **9. Farm Income or (Loss)**

Report all net farm income earned or received while an Iowa resident that was taxed in another state, local jurisdiction outside of Iowa, or foreign country.

### **Married Separate Filers:**

Farm income must be reported by the spouse who claims it for self-employment tax purposes on the federal Schedule SE.

If the other spouse claims a share of the farm income, then that spouse must attach a worksheet showing how that share was determined based on capital contribution, management and control, and services rendered.

## **10. Unemployment Compensation**

Report all unemployment benefits received while an Iowa resident that was taxed in another state, local jurisdiction outside of Iowa, or foreign country.

### **Married Separate Filers:**

If both spouses received unemployment benefits, each of the spouses should report the benefits received as shown on the 1099-G(s) for each spouse.

## **11. Gambling Winnings**

Report any gambling winnings that were received while an Iowa resident that was taxed in another state, local jurisdiction outside of Iowa, or foreign country

### **Married Separate Filers:**

The spouse to whom the income was paid must report that income.

## 12. Other Income

Report any income on the IA 1040, Schedule 1, line 11 which was received while an Iowa resident that was taxed in another state, local jurisdiction outside of Iowa, or foreign country. This includes any federal nonconformity adjustments including the depreciation/section 179 adjustment from the IA 4562A. This also includes non-exempt pension, annuity, and IRA income received while an Iowa resident that was taxed in another state, local jurisdiction outside of Iowa, or foreign country.

### Married Separate Filers:

The spouse to whom the income was paid must report that income.

Modifications to partnership and S corporation income are allocated between spouses in the same manner as that income was divided on IA 1040, line 1.

## 13. Iowa Gross Income Taxed by Another Jurisdiction

Add lines 1 through 12.

## Part II: Calculation of Credit

**14. Federal Total Income** - Enter amount from IA 1040, line 1.

**15. Iowa Modifications to Federal Total Income** - Enter amount from IA Schedule 1, line 13.

**16. Total Iowa Income** - Add lines 14 and 15.

**17.** Divide line 13 by line 16 and enter the percentage rounded to the nearest ten-thousandth of a percent (e.g. 12.3456%). Do not exceed 100.0%.

**18.** Amount from IA 1040, line 14.

**19.** Multiply line 18 by the percentage on line 17.

**20.** Enter the income tax imposed by the other state or jurisdiction, paid by you on income included on line 13.

Enter the income tax actually shown due and paid by you as calculated from the tax formula/tables on the other state, local jurisdiction outside of Iowa, or foreign country's tax return you filed, less any nonrefundable credits, and less any refundable credit provided to you for entity-level taxes paid by a pass-through entity (see example for line 21 below). This is not the amount withheld from your wages or paid as estimated income tax payments, and does not include taxes deemed to be paid to another jurisdiction for purposes of computing the federal foreign tax credit on your federal form 1116.

Caution: Do not include on this line any income tax paid on any income from an S corporation if you are claiming an IA 134 S Corporation Apportionment Tax Credit for that S corporation.

**21.** Enter the income tax imposed by the other state or jurisdiction and paid by your pass-through entity or mutual fund on income included on line 13.

If your distributive share of income from a pass-through entity was taxed by another state, local jurisdiction outside of Iowa, or foreign country but reported on a composite return, or if a pass-through entity was subject to an entity-level income tax in another state, local jurisdiction outside of Iowa, or foreign country on your distributive share of income also taxed by Iowa, your pro-rata share of this income tax will be identified on a schedule provided to you by your pass-through entity. Enter your reported pro-rata share of the income tax on this line. This will be your pro-rata share of the income tax actually shown due and paid by the pass-through entity as calculated from the tax formula/tables on the other state, local jurisdiction outside of Iowa, or foreign country's tax return filed by the pass-through entity, less any nonrefundable credits. This is not the amount withheld or paid as estimated income tax payments. However, if you receive a refundable tax credit in the other state, local jurisdiction outside of Iowa, or foreign country for all or part of the entity-level income tax

paid by a pass-through entity, the amount of the refund attributable to that refundable credit reduces the income tax paid by the pass-through entity.

**Example:** Individual B, a 50% owner of Partnership P doing business in State Z, receives a statement from Partnership P showing that P paid \$500 of entity-level income tax to State Z, and B's pro-rata share of that income tax is \$250. B also received a \$250 refundable tax credit from State Z for B's share of the entity-level income tax paid by partnership P. B files an income tax return in State Z to report their pro-rata share of income from Partnership P and calculates tentative income tax of \$200. B applies their \$250 refundable tax credit against that tentative income tax, resulting in an income tax liability of \$0 and a refund of \$50. Therefore, B enters \$0 on IA 130, line 20, and must also reduce their pro-rata share of the entity-level income tax paid by partnership P by \$50 as reported on line 21. B enters \$200 (\$250 - \$50) on line 21.

If you do not receive a schedule from your pass-through entity reporting your pro-rata share of composite return or entity-level income taxes paid to the other state, local jurisdiction outside of Iowa, or foreign country, you are not eligible to claim the Iowa Out-of-State Tax Credit. Include a copy of that schedule with your IA 1040.

If your mutual fund or other regulated investment company paid foreign income tax and passed the amount through to you, your share of this income will be identified on the Form 1099-DIV or similar statement provided to you. If you do not receive such a form or statement, you are not eligible to claim the Iowa Out-of-State Tax Credit.

**Caution:** Do not include on this line any income tax paid by an S corporation, or reported to you by an S corporation, if you are claiming an IA 134 S Corporation Apportionment Tax Credit for that S corporation.

**22.** Enter the sum of lines 20 and 21

### Full-Year Residents (part-year residents skip)

**23.** Enter the smaller of lines 19 or 22 and enter this amount on IA 1040, line 15. This is your Out-of-State Tax Credit.

### Part-Year Residents

**24.** Enter the total amount of gross income taxed by the other state or jurisdiction.

**25.** Divide line 13 by line 24 and round to the nearest ten-thousandth of a percent (e.g. 12.3456%). Do not exceed 100.0%.

**26.** Multiply line 22 by the percentage on line 25.

**27.** Enter the smaller of lines 19 or 26 and enter this amount on IA 1040, line 15. This is your Out-of-State Tax Credit.

### Special Instructions for Lump-Sum Distribution Tax

**Compute Separately:** If you were assessed a special tax on a lump-sum distribution by another state or local jurisdiction outside of Iowa on items similarly taxed on your Iowa return, you must complete a separate IA 130 for these items. Do not include a special lump-sum tax when computing the regular tax credit. Please write "Lump-sum Tax" next to the amount on IA 130, line 18 and next to the state or other jurisdiction in the header of the form.

**Lump-sum Distribution:** Enter \$0 for IA 130, lines 1-11. Report on IA 130, lines 12 and 13 the amount of distribution subject to special lump-sum tax by Iowa and the other state or jurisdiction. Do not include a distribution taxed by the other state or local jurisdiction outside of Iowa as part of gross income. Report on IA 130, line 14 the total federal lump-sum distribution amount and enter \$0 on IA 130, line 15. Report on IA 130, line 18 the Iowa lump-sum distribution tax from IA 1040, line 6. Report on IA 130, line 20 only the amount of

tax imposed on the lump-sum distribution imposed by the other state or jurisdiction. For part-year residents, only enter the amount of the lump-sum distribution taxed by the other state or jurisdiction on IA 130, line 24. Complete the rest of the form as instructed on the form.

**Note:** The below examples are abbreviated versions of the IA 130. You must fill out the entire IA 130 and include it with your return.

### Example 1: Full-Year Iowa Residents Only

Terry lived in Iowa all year but worked in both Iowa and Nebraska. Terry earned \$10,000 in Iowa, and also earned \$15,000 in Nebraska that was taxed by Nebraska. Terry has no Iowa modifications from Schedule 1. Terry files as a single taxpayer and claims the standard deduction.

1. Iowa gross income taxed by another jurisdiction. (IA 130, line 13)	\$15,000
2. Total Iowa income. (IA 130, line 16)	\$25,000
3. Divide step 11 by step 2 and enter the percentage (not to exceed 100.0%) (IA 130, line 17)	60.0000%
4. Amount from IA 1040, line 14 (less lump sum tax)(IA 130, line 18)	\$472.23
5. Multiply step 4 by the percentage on step 3 (IA 130, line 19)	\$283.34
6. Enter the income tax imposed* by the other state, local jurisdiction outside of Iowa, or foreign country, and paid by you (IA 130, line 20)	\$250
7. Enter the income tax imposed** by the other state, local jurisdiction outside of Iowa, or foreign country, and paid by your pass-through entity or mutual fund (IA 130, line 21)	\$0
8. Enter the sum of steps 6 and 7 (IA 130, line 22)	\$250
9. Enter the lesser of step 5 or 8. This is your out-of-state tax credit. Enter this amount on IA 1040, line 15	\$250

\*"Tax imposed" is the income tax calculated from the tax formula/tables on the other state, local jurisdiction outside of Iowa, or foreign country's tax return, less any nonrefundable credits, and less any refundable credit for entity-level taxes paid by a pass-through entity. Do not reduce this figure by the tax withheld or estimated tax payment made to the other state, local jurisdiction outside of Iowa, or foreign country.

\*\*"Tax imposed" is your pro-rata share of the income tax of the pass-through entity calculated from the tax formula/tables on the other state, local jurisdiction outside of Iowa, or foreign country's tax return filed by the pass-through entity, less any nonrefundable credits of the pass-through entity, and less any refund attributable to a refundable credit provided to you for entity level taxes paid by a pass-through entity. Do not reduce this figure by the tax withheld or estimated tax payment made to the other state, local jurisdiction outside of Iowa, or foreign country.

### Example 2: Part-year Iowa Residents Only

Bradley lived in Iowa until the end of June. On July 1, Bradley moved to Missouri. Bradley worked all year in the state of Missouri. They earned a salary of \$30,000 for the year, \$15,000 while residing in Iowa and \$15,000 while residing in Missouri. Bradley also earned \$10,000 farm rental income from farmland located in Iowa. Bradley has no Iowa modifications from Schedule 1. Bradley files as a single taxpayer and claims the standard deduction.

1. Iowa gross income taxed by another jurisdiction. (IA 130, line 13)	\$15,000
2. Total Iowa income. (IA 130, line 16)	\$25,000
3. Divide step 1 by step 2 and enter the percentage (not to exceed 100.0%) (IA 130, line 17)	60.0000%
4. Amount from IA 1040, line 14 (less lump sum tax) (IA 130, line 18)	\$747.02
5. Multiply step 4 by percentage on step 3 (IA 130, line 19)	\$448.21

6. Enter the tax imposed* by the other state, local jurisdiction outside of Iowa, or foreign country and paid by you (IA 130, line 20)	\$500
7. Enter the tax imposed** by the other state, local jurisdiction outside of Iowa, or foreign country and paid by your pass-through entity or mutual fund (IA 130, line 21)	\$0
8. Enter the sum of lines 6 and 7 (IA 130, line 22)	\$500
9. Enter the total amount of gross income taxed by the other state, local jurisdiction outside of Iowa, or foreign country. (IA 130, line 24)	\$30,000
10. Divide step 1 by step 9 and enter the percentage (not to exceed 100.0%) (IA 130, line 25)	50.0000%
11. Multiply step 8 by the percentage on step 10. (IA 130, line 26)	\$250
12. Enter the lesser of step 5 or 11. This is your out-of-state tax credit. Enter this amount on IA 1040, line 15. (IA 130, line 27)	\$448.21

\*"Tax imposed" is the income tax calculated from the tax formula / tables on the other state, local jurisdiction outside of Iowa, or foreign country's tax return, less any nonrefundable credits, and less any refundable credit for entity-level taxes paid by a pass-through entity. Do not reduce this figure by the tax withheld or estimated tax payment made to the other state, local jurisdiction outside of Iowa, or foreign country.

\*\*"Tax imposed" is your pro-rata share of the income tax of the pass-through entity calculated from the tax formula/tables on the other state, local jurisdiction outside of Iowa, or foreign country's tax return filed by the pass-through entity, less any nonrefundable credits of the pass-through entity, and less any refund attributable to a refundable credit provided to you for entity level taxes paid by a pass-through entity. Do not reduce this figure by the tax withheld or estimated tax payment made to the other state, local jurisdiction outside of Iowa, or foreign country.

## Balance

**Line:** 16

**Step:** 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contributions

Subtract line 15 from 14.

## Other Nonrefundable Iowa Credits

**Line:** 17

**Step:** 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contributions

Enter the total of the credits from Part I of the IA 148 Tax Credits Schedule. IA 148 Tax Credits Schedule (pdf) must be completed. Your credit claim may be denied if the IA 148 Tax Credits Schedule, or any other required tax credit schedule, is not included with your return.

## Agricultural Assets Transfer Tax Credit

An Agricultural Assets Transfer Tax Credit is available for established farmers who lease agricultural assets to beginning farmers to claim against individual and corporation income tax. The agricultural asset transfer tax credit application must have been submitted to the Iowa Agricultural Development Division before May 21, 2019.

The tax credit is only allowed for agricultural assets that are subject to a lease or rental agreement for a term of at least two years, but not more than five years. The taxpayer must meet certain qualifications as

established by rules adopted by the Iowa Finance Authority. The beginning farmer must meet the requirements listed in Iowa Code section 16.80 (2019).

The tax credit equals 5% of the amount paid to the taxpayer under a cash rent agreement or 15% of the crop share payments under an agreement in which the payment is exclusively made from the sale of crops or animals.

A tax credit certificate is issued by the Iowa Agricultural Development Division of the Iowa Finance Authority that includes the tax credit certificate number which must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 17. Any tax credit in excess of tax liability, if awarded in tax year 2008 or later can be carried forward and applied against tax liability for the following ten years or until depleted, whichever is earlier. A tax credit is not transferable to any other person other than the taxpayer's estate or trust upon the taxpayer's death. If the tax credit is issued to a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity.

The lease or rental agreement may be terminated by either the taxpayer or the beginning farmer. If the Iowa Agricultural Development Division determines that the taxpayer is not at fault for the termination, the Division will not issue a tax credit certificate for subsequent years, but any prior tax credit certificates issued will be allowed. If the Division determines that the taxpayer is at fault for the termination, any prior tax credit certificates issued will be disallowed, and the tax credits can be recaptured by the Department of Revenue.

Iowa Code sections 16.80 and 422.11M (2019)

### **Angel Investor Tax Credit**

An Angel Investor Tax Credit, formerly known as Venture Capital Business Tax Credit, equaled 20% of a qualifying investment that is administered by the Iowa Economic Development Authority for investments made prior to July 1, 2015. Effective for investments made on or after July 1, 2015, the tax credit increased to 25% of the equity investment made in a qualifying business and became refundable when claimed against the individual income tax (see line 62 instructions). For other tax types, any tax credit in excess of the tax liability may be carried forward and applied against tax liability for the following three years or until depleted, whichever is earlier.

When the nonrefundable tax credit is awarded, the taxpayer receives a tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 14.

Iowa Code sections 15E.43 and 422.11F(1)

### **Beginning Farmer Tax Credit**

For tax years beginning on or after January 1, 2019, a beginning farmer tax credit is available for established farmers who lease agricultural assets to beginning farmers. The tax credit is available to the established farmer against individual and corporation income tax.

The tax credit is only allowed for agricultural assets that are subject to a lease or rental agreement for a term of at least two years, but not more than five years, and that meets certain requirements listed in Iowa Code section 16.79A, and in administrative rules adopted by the Iowa Finance Authority. The taxpayer and the beginning farmer must meet certain qualifications listed in Iowa Code section 16.79, and in administrative rules adopted by the Iowa Finance Authority.

The tax credit equals 5% of the amount paid to the taxpayer under a cash rent agreement or 15% of the crop share payments under the agreement using the formula established in administrative rule by the Iowa Finance Authority. If the agreement is made on a flexible basis, the tax credit equals the same 5/15 percent calculation and an additional calculation may be made to the extent the rent payment is adjusted after taking into account



all risk-sharing factors provided in the agreement. The Iowa Finance Authority will establish criteria for commonly used risk-sharing factors and adjustment limits.

Applications and tax credit awards are reviewed by the Agricultural Development Board. Tax credit certificates issued by the Iowa Agricultural Development Division of the Iowa Finance Authority pursuant to a tax credit award include the tax credit certificate number which must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 17. Any tax credit in excess of tax liability can be carried forward and applied against tax liability for the following ten years or until depleted, whichever is earlier. A tax credit is not transferable to any other person other than the taxpayer's estate or trust upon the taxpayer's death. If the tax credit is issued to a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the individual's pro rata share of the income of the entity.

The lease or rental agreement may be terminated by either the taxpayer or the beginning farmer. If the Iowa Agricultural Development Division determines that the taxpayer is not at fault for the termination, the Division will not issue a tax credit certificate for subsequent years, but any prior tax credit certificates issued will be allowed. If the Division determines that the taxpayer is at fault for the termination, tax credits claimed for the year during which the termination occurs will be disallowed and recaptured by the Department of Revenue.

Iowa Code sections 16.77 through 16.82A, section 422.11E

### **Charitable Conservation Contribution Tax Credit**

A Charitable Conservation Contribution Tax Credit is available for individual income and corporation income taxpayers equal to 50% of the fair market value of a qualified real property interest located in Iowa 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 the credit is \$100,000. The amount of the contribution for which the tax credit is claimed is not deductible as an itemized deduction for Iowa income tax purposes.

The terms "conservation purpose," "qualified organization," and "qualified real property interest" mean the same as set forth in section 170(h) of the Internal Revenue Code. Any tax credit in excess of tax liability can be carried forward and applied against tax liability for the following 20 years or until depleted, whichever is earlier.

Taxpayers filing credit claims for the Charitable Conservation Contribution Tax Credit are required to include a copy of federal Form 8283 – Noncash Charitable Contribution with the Iowa return. If a qualified appraisal of the property or other relevant information is required to be included with the federal Form 8283 for federal tax purposes, the appraisal and other relevant information must also be included with the Iowa return. The credit claimed must be reported on the IA 148 Tax Credits Schedule using tax credit code 20.

Iowa Code section 422.11W

### **Custom Farming Contract Tax Credit**

A Custom Farming Contract Tax Credit was available for landowners who hired a beginning farmer to do custom work during 2015-2017.

A tax credit certificate was issued by the Iowa Agricultural Development Division of the Iowa Finance Authority that includes the tax credit certificate number which must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 24. Any tax credit in excess of tax liability can be carried forward and applied against tax liability for the following ten years or until depleted, whichever is earlier. If the tax credit was issued to a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity.

Iowa Code sections 16.78 through 16.82 and 422.11M (2017)

### **Employer Child Care Tax Credit**

An Iowa Employer Child Care Tax Credit is available for taxpayers who qualified for the federal employer-provided child care tax credit authorized under Internal Revenue Code section 45F. The credit is equal to the proportion of the federal credit attributable to expenditures made in Iowa.

The Iowa Economic Development Authority (IEDA) is responsible for evaluating credit applications and verifying eligibility. The Iowa Economic Development Authority will issue a tax credit certificate to qualifying taxpayers.

Taxpayers must calculate their total amount of eligible credits by completing the IA 8882. This form must be submitted with the taxpayer's return, including the tax credit certificate number provided by IEDA.

Any tax credit in excess of tax liability can be carried forward and applied against tax liability for the following five years or until depleted, whichever is earlier.

A tax credit awarded to a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed to the individual, shall be claimed by the individual based on the pro rata share of the income of the entity. Taxpayers receiving the credit from a pass-through entity should report the credit on the IA 8882, line 22 and on the IA 148 Tax Credit Schedule using tax credit code 30 and the tax credit certificate number.

Iowa Code sections 237A.31 and 422.120

### **Endow Iowa Tax Credit**

An Endow Iowa Tax Credit is equal to 25% of a taxpayer's endowment gift to a qualified community foundation. The gift must be for a permanent endowment fund established to benefit a charitable cause in Iowa. The Iowa Economic Development Authority is responsible for registering, authorizing, and controlling the distribution of these tax credits. The amount of the contribution cannot be taken as an itemized deduction for charitable contributions for Iowa income tax purposes.

Any tax credit in excess of tax liability can be carried forward and applied against tax liability for the following five years or until depleted, whichever is earlier.

A tax credit awarded to a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed to the individual, shall be claimed by the individual based on the pro rata share of the income of the entity.

When the tax credit is awarded, the taxpayer receives a tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 03.

Iowa Code section 422.11H

### **Farm to Food Donation Tax Credit**

A Farm to Food Donation Tax Credit can be claimed by a taxpayer who produces a food commodity and donates it to an Iowa food bank or an Iowa emergency feeding organization registered with the Iowa Department of Revenue. The donated food may not be damaged or out-of-condition and unfit for human consumption. A food commodity that meets the requirements for donated foods pursuant to the Federal Emergency Food Assistance Program satisfies this requirement. The tax credit can be claimed against individual and corporation income tax.

The tax credit equals 15% of the value of the food commodities donated in the tax year, when valued according to the federal guidelines for charitable contribution of food under Internal Revenue Code section 170(e)(3)(C),

or \$5,000, whichever is less. The amount of the contribution for which the tax credit is claimed is not allowed as an itemized deduction for Iowa income tax.

For a donation to be eligible, an Authorized Food Organization Receipt must be received from the food organization at the time of the donation. The taxpayer then must use those receipts to complete the IA 178 Farm to Food Donation Tax Credit Form and include that form with the taxpayer's return. Any tax credit in excess of tax liability can be carried forward and applied against tax liability for the following five years or until depleted, whichever is earlier.

If the tax credit is issued to a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity. Taxpayers receiving the credit from a pass-through entity should report the credit on the IA 178, Part II Total, line 2 and on the IA 148 Tax Credit Schedule.

Iowa Code section 422.11R

### **Franchise Tax Credit**

Iowa imposes a franchise tax on all financial institutions. Therefore, the Franchise Tax Credit is allowed to avoid double taxation of income.

If a financial institution, as defined in section 581 of the Internal Revenue Code, elects to file as an S corporation for federal income tax purposes and therefore have its income taxed directly to the shareholders, those shareholders qualify for a Franchise Tax Credit. The Franchise Tax Credit is also available to members of a financial institution organized as a limited liability company.

The IA 147 (pdf) must be used to calculate the credit and included with the return. Report the claim on the IA 148 Tax Credits Schedule using tax credit code 04.

The amount of any unused tax credit may not be carried forward and must be reflected as expired on the IA 148 Tax Credits Schedule.

Iowa Code section 422.11

### **Geothermal Heat Pump Tax Credit**

Effective for installations between January 1, 2012 and December 31, 2016, and for installations after January 1, 2019, a Geothermal Heat Pump Tax Credit is available for individual income taxpayers equal to 20% 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.

The federal credit is claimed on federal form 5695, Residential Energy Credits.

Beginning with 2019 installations, the geothermal tax credit is capped at \$1 million total credits per year and is subject to award by the Iowa Department of Revenue. Tax credit applications must be submitted to the Iowa Department of Revenue by May 1 of the year following the year of installation or the application will be denied. Applications must be submitted online at [govconnect.iowa.gov](http://govconnect.iowa.gov).

For installations completed between 2012 and 2016, report the claim on the IA 148 Tax Credits Schedule using tax credit code 23. For installations completed in 2019 or later, the Iowa Department of Revenue will issue tax credit certificates to approved applicants which will have a unique certificate number. Tax credits must be reported on the IA 148 Tax Credits Schedule using tax credit code 23.

Any tax credit in excess of tax liability can be carried forward and applied against tax liability for the following ten years or until depleted, whichever is earlier.

Iowa Code section 422.11I (2018), Iowa Code section 422.12N

## **Geothermal Tax Credit**

Effective for installations between January 1, 2017 and December 31, 2018, a Geothermal Tax Credit was available for individual income taxpayers equal to 10% of qualified expenditures on a geothermal heat pump on the taxpayer's residence. The equipment must meet the federal energy star program requirements in effect at the time the expenditure is made. A Geothermal Tax Credit is available for individual income taxpayers equal to 10% of qualified expenditures on a geothermal heat pump on the taxpayer's residence. The equipment must meet the federal energy star program requirements in effect at the time the expenditure is made.

The IA 140 must be used to calculate the credit and included with the return. Report the claim on the IA 148 Tax Credits Schedule using tax credit code 28. Any tax credit in excess of tax liability can be carried forward and applied against tax liability for the following ten years or until depleted, whichever is earlier.

Iowa Code section 422.10A (2018)

## **Historic Preservation Tax Credit - Nonrefundable**

A Historic Preservation Tax Credit is available for 25% of the qualified rehabilitation expenditures of eligible property in Iowa. This credit is administered by the Iowa Economic Development Authority and the State Historic Preservation Office. When the tax credit is awarded, the taxpayer will receive a tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 05, if nonrefundable.

Applications must be filed during a limited registration period and a scoring system is used to select rehabilitation projects eligible for Historic Preservation Tax Credits. However, credits for small projects defined as projects with qualified rehabilitation expenditures up to \$750,000 can apply at any time. The project must be completed within 36 months of the date on which the project agreement was signed.

The Historic Preservation Tax Credit can be transferred to any person or entity. Awardees or transferees can choose to receive the award as a nonrefundable tax credit; in that case, the tax credit is claimed on the IA 148 using tax credit code 05.

For Historic Preservation Tax Credit agreements under Iowa Code section 404A.3(3) entered into on or after January 1, 2023, taxpayers claiming the nonrefundable tax credit must also complete Part V, section A of the IA 148 Tax Credit Schedule before completing Part I of the IA 148.

If the tax credit is issued to a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity.

Note: For Iowa income tax purposes, the increase in the basis of the rehabilitated property that would otherwise result from the qualified rehabilitation costs will be reduced by the amount of the tax credit received.

Iowa Code chapter 404A and Iowa Code section 422.11D

## **Hoover Presidential Library Tax Credit**

A 25% tax credit is allowed for donations made to the Hoover Presidential Foundation for the Hoover Presidential Library and Museum Renovation Project Fund. The maximum amount granted to a person cannot exceed 5% of the aggregate amount of tax credits granted. 10% of the aggregate amount of tax credits authorized shall be reserved for those donations in amounts of \$30,000 or less.

The Iowa Economic Development Authority is responsible for registering, authorizing, and controlling the distribution of these tax credits. The amount of the contribution cannot be taken as an itemized deduction for charitable contributions for Iowa income tax purposes.

Any tax credit in excess of tax liability can be carried forward and applied against tax liability for the following five years or until depleted, whichever is earlier.

A tax credit awarded to a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed to the individual, shall be claimed by the individual based on the pro rata share of the income of the entity.

When the tax credit is awarded, the taxpayer receives a tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 29.

Iowa Code sections 15E.364 and 422.11T

### **Housing Investment Tax Credit**

For taxpayers approved by the Iowa Economic Development Authority under the Housing Enterprise Zone Program, a Housing Investment Tax Credit is available equal to 10% of the new investment directly related to the building or rehabilitation of homes in an enterprise zone. The credit is based on a maximum of \$140,000 for each single-family home or for each unit of a multiple dwelling. When the tax credit is awarded, the taxpayer receives a tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 06. Any tax credit in excess of tax liability can be carried forward and applied against tax liability for the following seven years or until depleted, whichever is earlier. If the tax credit is issued to a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity.

The program was eliminated effective July 1, 2014, and was replaced by the Workforce Housing Investment Tax Incentive Program.

### **Innovation Fund Tax Credit**

An Innovation Fund Tax Credit equal to 25% of the taxpayer's equity investment in an innovation fund certified by the Iowa Economic Development Authority.

The Iowa Economic Development Authority issues tax credit certificates including a tax credit certificate number, that must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 25. Any tax credit in excess of tax liability can be carried forward and applied against tax liability for the following five years or until depleted, whichever is earlier. The credit is transferable, but may only be transferred once. If the tax credit is issued to a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity.

Iowa Code sections 15E.52 and 422.11Z

### **Investment Tax Credit**

An Investment Tax Credit of up to 10% of the qualifying investment in real property including any buildings and structures located on the real property, cost of machinery and equipment, and the cost of improvements to real property is available to an eligible business. An eligible business must be approved by the Iowa Economic Development Authority under the High Quality Jobs Program.

When the tax credit is awarded, the taxpayer receives a tax credit certificate with five tax credit certificate numbers that must be reported separately on the IA 148 Tax Credits Schedule when each tax credit is claimed using tax credit code 07. Any tax credit in excess of tax liability can be carried forward and applied against tax liability for the following seven years or until depleted, whichever is earlier. If the tax credit is issued to a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity.

Iowa Code sections 15.326 through 15.337 and 422.11F(2)

## **Iowa Alternative Minimum Tax Credit**

The Iowa Alternative Minimum Tax Credit is available for taxpayers who paid Iowa alternative minimum tax in prior years based on tax preferences and adjustments. The credit is limited to the extent the regular tax exceeds the Iowa alternative minimum tax in a prior tax year and cannot be claimed in any tax year in which Iowa alternative minimum tax is owed. Unused credits may be carried forward through tax year 2023. This tax credit is repealed on January 1, 2024, for tax years beginning on or after that date. Compute the tax credit using form IA 8801 (pdf) and include that form with the IA 1040. Report the claim on the IA 148 Tax Credits Schedule using tax credit code 09.

Iowa Code section 422.11B

## **New Jobs Tax Credit**

A new business or an existing business that has increased employment by at least 10% and has a 260E job training agreement with a community college, may qualify for a New Jobs Tax Credit. The credit can be claimed one time for each new job created as a result of the 260E contract or jobs directly related to those jobs in a tax year when the contract is active and the job growth requirement is met. The New Jobs Tax Credit equals the smaller of 6% of the taxable wages that the employer is required to contribute to the State unemployment compensation fund or 6% of the wages paid to the employees in the eligible jobs.

Compute this credit on form IA 133 (pdf) and include that form with the IA 1040. When the 260E contract is signed, the taxpayer receives a tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the New Jobs Tax Credit is claimed using tax credit code 08.

For 2023, this tax credit equals up to \$2,166 (\$36,100 maximum wages times 6% [.06]) for each job created. Any tax credit in excess of tax liability can be carried forward and applied against tax liability for the following ten years or until depleted, whichever is earlier.

If the tax credit is issued to a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity. Taxpayers receiving the credit from a pass-through entity should report the credit on the IA 133, line 11 and on the IA 148 Tax Credit Schedule.

Iowa Code section 422.11A

## **Redevelopment Tax Credit**

A Redevelopment Tax Credit equals a percentage of the qualifying investment in redeveloping a brownfield or grayfield site. A brownfield site is defined as an abandoned, idled, or underutilized industrial or commercial facility where expansion or redevelopment is complicated by real or perceived environmental contamination. A grayfield site is defined as a property that has been developed and has infrastructure in place but the property's current use is outdated or prevents a better or more efficient use of the property. Such property includes vacant, blighted, obsolete, or otherwise underutilized property. A higher tax credit rate is available if the redevelopment meets established "green development" standards. Projects must first apply to the Iowa Economic Development Authority to be considered for an award allocation during the annual application process. When the tax credit is awarded, the taxpayer receives a tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 21.

Any tax credit in excess of tax liability can be carried forward and applied against tax liability for the following five years or until depleted, whichever is earlier. The Redevelopment Tax Credit can be transferred to any person or entity. Non-profit applicants can receive a refundable, but nontransferable, tax credit, in that case the tax credit is claimed on the IA 148 using tax credit code 67. If the tax credit is issued to a partnership,



limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity.

Note: For Iowa income tax purposes, the increase in the basis of the redeveloped property that would otherwise result from the qualified redevelopment costs will be reduced by the amount of the tax credit received.

Iowa Code sections 15.291, 15.293A, 15.293B, 15.294, and 422.11V

### **Renewable Energy Tax Credit**

A producer or purchaser of renewable energy from a facility approved by the Iowa Utilities Board is entitled to a Renewable Energy Tax Credit equal to 1.5 cents per kilowatt hour of electricity, or \$4.50 per million BTUs of heat, refuse-derived fuel, methane gas, or other biogas; or \$1.44 per 1,000 standard cubic feet of hydrogen fuel.

The facilities approved cannot exceed 363 megawatts of nameplate generating capacity related to wind energy facilities, 63 megawatts of capacity for all other facilities, and 167 billion BTUs of heat related to other facilities. Of those 63 megawatts, 10 megawatts are reserved for solar facilities contracted or owned by certain utility companies.

Small wind energy systems operating in a small wind innovation zone are eligible for the renewable energy tax credit of 1.5 cents per kilowatt-hour of electricity. The small wind energy system must have a nameplate generating capacity of 100 kilowatts or less.

A political subdivision of the state of Iowa, including but not limited to a city, county, township, school district, community college, area education agency, institution under the control of the state board of regents, or any other local commission, association, or tribal council can seek approval from the Iowa Utilities Board to set up a small wind innovation zone.

When the tax credit is awarded by the Iowa Department of Revenue, the taxpayer receives a tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 10. Any tax credit in excess of tax liability can be carried forward and applied against tax liability for the following seven years or until depleted, whichever is earlier. The credit can be transferred to any person or entity one time. A producer or purchaser can receive the tax credit certificates for a ten-year period beginning the date the purchaser first purchases eligible energy or the date the producer first uses the energy for on-site consumption.

Iowa Code chapter 476C and Iowa Code sections 422.11J and 476.48

### **S Corporation Apportionment Tax Credit**

Individual resident shareholders of S corporations that conduct business within and without Iowa can claim an S Corporation Apportionment Tax Credit. The tax credit is structured so that the S corporation is taxed on the greater of income attributable to Iowa under the single sales factor or actual distributions by the S corporation less federal income tax. If the taxpayer chooses to apportion income using the S Corporation Apportionment Tax Credit, the Out-of-State Tax Credit cannot be claimed for any taxes paid on income received from that S corporation.

Complete form IA 134 (pdf) and include with the IA 1040. Report the claim on the IA 148 Tax Credits Schedule using tax credit code 11. The amount of any unused tax credit may not be carried forward and must be reflected as expired on the IA 148 Tax Credits Schedule.

Iowa Code section 422.8(2)(b)

## School Tuition Organization Tax Credit

A School Tuition Organization Tax Credit is equal to 75% of the amount of a contribution made by a taxpayer to a school tuition organization. The amount of the contribution cannot be taken as an itemized deduction for charitable contributions for Iowa income tax purposes. A school tuition organization must be a charitable organization in Iowa that is exempt from federal taxation under section 501(c)(3) of the Internal Revenue Code that allocates at least 90% of its annual revenue in tuition grants for children who reside in Iowa to allow them to attend a qualified school of their parents' choice. The contribution cannot be used for the direct benefit of any dependent of the taxpayer or any other student designated by the taxpayer.

When the tax credit is awarded by a school tuition organization, the taxpayer receives a tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 12. The tax credit shall be claimed in the tax year during which the contribution is made. Any tax credit in excess of the tax liability can be carried forward and applied against tax liability for the following five years or until depleted, whichever is earlier. If the tax credit is issued to a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity.

Married taxpayers who file separate returns or separately on a combined return must allocate the tax credit between the spouses in the ratio of each spouse's net respective net income to the combined net income of the taxpayers.

### NONRESIDENTS AND PART-YEAR RESIDENTS

Special rules apply to nonresidents and part-year residents, including those who are claiming a tax credit of a partnership, limited liability company, S corporation, estate, or trust of which they are a member. 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 or to file separately on a combined return 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. For more specific information see Iowa Code section 422.11S(4).

Nonresidents and part-year residents must adjust the school tuition organization tax credit using the following steps:

1. Divide Iowa net income (IA 126, line 25) by all-source net income of you and spouse (IA1040, line 26).
2. Multiply Step 1 above by the amount of tax credit shown on the tax credit certificate.
3. Enter this amount in column D on Part I of the IA 148.
4. Enter the difference between the award and what was entered in column D into column G; this amount of the tax credit is considered expired in the tax year of the award and cannot be claimed.

Iowa Code section 422.11S

## Solar Energy System Tax Credit

A Solar Energy System Tax Credit is available for the installation costs of solar energy systems in Iowa. In order to claim the tax credit, an application must be completed by May 1 of the year following the year of installation and a tax credit certificate received from the Iowa Department of Revenue. Applications must be submitted online at [govconnect.iowa.gov](http://govconnect.iowa.gov). The Department cannot award more than \$5 million in solar energy system tax credits per calendar year.

The Solar Energy System Tax Credit is not available for residential installations completed on or after January 1, 2022. For business installations, the Solar Energy System Tax Credit is equal to 50% of the federal energy

property tax credit related to solar energy equipment in section 48(a)(2)(A)(i)(II) of the Internal Revenue Code. The Iowa tax credit for business installations cannot exceed \$20,000.

The federal business credit, and thus the Iowa business credit, is available for property if construction begins on the property before January 1, 2022. The federal business credit is claimed on federal form 3468, Investment Credit.

When the tax credit is awarded by the Iowa Department of Revenue, the taxpayer receives a tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 22. Any tax credit in excess of tax liability may be carried forward and applied against tax liability for the following ten years or until depleted, whichever is earlier. If the tax credit is awarded to a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity.

Taxpayers who claim this credit are not eligible to receive an award of a Renewable Energy Tax Credit for solar energy production under Iowa Code chapter 476C.

Iowa Code sections 422.11L and 476C.2

### **Third Party Developer Tax Credit**

Taxpayers who are approved by the Iowa Economic Development Authority under the High Quality Jobs Program can be awarded a Third Party Developer Tax Credit for certain sales taxes paid in completion of a High Quality Jobs Program project.

When the tax credit is awarded, the taxpayer must submit an application to the Department of Revenue within one year of project completion date. Upon approving the claim, the Department of Revenue issues another tax credit certificate for the final amount of credit that can be claimed based on the submitted contractor's statements and invoices, up to the award amount as either a refundable or nonrefundable credit, based on the designation requested by the taxpayer.

The taxpayer then claims the credit using its tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 46 or 47 (see certificate for which code applies). Any tax credit in excess of tax liability may be carried forward and applied against tax liability for the following seven years or until depleted, whichever is earlier.

If the tax credit is earned by a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity.

For High Quality Jobs Program agreements under Iowa Code section 15.330 entered into on or after January 1, 2023, taxpayers claiming the tax credit must also complete Part V, section A of the IA 148 Tax Credit Schedule before completing Part I of the IA 148.

### **Wind Energy Production Tax Credit**

A Wind Energy Production Tax Credit is equal to one cent per kilowatt-hours of electricity sold or used for on-site consumption by a wind energy production facility approved by the Iowa Utilities Board. Approved facilities must have been placed in service on or after July 1, 2005, but before July 1, 2012, to qualify for the tax credit and the aggregate of approved facilities are limited to 50 megawatts of nameplate capacity.

For applications filed on or after March 1, 2008, the facility must also consist of one or more wind turbines connected to a common gathering line which has a combined nameplate capacity of no less than two megawatts and no more than 30 megawatts.

When the tax credit is awarded by the Iowa Department of Revenue, the taxpayer receives a tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 16. The Wind Energy Production Tax Credit is transferable.

Any tax credit in excess of tax liability can be carried forward and applied against tax liability for the following seven years or until depleted, whichever is earlier. In cases where the applicant is a partnership, limited liability company, S corporation, estate, trust, or other reporting entity which elects to have income taxed directly to an individual and the applicant is also eligible to receive renewable electricity production tax credits authorized under section 45 of the Internal Revenue Code, the credit does not have to be based upon the individual's pro rata share of earnings from the entity.

Iowa Code chapter 476B and Iowa Code section 422.11J

### **Workforce Housing Investment Tax Credit**

The Workforce Housing Tax Incentives Program replaced the Housing Enterprise Zone Program effective July 1, 2014, offering a tax credit on investment in housing related to acquisition, repair, or redevelopment of a housing project, or related to new construction of housing in a distressed workforce housing community. The project must be approved by the Iowa Economic Development Authority prior to investment. The Workforce Housing Investment Tax Credit award is limited to 10% of \$150,000 for each home or individual unit that is part of the housing project, or 20% of such amount if the housing project is located in a small city or certain declared disaster areas. The program contains other requirements related to qualifying housing projects and maximum tax incentives. When the tax credit is awarded, the taxpayer receives a tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 27. Any tax credit in excess of tax liability can be carried forward and applied against tax liability for the following five years or until depleted, whichever is earlier. If the tax credit is issued to a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity. The Workforce Housing Investment Tax Credit is transferable to any person or entity.

Note: For Iowa income tax purposes, the increase in the basis of the housing property that would otherwise result from the qualified investment will be reduced by the amount of the tax credit received.

Iowa Code sections 15.351 through 15.356 and 422.11C

### **Balance**

**Line:** 18

**Step:** 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contributions

Subtract line 17 from line 16.

### **School District Surtax / Emergency Medical Services Tax**

**Line:** 19

**Step:** 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contribution

## School District Surtax

### School District Surtax / EMS table

The applicable school district is the one in which you resided on the last day of the tax year (12/31/2023 for calendar-year filers), not necessarily the district where your children attend school. Taxpayers without children, or without children in public school, are still subject to this tax.

Your school district may not be the same as the name of your town. If you do not know your school district name, you can find it on your voter registration card, or by going to [tax-mapper.iowa.gov](http://tax-mapper.iowa.gov) and using the “school surtax” option.

Multiply the amount on line 18 by the surtax rate and enter the result.

Residents of school districts that do not have a surtax should enter zero on line 19.

## Emergency Medical Services (EMS) Surtax

Counties may impose a countywide Emergency Medical Services (EMS) income surtax. At this time, Appanoose, Pocahontas, and Winnebago are the only counties that have an EMS surtax. The EMS surtax is included in the school district surtax table.

## Total State and Local Tax Before Contributions

**Line:** 20

**Step:** 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contribution

Add lines 18 and 19.

## Contributions

**Line:** 21

**Step:** 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contributions

Enter your voluntary contributions to any of the following checkoffs on line 21. Please note that you may contribute to any of the checkoffs regardless of whether you are entitled to a refund or owe additional taxes, but your contribution will reduce your refund or add to the amount you owe. Your contribution will qualify as a charitable contribution on your 2024 return if the 2023 return is filed during the 2024 calendar year. If you file an amended return, you cannot change your original contribution.

### Fish/Wildlife Fund - Chickadee Checkoff

You may contribute to the Iowa Fish and Wildlife Protection Fund. Your contribution through this checkoff is the primary support for Iowa's Wildlife Diversity Program which monitors, researches, and manages the state's nongame species of wildlife. According to the Natural Resource Commission policy, 100% of the money donated to this program goes to the Wildlife Diversity Program. Learn more at [iowa DNR Wildlife](http://iowa.dnr.gov).

### State Fair Fund - Corndog Checkoff

You may contribute any amount of \$1 or more to the Iowa State Fair Foundation fund. Your contributions to this checkoff will be added to other sources such as gifts, donations, and bequests to be used by the Iowa State Fair Blue Ribbon Foundation to fund capital projects and improvements to property on the Iowa State Fairgrounds. Learn more at [Blue Ribbon Foundation](http://Blue Ribbon Foundation).

## Firefighters/ Veterans Fund

You may contribute any amount of \$1 or more to the Firefighter Preparedness Fund and the Veterans Trust Fund. The Firefighter Preparedness Fund is used to train Iowa's firefighters. Your contributions offset the financial burdens that many fire departments deal with when it comes to ensuring their firefighters are adequately trained in all facets of emergency response. Learn more at Iowa Firefighters Association.

The Veterans Trust Fund assists veterans with job training, expenses related to facility or at-home care, individual or family counseling, and other services. Learn more at Veterans Trust Fund.

**The amounts contributed to the joint Firefighter Preparedness Fund and Veterans Trust Fund checkoff will be split evenly between these two funds.**

## Child Abuse Prevention Fund

You may contribute any amount of \$1 or more to the Child Abuse Prevention fund. Your contributions will go to support the Iowa Child Abuse Prevention Program, which funds crisis and respite child care, parent education, child sexual abuse prevention programs, and young parent support. Learn more at Check Off Child Abuse.

## Total State and Local Tax and Contributions

**Line:** 22

**Step:** 5

**Step Subject:** Tax, Non-refundable Credits, and Check-off Contributions

Add lines 20 and 21 and enter the total on line 22

## Step 6

### Fuel Tax Credit

**Line:** 23

**Step:** 6

**Step Subject:** Refundable Credits and Payment

Enter the amount of Fuel Tax Credit from the sum of IA 4136, lines 7 and 8. The federal form 4136 cannot be used. The Iowa credit does not apply to fuel used in on-road vehicles or pleasure boats.

### Iowa Fuel Tax Refund Permit Number

If the taxpayer has filed a fuel tax refund claim during the tax year, the Fuel Tax Credit cannot be claimed, and the refund permit will become invalid if the tax credit is claimed. However, the Fuel Tax Credit is not available for casualty losses, transport diversions, pumping credits, off-loading procedures, blending errors, idle time, power takeoffs, refrigerated "reefer" units, export by distributors, or tax overpaid on blended fuel. A refund can be claimed for those reasons alongside the Fuel Tax Credit.

### Fuel Tax Credit received from Pass-through Entities

For partnerships, limited liability companies (LLC), S corporations, estates, or trusts, the amount of fuel tax credit reported by each owner or beneficiary is based on their share of earnings or losses. Each owner's /



beneficiary's share of the credit is found on the owner's or beneficiary's IA K-1. File a separate IA 4136 for each pass-through Fuel Tax Credit received and provide the required information regarding the pass-through entity.

## Child and Dependent Care Credit or Early Childhood Development Credit

**Line:** 24

**Step:** 6

**Step Subject:** Refundable Credits and Payments

### Only one of the following two credits may be claimed:

- Child and Dependent Care Credit OR
- Early Childhood Development Tax Credit

Only taxpayers with Iowa taxable income of less than \$90,000 are eligible to take one of these refundable credits. If you are married filing jointly, your Iowa taxable income and the Iowa taxable income of your spouse must be combined to determine if you qualify.

### Child and Dependent Care Credit

If you are choosing the Child and Dependent Care Credit, use the following worksheet and percentage table to calculate the credit. The percentages are based on your Iowa taxable income on line 4. You must include a copy of your completed federal form 2441. This credit may only be claimed for expenses actually paid by the taxpayer.

#### Child and Dependent Care Credit Worksheet

1. Enter the amount from federal form 2441, line 9c	1.
2. If IA 1040, line 4 is: Less than \$10,000 enter 75% \$10,000 - \$19,999 enter 65% \$20,000 - \$24,999 enter 55% \$25,000 - \$34,999 enter 50% \$35,000 - \$39,999 enter 40% \$40,000 - \$89,999 enter 30% \$90,000 and over: not eligible for credit  Enter the appropriate percent here.	2. %
3. Multiply line 1 by percentage on line 2. Enter the result here and on the IA 1040, line 24.	3.

### Nonresidents and Part-year Residents

The Child and Dependent Care Credit must be adjusted using the following steps:

1. Multiply the Iowa income percentage reported on the IA 126, line 27 by the amount of credit calculated in the worksheet, line 3.
2. Enter this amount on the IA 1040, line 24.

#### Married Separate Filers:

Generally, you may not take this credit if your filing status is married filing separately. See IRS Publication 503 for more information.

## Early Childhood Development Credit

If you are choosing the Early Childhood Development Credit, you may take the credit equal to 25% of the first \$1,000 of qualifying expenses paid in 2023 for each dependent from the ages of three through five.

### Expenses that qualify include the following:

- Services provided by a preschool, as defined in Iowa Code section 237A.1
- Books that improve child development, such as textbooks, music and art books, teacher's editions, and reading books
- Instructional materials required to be used in a lesson activity, such as paper, notebooks, pencils, and art supplies
- Lesson plans and curricula
- Child development and educational activities outside the home, such as drama, art, music and museum activities, and the entrance fees for such activities

### Early childhood development expenses that do NOT qualify include:

- Food, lodging, or membership fees relating to child development and educational activities outside the home
- Services, materials, or activities for the teaching of religious tenets, doctrines, or worship, if the purpose of these expenses is to instill those tenets, doctrines, or worship

### Nonresidents and part-year residents

The Early Childhood Development Credit must be adjusted using the following steps:

1. Multiply the Iowa income percentage reported on the IA 126, line 27 by the amount of the credit.
2. Enter this amount on the IA 1040, line 24.

### Married Separate Filers:

This credit must be taken by the spouse claiming the dependent. The \$90,000 income limitation only applies to the income of the taxpayer and does not include their spouse's income.

## Iowa Earned Income Tax Credit

**Line:** 25

**Step:** 6

**Step Subject:** Refundable Credits and Payments

The Iowa Earned Income Tax Credit is a refundable credit. This credit is available only to taxpayers who qualify for the federal Earned Income Tax Credit (EITC). To calculate the Iowa Earned Income Tax Credit, multiply your federal EITC by 15% (.15).

To find out if you qualify for federal EITC, see the IRS EITC information or call the IRS at 1-800-829-1040.

### If you are filing an Iowa return ONLY to claim EITC

If you qualify for the low income exemption and are filing an Iowa return only to claim a refund of the Iowa EITC, check the box between Steps 4 and 5. Skip lines 5 through 19, enter zero on lines 20 and 22, and enter the amount of your Iowa EITC on lines 25, 30, 31, and 32.

### Nonresidents and Part-year Residents

The Iowa EITC must be adjusted using the following formula

lowa net income (IA 126, line 25)	
<i>divided by</i>	
All-source net income of you and spouse (IA 126, line 26) (The ratio cannot exceed 100%)	÷
<i>multiplied by</i> the Iowa Earned Income Tax Credit	x
<i>equals</i> credit on line 25	=

## Other Refundable Credits

**Line:** 26

**Step:** 6

**Step Subject:** Refundable Credits and Payments

Enter the total of other credits from the IA 148 Tax Credits Schedule, Part II. Your credit claim may be denied if the IA 148 Tax Credits Schedule or any other required tax credit schedule is not included with your return.

### Adoption Tax Credit

An Adoption Tax Credit is available for individual income tax equal to the first \$5,000 of unreimbursed expenses related to an adoption per child placed in Iowa. There is no limit on the amount of income earned by an individual to be eligible for the credit. All claims for the adoption of a child cannot exceed the applicable limit based on the year the adoption became final.

The Adoption Tax Credit can only be claimed once the adoption has been finalized. Beginning in tax year 2019, all qualifying adoption expenses paid in or before the year the adoption is finalized must be claimed in the tax year the adoption is finalized, up to the credit limit, regardless of the prior year in which the expenses were paid.

**EXAMPLE:** Taylor and Jordan are married. Taylor and Jordan adopt a child who is permanently placed in Iowa. The adoption process begins in 2020 and becomes final in 2023. Because the adoption becomes final on or after January 1, 2017, Taylor and Jordan qualify for a credit up to the maximum amount of \$5,000. Additionally, because the adoption becomes final on or after January 1, 2019, Taylor and Jordan may claim an Iowa adoption tax credit for unreimbursed qualified adoption expenses paid or incurred prior to or in the year the adoption becomes final. Taylor and Jordan incur and pay unreimbursed qualified adoption expenses of \$5,000 in 2020, \$10,000 in 2021, \$2,000 in 2022, and \$2,000 in 2023. Taylor and Jordan jointly file their Iowa individual income tax return in 2023. Taylor and Jordan may claim an Iowa adoption tax credit of \$5,000 on their 2023 Iowa income tax return. Taylor and Jordan are not allowed to amend a prior year return in an attempt to claim the credit for unreimbursed qualified adoption expenses paid or incurred prior to the tax year in which the adoption became final.

If additional qualifying expenses are paid after the year the adoption is finalized, and your previous expenses are under the credit limit, those expenses must be claimed in the year they were paid, up to the credit limit.

**EXAMPLE:** Jason and Tammy are married. Jason and Tammy adopt a child who is permanently placed in Iowa. The adoption process begins in 2021 and becomes final in 2022. Because the adoption becomes final on or after January 1, 2022, Jason and Tammy qualify for a credit up to the maximum amount of \$5,000. Jason and Tammy incur and pay unreimbursed qualified adoption expenses of \$1,000 in 2021, and \$1,000 in 2022. Jason and Tammy jointly file their Iowa individual income tax return in 2022. Jason and Tammy may claim the Iowa

adoption tax credit in 2022 in the amount of \$2,000. In 2023, Jason and Tammy incur and pay \$5,000 in unreimbursed qualified adoption expenses in connection to the adoption finalized in 2022. Jason and Tammy may claim the remaining \$3,000 credit on their jointly filed Iowa individual income tax return for 2023 for unreimbursed qualified adoption expenses incurred and paid in 2023. Jason and Tammy shall not amend their 2022 return to reflect the additional unreimbursed qualified adoption expenses from 2023.

A part-year resident of Iowa may claim the credit if they were a resident of Iowa at the time the child was permanently placed.

The IA 177 is used to compute the credit and must be included with the Iowa income tax return. The tax credit must also be reported on the IA 148 Tax Credit Schedule using tax credit code 66. If multiple children are adopted in a tax year, complete a separate IA 177 for each Adoption Tax Credit and report each claim on a separate line on the IA 148. Any tax credit in excess of tax liability is refundable.

The adoption tax credit may only be claimed by a person who adopted the child. When a married couple adopts a child together and the couple files jointly on the same return, the credit may only be claimed once between the couple. When any other two persons adopt a child together, including married persons filing separately or any unmarried persons filing on separate returns, the credit must be divided between the adoptive parents. Two adoptive parents, other than persons who are married filing jointly, may agree to divide the credit in any way. The total adoption tax credit claimed for all years by both parents combined may not exceed the applicable limit based on the year the adoption became final.

Iowa Code section 422.12A

### **Angel Investor Tax Credit**

An Angel Investor Tax Credit, formerly known as Venture Capital Qualifying Business Tax Credit, equals 25% of the equity investment made by “angel investors” in a qualifying business approved by the Iowa Economic Development Authority. The credit is refundable when claimed against the individual income tax.

When the tax credit is awarded, the taxpayer receives a tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the refundable tax credit is claimed using tax credit code 68.

Iowa Code sections 15E.43 and 422.11F

### **Biodiesel Blended Fuel Tax Credit**

A retail dealer of diesel fuel who sells B5 or higher blends of biodiesel during the tax year at a retail motor fuel site can claim a Biodiesel Blended Fuel Tax Credit. B5 or higher blends are biodiesel blended fuels with a biodiesel content of 5% and higher by volume. Tank wagons are considered retail motor fuel sites.

For fuel sold before January 1, 2023, the tax credit equals 3.5 cents per gallon with a blend between 5% and 10% biodiesel and 5.5 cents per gallon with a blend of 11% or higher of biodiesel. For fuel sold on or after January 1, 2023, the tax credit equals 5 cents per gallon with a blend between 11% and 19% biodiesel and 7 cents per gallon with a blend of 20% biodiesel. The IA 8864 is used to compute the credit or report and must be included with the Iowa income tax return.

The Biodiesel Blended Fuel Tax Credit must be reported on the IA 148 Tax Credits Schedule using tax credit code 52. Any tax credit in excess of tax liability is refundable.

If the tax credit is earned by a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity. Taxpayers receiving the credit from a pass-through entity should report the credit on the IA 8864, line 8 and on the IA 148 Tax Credit Schedule. The credit is repealed on January 1, 2028.

Iowa Code section 422.11P

## **Claim of Right Tax Credit**

A Claim of Right Tax Credit may be claimed by a taxpayer who repaid income during the 2023 tax year that was reported and taxed on a prior Iowa income tax return. To calculate the credit, recompute tax liability in the prior tax year excluding the repaid income. The Claim of Right Tax Credit equals the calculated reduction in tax liability in that prior year. However, it may be more advantageous to report the amount of repaid income as an income adjustment on Schedule 1, line 19. You may claim either the Claim of Right Tax Credit or take a deduction of the amount repaid on Schedule 1, line 19, but not both.

Example of Claim of Right Tax Credit: A taxpayer received a \$5,000 bonus in 2021 and reported it on the 2021 Iowa return. In 2023, the taxpayer's employer advised that the bonus was awarded in error and was to be repaid. The bonus was repaid by the end of 2023. After recomputing the 2021 Iowa return, there is a \$440 reduction in tax. The taxpayer may claim a credit of \$440 on the 2023 IA 1040, line 26 or apply an income deduction of \$5,000 on Schedule 1, line 19.

The Claim of Right Tax Credit must be reported on the IA 148 Tax Credits Schedule using tax credit code 53. Any tax credit in excess of the tax liability is refundable.

Iowa Code section 422.5(11)

## **E15 Plus Gasoline Promotion Tax Credit**

A retail dealer of gasoline who sells E15 plus gasoline during the tax year at a retail motor fuel site can claim an E15 Plus Gasoline Promotion Tax Credit. E15 plus gasoline is ethanol blended gasoline with an ethanol content between 15% and 69% by volume. Tank wagons are considered retail motor fuel sites.

For sales made on or after January 1, 2023, the credit equals nine cents per gallon of E15 plus gasoline sold in any month. The IA 138 form is used to compute the credit and must be included with the Iowa income tax return.

The E15 Plus Gasoline Promotion Tax Credit must be reported on the IA 148 Tax Credits Schedule using tax credit code 65. Any tax credit in excess of tax liability is refundable.

If the tax credit is earned by a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity. Taxpayers receiving the credit from a pass-through entity should report the credit on the IA 138, line 3 and on the IA 148 Tax Credit Schedule.

The credit is repealed on January 1, 2026.

Iowa Code section 422.11Y

## **E85 Gasoline Promotion Tax Credit**

A retail dealer of gasoline who sells E85 gasoline during the tax year at a retail motor fuel site can claim an E85 Gasoline Promotion Tax Credit. E85 gasoline is ethanol blended gasoline with an ethanol content between 70% and 85% by volume. Tank wagons are considered retail motor fuel sites.

The tax credit equals sixteen cents per gallon of E85 gasoline sold. The IA 135 form is used to compute the credit and must be included with the Iowa income tax return.

The E85 Gasoline Promotion Tax Credit must be reported on the IA 148 Tax Credits Schedule using tax credit code 55. Any tax credit in excess of tax liability is refundable.

If the tax credit is earned by a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity. Taxpayers

receiving the credit from a pass-through entity should report the credit on the IA 135, line 3 and on the IA 148 Tax Credit Schedule.

The credit is repealed on January 1, 2028.

Iowa Code section 422.110

### **Historic Preservation Tax Credit**

A Historic Preservation Tax Credit is available for 25% of the qualified rehabilitation expenditures of eligible property in Iowa. This credit is administered by the Iowa Economic Development Authority and the State Historic Preservation Office. When the tax credit is awarded, the taxpayer will receive a tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 56, if refundable.

Applications must be filed during a limited registration period and a scoring system is used to select rehabilitation projects eligible for Historic Preservation Tax Credits. However, credits for small projects defined as projects with qualified rehabilitation expenditures up to \$750,000 can apply at any time. The project must be completed within 36 months of the date on which the project agreement was signed.

The Historic Preservation Tax Credit can be transferred to any person or entity.

For Historic Preservation Tax Credit agreements under Iowa Code section 404A.3(3) entered into on or after January 1, 2023, taxpayers claiming the refundable tax credit must also complete Part V, section B of the IA 148 Tax Credit Schedule before completing Part II of the IA 148.

If the tax credit is issued to a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity.

Note: For Iowa income tax purposes, the increase in the basis of the rehabilitated property that would otherwise result from the qualified rehabilitation costs will be reduced by the amount of the tax credit received.

Iowa Code chapter 404A and Iowa Code section 422.11D

### **Redevelopment Tax Credit**

A Redevelopment Tax Credit equals a percentage of the qualifying investment in redeveloping a brownfield or grayfield site. A brownfield site is defined as an abandoned, idled, or underutilized industrial or commercial facility where expansion or redevelopment is complicated by real or perceived environmental contamination. A grayfield site is defined as a property that has been developed and has infrastructure in place but the property's current use is outdated or prevents a better or more efficient use of the property. Such property includes vacant, blighted, obsolete, or otherwise underutilized property. A higher tax credit rate is available if the redevelopment meets established "green development" standards. Projects must first apply to the Iowa Economic Development Authority to be considered for an award allocation during the annual application process.

Non-profit applicants can receive a refundable, but nontransferable, tax credit, in that case the tax credit is claimed on the IA 148 using tax credit code 67. For refundable Redevelopment Tax Credit awards approved by the Economic Development Authority Board on or after January 1, 2023, taxpayers claiming the refundable tax credit must also complete Part V, section B of the IA 148 Tax Credit Schedule before completing Part II of the IA 148.

If the tax credit is issued to a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity.

Note: For Iowa income tax purposes, the increase in the basis of the redeveloped property that would otherwise result from the qualified redevelopment costs will be reduced by the amount of the tax credit received.

Iowa Code sections 15.291, 15.293A, 15.293B, 15.294, and 422.11V

### **Renewable Chemical Production Tax Credit**

A Renewable Chemical Production Tax Credit is available to an eligible business producing chemicals from biomass feedstock in the state. The tax credit equals five cents per pound of renewable chemicals produced in a calendar year to the extent such production exceeds the eligible business's pre-eligibility production threshold. The credit is available for renewable chemicals produced on or after January 1, 2017, and on or before December 31, 2026.

The tax credit is available to businesses that apply to the Iowa Economic Development Authority. The maximum amount of credit that may be issued to an eligible business that has been in operation in the state for five years or less is \$1 million. The maximum amount of credit, which may be issued to an eligible business that has been in operation in the state for more than five years is \$500,000. An eligible business shall not receive more than five tax credits under the program.

When the tax credit is awarded, the taxpayer will receive a tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 69. Any tax credit in excess of tax liability is refundable. If the tax credit is issued to a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity.

Iowa Code sections 15.315 through 15.321 and 422.10B

### **Research Activities Tax Credit**

An Iowa Research Activities Tax Credit (RAC) is available for expenditures on research that is technological in nature as specified under the Federal Research Credit of Internal Revenue Code section 41 if the researching entity meets the following two requirements: the business must claim and be allowed a Federal Research Credit for the same taxable year, and the business must be engaged in manufacturing, life sciences, agriscience, software engineering, or aviation and aerospace. In addition, the business cannot be engaged in agricultural production or cannot be an agricultural cooperative, accountant, architect, collection agency, finance or investment company, publishing company, real estate company, retailer, transportation company, or wholesaler. The business also cannot be a contractor, subcontractor, builder, or contractor-retailer engaged in commercial and residential installation / repair including but not limited to HVAC installation / repair, plumbing and pipe fitting, security system installation, or electrical installation / repair. For more information, see Iowa Administrative Code rule 701—304.11 and Department guidance on the tax credit changes.

The Iowa credit equals 6.5% of Iowa's apportioned share of qualifying expenditures for increasing research activities when claimed on the IA 128.

The tax credit can alternatively be calculated using the "Alternative Simplified Research Activities Tax Credit" method on form IA 128S with a 4.55% rate of qualifying research expenditures.

A taxpayer must use the same method (regular method or alternative simplified method) to calculate their Iowa RAC as they elected or were required to use in calculating their federal research credit.

The RAC must be reported on the IA 148 Tax Credits Schedule using tax credit code 58. Taxpayers claiming the tax credit must complete Part V, section B of the IA 148 Tax Credit Schedule before completing Part II of the IA 148.



If the tax credit is earned by a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity. Taxpayers receiving the credit from a pass-through entity should report the credit on the IA 128, line 37 or the IA 128S, line 32 and on the IA 148 Tax Credit Schedule.

Iowa Code section 422.10

### **Supplemental Research Activities Tax Credit**

Taxpayers who are approved by the Iowa Economic Development Authority under the High Quality Jobs Program can be awarded a Supplemental Research Activities Tax Credit claimed on either form IA 128 or IA 128S. The amount of the Supplemental Research Activities Tax Credit depends upon the gross receipts of the eligible business. For businesses with average gross revenues of \$20 million or less, the supplemental credit cannot exceed 10% of the qualified research expenditures eligible for the Research Activities Tax Credit calculated using the IA 128.

For businesses with gross revenues exceeding \$20 million, the supplemental credit cannot exceed 3% of qualified research expenditures. For Research Activities Tax Credits calculated using the IA 128S, see the form instructions for supplemental credit percentages.

When the tax credit is awarded, the taxpayer receives a tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 59. Taxpayers claiming the tax credit must complete Part V, section B of the IA 148 Tax Credit Schedule before completing Part II of the IA 148.

If the tax credit is earned by a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity. Taxpayers receiving the credit from a pass-through entity should report the credit on the IA 128, line 38 or the IA 128S, line 33 and on the IA 148 Tax Credit Schedule.

Iowa Code sections 15.335 and 422.10

### **Third Party Developer Tax Credit**

Taxpayers who are approved by the Iowa Economic Development Authority (IEDA) under the High Quality Jobs Program can be awarded a Third Party Developer Tax Credit for certain sales taxes paid in completion of a High Quality Jobs Program project.

When the tax credit is awarded, the taxpayer may submit an application to the Department of Revenue after contract completion as defined in Iowa Code section 15.331A(4). The last day to submit an application is one year after the project completion date stated in the agreement between the taxpayer and IEDA. Upon approving the claim, the Department of Revenue issues another tax credit certificate for the final amount of credit that can be claimed based on the submitted contractor's statements and invoices, up to the award amount as either a refundable or nonrefundable credit, based on the designation requested by the taxpayer.

The taxpayer then claims the credit using its tax credit certificate number that must be reported on the IA 148 Tax Credits Schedule when the tax credit is claimed using tax credit code 62 or 97 (see certificate for which code applies). For Third Party Developer Tax Credit agreements issued for High Quality Jobs Program agreements under Iowa Code section 15.330 entered into on or after January 1, 2023, taxpayers claiming the refundable tax credit must also complete Part V, section B of the IA 148 Tax Credit Schedule before completing Part II of the IA 148.

If the tax credit is earned by a partnership, limited liability company, S corporation, estate, or trust, the tax credit shall be claimed by the individual based on the pro rata share of the income of the entity.

Iowa Code sections 15.331C and 422.11U

## Composite and PTET Credit

**Line:** 27

**Step:** 6

**Step Subject:** Refundable Credits and Payments

Enter the total composite and PTET credits from IA Schedule CC, Part III

### Composite Credit

A composite tax credit may be claimed by a nonresident member of a pass-through entity whose income tax was paid by the pass-through entity on an Iowa composite return (IA PTE-C). The amount of the credit is equal to the amount of tax paid by the pass-through entity on the nonresident member's behalf, as reported on the nonresident member's Iowa Schedule K-1. The composite credit shall be claimed for the same tax year that the nonresident member's Iowa-source income from the pass-through entity is required to be reported on the Iowa income tax return. The composite tax credit must be reported on the IA Schedule CC and that schedule must be included with the return. Any tax credit in excess of tax liability is refundable.

Iowa Code section 422.16B

### Pass-Through Entity Tax (PTET) Credit

An owner of a pass-through entity that has elected to pay tax at the entity level may claim a PTET credit. The amount of the credit is reported on the owner's Iowa Schedule K-1. The PTET credit shall be claimed for the same tax year that the owner's income from the pass-through entity is required to be reported on the Iowa income tax return. The PTET credit must be reported on the IA Schedule CC and that schedule must be included with the return. Any tax credit in excess of tax liability is refundable.

Iowa Code section 422.16C

## Iowa Income Tax Withheld

**Line:** 28

**Step:** 6

**Step Subject:** Refundable Credits and Payments

Enter the total amount of income tax withheld for Iowa from your W-2s, W-2Gs, and 1099s. This will be the figure shown in the box labeled "State income tax." Also enter the total amount of Iowa withholding identified on all K-1s.

Nonresident members - Report amount of composite tax credit from your Iowa Schedule K-1 on line 27, not on this line.

Copies of the W-2s, W-2Gs, 1099s, and K-1s showing Iowa tax withheld must be included with paper filed returns. Photocopies of originals are accepted. Your W-2s, W-2Gs, 1099s, and K-1s must be complete and legible with no alterations.

Employees: If you need a copy of your W-2, first ask your employer as the Iowa Department of Revenue is not able to furnish it to you. If you are unable to obtain a copy from your employer, here are some other possible options:

- Social Security Administration (SSA) - may provide copies of Forms W-2 for retirement purposes at no charge and for other than retirement purposes for a fee. Call 1-800-772-1213, or visit the SSA web site at [www.ssa.gov](http://www.ssa.gov) for instructions on how to obtain wage information from the SSA.
- Internal Revenue Service (IRS) – may provide an exact copy of a previously filed and processed tax return with attachments (including Form W-2). You should complete Form 4506, Request for Copy of Tax Return, and mail it to the address listed in the instructions. A fee will be charged for each tax year requested.

**Married Separate Filers:**

Withholding is reported by the spouse receiving the W-2, W-2G, 1099, and K-1.

## Estimated and Voucher Payments

**Line:** 29

**Step:** 6

**Step Subject:** Refundable Credits and Payments

Enter the total amount of 2023 Iowa estimated tax payments. This includes any 2023 estimated payment made in January 2024 and any payments made with the IA 1040V Payment Voucher for tax year 2023. Also include any amount applied to your 2023 Iowa estimated tax from your 2022 IA 1040, line 69. You cannot claim any additional Iowa income tax paid for 2022 or for any prior tax years as an estimated payment. Make sure the estimated payments claimed on the return match what was paid. If necessary, the taxpayer or representative with an Iowa power of attorney on file can call the Department to verify the payments on file. Only the IA 2848 is accepted to establish a representative as a power of attorney. Taxpayers with a GovConnectIowa account can check their estimated payments at [govconnect.iowa.gov](http://govconnect.iowa.gov) prior to filing their individual income tax return.

## Total

**Line:** 30

**Step:** 6

**Step Subject:** Refundable Credits and Payments

Add lines 23 through 29

## Step 7

### Amount You Overpaid

**Line:** 31

**Step:** 7

**Step Subject:** Refund

If line 30 is more than line 22, subtract line 22 from line 30 and enter the difference. You can have all or part of this amount refunded to you on line 32. The remainder, if any, can be applied to your estimated tax for 2024 on line 33.

### About Iowa income tax withholding...

If the amount you overpaid (line 31) is large, you may wish to check the Department's Withholding Estimator to estimate your 2024 recommended withholding. You may file a new IA W-4 with your employer to change the amount of Iowa income tax withheld from your pay.

## Amount to Be Refunded and Direct Deposit Information

**Line:** 32

**Step:** 7

**Step Subject:** Refund

Enter the portion of the amount shown on line 31 you wish to have refunded to you.

Check your Iowa refund status online at [Where's My Refund?](#) This is the same information that is available to our phone representatives when you call the general taxpayer services line.

### Receiving your Refund

#### By Check

If you want to have your refund issued to you as a paper check, proceed to Step 9. The check will be issued to the address listed on your return.

#### By Direct Deposit:

If you would like your refund directly deposited, proceed to lines 32a, and 32b, and 32c.

Do not put your account and routing information in rows 32a and 32b if you have an amount due on line 37.

32a. Enter your financial institution's routing number. The routing number must be nine digits.

32b. Enter your account number starting in the first box on the left. The account number may have up to 17 digits.

Note: The routing and account numbers may be in different places on your check.

32c. Check either checking or savings to indicate what type of account the refund will be deposited into. The entire refund amount will be deposited into this one account.

For savings accounts you will need to contact your financial institution to obtain the account number. The account the refund will be issued to must be located in the United States.

Verify that the routing and account numbers are correct to avoid a delay in your refund. Any error will result in a paper refund.

Do not request a deposit of your refund to an account that is not in your name, such as your tax return preparer's account. Although you may owe your tax return preparer a fee for preparing your return, do not use the preparer's account to pay the fee.

### Claim for Refund - Statute of Limitations

Claims for refund of an Iowa income tax return will only be honored if the claim for refund is made within the statute of limitations provided in Iowa Code section 422.73 and Iowa Administrative Code rules 701—305.3(8) and 305.3(15).

## Overpayment Applied to Estimated Tax

**Line:** 33

**Step:** 7

**Step Subject:** Refund

Subtract line 32 from line 31. This is the amount that will be applied to your estimated tax for 2024. Enter this amount on line 33.

If you choose to apply part or all of your overpayment to your estimated tax for 2024, the return must be filed by December 31, 2024, and this choice cannot be changed after December 31, 2024.

2023 returns filed after December 31, 2024, may not request that overpayment be applied to estimated tax. Any overpayment will be refunded.

If you do not make any entry on line 32 or 33, the entire amount of the overpayment on line 31 will be refunded to you.

The total of lines 32 and 33 must equal the amount on line 31

## Step 8

### Amount of Tax You Owe

**Line:** 34

**Step:** 8

**Step Subject:** Amount Due

If line 30 is less than line 22, subtract line 30 from line 22 and enter the difference. This is the amount of tax you owe, prior to any penalty or interest that may be due.

#### About Iowa income tax withholding...

If the amount you owe (line 34) is large, you may wish to check the Withholding Estimator to estimate your recommended withholding. You may file a new IA W-4 with your employer to change the amount of Iowa income tax withheld from your pay.

### Penalty for Underpayment of Estimated Tax

**Line:** 35

**Step:** 8

**Step Subject:** Amount Due

If you are required to make estimated tax payments but fail to make payments, you may be subject to a penalty in addition to any tax you may owe. The penalty is determined in the same way as for federal purposes. Consequently, you must include your Iowa income and lump-sum taxes when calculating the penalty for underpayment of estimated tax.

If you are subject to this penalty, complete IA 2210 or IA 2210S and enter the penalty on this line. Include a copy of the IA 2210 or IA 2210S with your tax return.

If you use the farmer/fisher or annualized method of computing the penalty, check the box on line 35 and include a copy of your IA 2210F (for farmers and commercial fishers) or IA 2210 Schedule AI (Annualized Income Installment Method) with your tax return.

If you are due a refund, subtract the penalty amount from the overpayment you show on line 31 or line 32.

Individuals who expect to owe Iowa income tax of \$200 or more for the tax year from income not subject to Iowa withholding tax must make quarterly estimated tax payments. These payments may be made online at [govconnect.iowa.gov](http://govconnect.iowa.gov) after setting up an account or by mail with an Individual Income Voucher.

### Penalty and Interest

**Line:** 36

**Step:** 8

**Step Subject: Amount Due**

Enter the penalty on line 36a, the interest on line 36b, and the total on line 36.

**36a. Penalty****5% Penalty for Failure to Timely File a Return:**

If you do not file your return by the due date and you paid less than 90% of the correct tax, you owe an additional 5% of the unpaid tax.

**5% Penalty for Failure to Timely Pay the Tax Due:**

If you file your return on time but paid less than 90% of the correct tax due, you owe an additional 5% of the unpaid tax.

Taxpayers may be subject to both the 5% failure to timely file penalty and the 5% failure to timely pay penalty.

If 90% of the correct tax due is paid by the due date, then no penalty is due. To determine if 90% was paid, multiply IA 1040, line 20 by 90% (.90). If the result is equal to or less than the amount on the IA 1040, line 30, plus any payment made with a return filed by the due date, 90% (.90) of the tax has been paid timely and no penalty is due.

**Other penalties that may be assessed:****5% Penalty for audit or examination deficiency:**

If the Department discovers an underpayment during an audit or examination, a penalty of 5% will be added to the unpaid tax.

**\$1,000 Penalty for Failure to File after Demand**

A \$1,000 penalty is assessed when a taxpayer continues to fail to file 90 days after the Department issues a demand letter. A separate penalty will be assessed for each unfiled return listed in the demand letter. This penalty is in addition to the failure to file penalties listed above.

**75% Penalty for fraud or frivolous tax return filings or willful failure to file a return:**

A person who willfully intends to make a false or frivolous tax return to claim a refund, or to evade tax is guilty of fraud. A penalty of 75% of the refund claimed will be due. This penalty cannot be waived.

**\$500 Civil Penalty:**

A \$500 civil penalty is assessed when a return is considered to be a "frivolous return." A "frivolous return" is a return that lacks sufficient information to determine the substantial correctness of the amount of tax liability or contains information that indicates the amount of tax shown is substantially incorrect and this conduct is due to a position of law taken that is frivolous or a desire to delay or impede the administration of the tax laws of Iowa.

**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.

**36b. Interest**

Interest must be added to delinquent tax. Interest is added at a rate of 0.8% per month after the due date of the return (April 30) and accrues each month until paid in full. Part of a month constitutes a whole month, so if you pay the tax on June 3, you are late for May and June.

## Total Amount Due

**Line:** 37

**Step:** 8

**Step Subject:** Amount Due

Add lines 34, 35, and 36 and enter the total on line 37.

Do not fill in lines 32a, 32b, or 32c if you have an amount due. Entries on 32a, 32b, and 32c are intended for direct deposit of a refund only.

### How to Pay Your Tax:

You have four options to pay the amount due. Payment options include:

- Through your tax software
- Online through [govconnect.iowa.gov](http://govconnect.iowa.gov)
- In person at the Iowa Department of Revenue Office
- By check with a voucher available at [tax.iowa.gov](http://tax.iowa.gov). Do not send cash.

### Direct Debit payment with your return through tax software

- Your tax payment is made from your savings or checking account without having to write a check.
- You may be able to make a direct debit payment through your software when you file electronically.
- You may be able to schedule the payment for a future date through your tax software.

### Credit or Debit Card Online

Enter your credit / debit card information and the type of payment. A service fee will be charged. Cards accepted: Visa, MasterCard, American Express, Discover.

### Pay by Mail

Mail a check or money order with an IA 1040V Payment Voucher payable to Iowa Department of Revenue. Write the type of tax being paid and the tax year being paid on the check or money order. The mailing address is on the voucher. Do not send cash.

### In Person at the Iowa Department of Revenue Office

Hoover State Office Building - 1st Floor  
1305 E. Walnut St, Des Moines IA 50319

8:00 a.m. - 4:30 p.m. CT, Monday through Friday

The Hoover Building is located near the intersection of East 14th Street (Highway 69) and Court Avenue, a few blocks south of I-235. [Capitol Complex Map](#)

### Unable to Pay

Pay as much as you can, and you will be billed for the balance due. You can make payments prior to receiving a bill from the Department.

**Note:** You must have received a bill from the Department before you can set up a formal payment plan.

Iowa does not have a formal payment plan option prior to receiving a bill from the Department. However, if you are unable to pay your Iowa tax liability in full, file the return and pay what you can by the due date. If you do not file your return by the due date, and at least 90% of the correct tax is not paid, you owe an additional 5% late filing penalty and a 5% late payment penalty on the unpaid tax. By filing the return on time, even if at least 90% of the correct tax due isn't paid, you only owe an additional 5% late payment penalty on the unpaid tax.



You may pay online through [govconnect.iowa.gov](http://govconnect.iowa.gov).

If paying by check or money order, mail a check or money order with an IA 1040V Payment Voucher payable to Iowa Department of Revenue. Write the type of tax being paid and the tax year being paid on the check or money order. The mailing address is on the voucher.

You will be billed for the balance after your return is processed, including any penalty or interest that may be due. Interest will accrue on the first of each month until the balance is paid.

## Step 9

### Third Party Designee

**Step:** 9

**Step Subject:** Third Party Designee

If the taxpayer would like to designate an individual to discuss this return with the Department, complete this section with that individual's information.

An individual listed in this section will be able to discuss and receive information from the Department about this return. This authorization is specific to the individual income tax return for this tax year. If the taxpayer wishes to have this individual represent the taxpayer on other matters, or for other tax years, the taxpayer must submit an IA 8821 Tax Information Disclosure Designation or IA 2848 Power of Attorney.

This authorization is limited to the ability to discuss the return and receive return information from the Department. It does not authorize the individual to act on behalf of the taxpayer or to appoint another person as Power of Attorney for the taxpayer.

### Signature

**Step:** 9

**Step Subject:** Signature

Returns are not processed and refunds are not issued if returns are not signed. If you and your spouse file a joint return, both of you must sign the return. Paper-filed returns must be signed by hand or via a digital signature with a digital certificate. Stamped or typed signatures are not accepted.

The following information is optional to include but assists the Department in confirming the identity of taxpayers:

- Daytime phone number.
- Email address
- Driver's license or State issued ID number

If a paid tax professional prepared your return, the preparer must also sign and enter a daytime telephone number, identification number, and the firm's FEIN.

The Department will now allow electronic signing of the Declaration for eFile Return form via remote transaction. Returns will not be accepted if the electronic signatures are not digitally or electronically **certified**. This allows a taxpayer to electronically sign a Declaration for eFile Return form when the Electronic Return Originator is not physically present with the taxpayer.

Information on Confidentiality, Disclosure, and Authorized Representation is available on the Department's website. This page will provide links to the appropriate forms, as well as guidance on how to determine which form to use to best fit your needs.

## Deceased Taxpayer

Check the box below the signature line, and enter the date of death.

If your spouse died and you are filing a joint return, write on the deceased's signature line "Filing as a surviving spouse", check the box below the signature line, and enter the date of death.

If you have the legal authorization to file for the decedent, sign the return with your legal title or authorization. Also, include any forms required to be filed with your federal return, such as federal form 1310, Statement of Person Claiming Refund Due a Deceased Taxpayer, or a copy of the court certificate showing your appointment as a personal representative of the decedent.

## Spouse Unable to Sign

If your spouse cannot sign because of a medical condition and requests that you sign the return, sign your spouse's name in the proper place followed by the word "by" (your signature), followed by the word "spouse." Be sure to also sign in the space provided for your signature.

If you are the guardian for your spouse who is mentally incompetent, you may sign the return for your spouse as guardian.

## Minor Child

If you are filing a return for a minor child who cannot sign the return, sign the child's name followed by the word "by" (your signature), followed by your relationship, such as "parent" or "guardian for minor child." The parent or guardian must submit a Representative Certification form in order to allow the Department to discuss the return and to act on behalf of the minor child.

## Representative Certification Form

If a representative has authority to act on behalf of a taxpayer, they must complete and submit a Representative Certification Form prior to receiving the taxpayer's confidential taxpayer information or acting on behalf of the taxpayer.

## IA 1040 Schedule 1

**Step Subject:** IA 1040 Schedule 1

Schedule 1 (located on page 4 of the IA 1040) is used to report Iowa adjustments to federal taxable income. Amounts should only be reported if there is a difference between the federal and Iowa reportable amounts. Column A should be used to report additions to federal taxable income and Column B should be used to report subtractions from federal taxable income. Report all amounts as a positive number.

### Line 1: Interest

**Column A: Enter interest from state and municipal securities, to the extent not already included in federal taxable interest on the IA 1040, line 2, unless specifically exempt from Iowa tax.**

However, interest from certain Iowa state and municipal securities is exempt from Iowa tax and should not be included on this line. For more information, see Iowa Administrative Code rules 701—302.2 and 701—302.3.

**The following securities are exempt:**

- Aviation Authority Bonds, Iowa Code section 330A.16
- Beginning Farmer Loan Program Bonds, Iowa Code section 175.17(10)

- Community College Bond Program Bonds, Iowa Code section 260C.71(6)
- Community College Residence Halls and Dormitories Bonds, Iowa Code section 260C.61
- County Health Center Bonds, Iowa Code section 331.441(2)"C"(7)
- E911 Emergency Telephone Service Program Bonds, Iowa Code section 34A.20(6)
- Interstate Bridges Bonds, Iowa Code section 313A.36
- Iowa Board of Regents Bonds for buildings and facilities, Iowa Code sections 262.41, 262.51, 262.60, and 262A.8
- Iowa Higher Education Loan Authority, Iowa Code section 261A.27
- Iowa Municipality Urban Renewal Bonds, Iowa Code section 403.9(2)
- Iowa Rural Water District Revenue Bonds and notes, Iowa Code section 357A.15
- Low Income Housing Bonds, Iowa Code section 403A.12
- Prison Infrastructure Revenue Bonds, Iowa Code section 16.177(8)
- Regents Institutions Medical and Hospital Buildings at University of Iowa Bonds, Iowa Code section 263A.6
- Soil Conservation Districts Revenue Bonds, Iowa Code section 161A.22
- Quad Cities Interstate Metropolitan Authority Bonds, Iowa Code section 28A.24
- Sewage Treatment Works Revenue Bonds, Iowa Code section 16.131(6)
- Underground Storage Tank Fund Revenue Bonds, Iowa Code section 455G.6(14)
- Vision Iowa Program, Iowa Code section 12.71
- Iowa Utilities Board and Consumer Advocate Building Bonds, Iowa Code section 12.91(9)
- School Infrastructure Program Bonds, Iowa Code section 12.81(8)
- Appropriation Bonds, Iowa Code section 12.87(8)

**Column B: Enter interest received from federal securities (for example, U.S. Savings Bonds, U.S. Treasury Notes), to the extent included on the IA 1040, line 2. Do not include interest from repurchase agreements of U.S. Government securities.**

The following list contains widely held United States Government obligations, but is not intended to be all-inclusive.

**The following are exempt and should be included in Column B to the extent they are included in federal taxable income:**

a. United States Government obligations: United States Treasury - Principal and interest from bills, bonds, and notes issued by the United States Treasury exempt under 31 USC section 3124(a).

- Series E, EE, F, G, H and I bonds
- United States Treasury bills
- U.S. Government certificates
- U.S. Government bonds
- U.S. Government notes

b. Territorial obligations:

- Guam - Principal and interest from bonds issued by the Government of Guam (48 USCS section 1423[a]).
- Puerto Rico - Principal and interest from bonds issued by the Government of Puerto Rico (48 USCS section 745).
- Virgin Islands - Principal and interest from bonds issued by the Government of the Virgin Islands (48 USCS section 1403).
- Northern Mariana Islands - Principal and interest from bonds issued by the Government of the Northern Mariana Islands (48 USCS section 1681(c)).

c. Federal agency obligations:

- Commodity Credit Corporation - Principal and interest from bonds, notes, debentures, and other similar obligations issued by the Commodity Credit Corporation (15 USCS section 713a–5).
- Banks for Cooperatives - Principal and interest from notes, debentures, and other obligations issued by Banks for Cooperatives (12 USCS section 2134).
- Farm Credit Banks - Principal and interest from systemwide bonds, notes, debentures, and other obligations issued jointly and severally by Banks of the Federal Farm Credit System (12 USCS section 2023).
- Federal Land Bank Association - Principal and interest from bonds, notes, debentures, and other obligations issued by the Federal Land Bank Association (12 USCS section 2098).
- Financial Assistance Corporation - Principal and interest from notes, bonds, debentures, and other obligations issued by the Financial Assistance Corporation (12 USCS section 2278b–10[b]).
- Production Credit Association - Principal and interest from notes, debentures, and other obligations issued by the Production Credit Association (12 USCS section 2077).
- Federal Deposit Insurance Corporation (FDIC) Principal and interest from notes, bonds, debentures, and other such obligations issued by the Federal Deposit Insurance Corporation (12 USCS section 1825).
- Federal Financing Bank - Interest from obligations issued by the Federal Financing Bank. Considered to be United States Government obligations (12 USCS section 2288, 31 USCS section 3124[a]).
- Federal Home Loan Bank - Principal and interest from notes, bonds, debentures, and other such obligations issued by any Federal Home Loan Bank and consolidated Federal Home Loan Bank bonds and debentures (12 USCS section 1433).
- Federal Financing Corporation - Principal and interest from notes, bonds, debentures, and other such obligations issued by the Federal Financing Corporation (12 USCS section 2288(b)).
- Financing Corporation (FICO) - Principal and interest from any obligation of the Financing Corporation (12 USCS Sections 1441[e][7] and 1433).
- General Services Administration (GSA) - Principal and interest from General Services Administration participation certificates. Considered to be United States Government obligations (31 USCS section 3124[a]).
- Housing and Urban Development (HUD). Principal and interest from War Housing Insurance debentures (12 USCS section 1739[d]).
  - \* Principal and interest from Rental Housing Insurance debentures (12 USCS section 1747g[g])
  - \* Principal and interest from Armed Services Mortgage Insurance debentures (12 USCS section 1748b[f])
  - \* Principal and interest from National Defense Housing Insurance debentures (12 USCS section 1750c[d])
  - \* Principal and interest from Mutual Mortgage Insurance Fund debentures (12 USCS section 1710[d])
- National Credit Union Administration Central Liquidity Facility - Income from notes, bonds, debentures, and other obligations issued on behalf of the National Credit Union Administration Central Liquidity Facility (12 USCS section 1795k[b]).
- Resolution Funding Corporation - Principal and interest from obligations issued by the Resolution Funding Corporation (12 USCS Sections 1441[f][7] and 1433).
- Student Loan Marketing Association (Sallie Mae) - Principal and interest from obligations issued by the Student Loan Marketing Association. Considered to be United States Government obligations (20 USCS section 1087–2[1], 31 USCS section 3124[a]).
- Tennessee Valley Authority - Principal and interest from bonds issued by the Tennessee Valley Authority (16 USCS section 831n–4[d]).
- United States Postal Service - Principal and interest from obligations issued by the United States Postal Service (39 USCS section 2005[d][4]).
- Certificates on Government Receipts.

**The following are not considered federal securities and are taxable and should not be included in Column B:**

Federal Agency Obligations:

- Building and Loan Associations
- Credit Unions, federal or state
- Export-Import Bank of the United States
- Federal Agricultural Mortgage Corporation (Farmer Mac)
- Federal Home Loan Mortgage Corporation (Freddie Mac) Securities
- Federal Housing Administration
- Federal income tax refunds, interest
- Federal National Mortgage Association
- Federal National Mortgage Association (Fannie Mae) Securities
- Government National Mortgage Association (Ginnie Mae) Securities
- Merchant Marine (Maritime Administration)
- Money Market Certificates
- Mortgage Participation Certificates
- Savings and Loan Associations, federal or state
- Small Business Administration

Obligations of International Institutions:

- Asian Development Bank
- Inter-American Development Bank
- International Bank for Reconstruction and Development (World Bank)

Other Obligations:

- Washington D.C. Metro Area Transit Authority

**Married Separate Filers:**

Divide interest income based on ownership of the account or certificate.

- Jointly held: Divide equally between spouses.
- Held in the name of only one spouse: Allocate interest wholly to that spouse.

**Line 2: Dividends**

Column A: Include all dividends from mutual funds, investment trusts, or regulated investment companies investing in state and municipal bonds.

Column B: Include that portion of any net dividends from a mutual fund, investment trust, or regulated investment company that is attributable to direct federal securities. You cannot take this deduction unless you are provided a statement from the fund giving the percentage of net dividends attributable to direct federal securities. If a return is filed on paper, a copy of the statement must be included with the return to take this deduction. Interest income from repurchase agreements involving federal securities cannot be deducted.

**Married Separate Filers:**

Divide dividends based on registered ownership of stock. *Jointly held:* Divide equally. *Held in the name of only one spouse:* Allocate dividends wholly to that spouse.

**Line 3: RESERVED FOR FUTURE USE**

**Line 4: RESERVED FOR FUTURE USE**

**Line 5: Social Security Benefits**

Enter in column B the amount of social security benefits included in federal taxable income from federal form 1040, line 6b. Iowa does not tax Social Security benefits.

### **Line 6: Active Duty Military Pay**

Enter in column B the amount of active duty military pay. Members of the armed forces, armed forces military reserve, or the national guard in an active duty status can exclude pay received from the federal government for military service performed, to the extent it was included in IA 1040, line 2, federal taxable income.

For more information, see Iowa Tax Responsibilities of Servicemembers and Their Spouses.

### **Line 7: IRA/Pension/Railroad Retirement Income**

If you or your spouse receive federal taxable income from a governmental or other pension or retirement plan you may be eligible to exclude that amount from your Iowa income.

To take this exclusion, the income recipient must meet one of the following conditions:

- 55 years of age or older on December 31, 2023, or
- Disabled, or
- A surviving spouse or a survivor having an insurable interest in an individual who would have qualified for the exclusion in 2023 on the basis of age or disability.

Examples of distributions from the following plans that qualify for the exclusion include:

- Distributions from individual retirement plans (IRA) authorized under section 408 of the Internal Revenue Code (IRC)
- Distributions from a simplified employee pension (SEP) plan;
- Distributions from a savings incentive match plan for employees (SIMPLE) retirement plan;
- Distributions from a Keogh plan;
- Distributions from qualified pension plans as described in Treasury Regulation section 1.401-1(b)(1)(i), including IPERS;
- Roth conversion income;
- Distributions from qualified deferred compensation plans governed by the Employee Retirement Income Securities Act (ERISA) including a 401(k), 403(b), and 457(b) plan;
- Annuity distributions pursuant to IRC section 402(a).
- Distributions from an Employee Stock Ownership Plan (ESOP) as defined in section 4975(e)(7) of the IRC

Include in this deduction the total amount of railroad retirement income that is included in federal taxable income regardless of age or disability status.

Note: Nonqualified deferred compensation plans and nonqualified annuities are not eligible for the retirement income exclusion.

For more information, see Iowa Administrative Code rule 701—302.47 and our Retirement Income Tax Guidance.

### **Line 8: Railroad Unemployment Income**

Enter in column B the amount of any railroad unemployment income from the Railroad Retirement Board.

### **Line 9: Bonus Depreciation/Section 179 Expenses**

Enter the expense and depreciation adjustment from the IA 4562A and the IA 4562B. Include the IA 4562A and the IA 4562B with your return. Column A should be used to report additions to federal taxable income and Column B should be used to report subtractions from federal taxable income. Report all amounts as a positive number.

### **Line 10: Federal Net Operating Loss prior to 1/1/23**

Enter in column A your federal net operating loss carried forward from a year prior to January 1, 2023. Include the IA 124 with your return. Report all amounts as a positive number.

## **Line 11: Other Income**

Enter other income or adjustments not reported on lines 1-10 which have not already been included on IA 1040, line 2. Write an explanation of the type of adjustment on a separate form or schedule. Column A should be used to report additions to federal total income and Column B should be used to report subtractions from federal total income. Report all amounts as a positive number. Examples of income or adjustments to be reported include:

### **a. Babysitting income**

Report all babysitting income not already reported on Federal Schedule C, line 1.

### **b. RESERVED FOR FUTURE USE**

### **c. RESERVED FOR FUTURE USE**

### **d. College Savings Iowa or Iowa Advisor 529 Plan**

Amounts received from the cancellation of a participation agreement or other non-qualifying withdrawal to the extent the amount was previously deducted on the IA 1040. Qualifying withdrawals may include up to \$10,000 per beneficiary per year for tuition expenses of attending an accredited elementary or secondary (K-12) school in Iowa or an out-of-state elementary or secondary school that educates a beneficiary who is a child "requiring special education" under Iowa Code section 256B.2. The \$10,000 per-beneficiary cap applies even if the beneficiary receives money from multiple College Savings Iowa or Iowa Advisor 529 Plan accounts. The \$10,000 annual cap does not apply to withdrawals used to pay qualified education expenses related to higher education. Qualifying withdrawals include withdrawals for certain expenses related to participation in an apprenticeship program and withdrawals, up to \$10,000, used to pay either principal or interest on a qualified education loan on behalf of a beneficiary or a beneficiary's sibling. If you withdrew funds from a 529 Plan to pay qualified higher education expenses and you received a refund of those funds, the refund amount is considered a qualifying withdrawal if it is recontributed to the same Iowa 529 Plan account from which it was withdrawn within sixty (60) of the date of the refund. To be a qualifying withdrawal, the recontribution amount cannot exceed the amount of the refund from the qualifying higher education institution.

### **e. Director's Fees**

Enter director's fees which have not already been included on IA 1040, line 2.

### **f. RESERVED FOR FUTURE USE**

### **g. Executor's Fees**

Enter executor's fees which have not already been included on IA 1040, line 2.

### **h. First-time Home Buyers Account Non-Qualifying Withdrawals**

Non-qualifying withdrawals from your Iowa First-time Homebuyer Savings Account that were previously deducted on the IA 1040 must be added back on this line, along with any applicable penalty. Non-qualified withdrawals required to be added back here are assessed a penalty equal to 10% of the amount of the withdrawal, unless the non-qualifying withdrawal was made by reason of the death of the account holder or certain other circumstances. If an account holder makes a non-qualifying withdrawal, they are not permitted to claim a deduction for any future contribution to any First-time Homebuyer Savings Account. All withdrawals (qualifying and non-qualifying) from your First-time Homebuyer Savings Account must be reported to the Department on the Iowa First-time Homebuyer Savings Account Withdrawal Form within 90 days of the date of withdrawal.

### **i. Partnership Income and/or S Corporation Income**

Report any all-source Iowa modifications reported on an IA Schedule K-1 that increased the income.



**j. RESERVED FOR FUTURE USE**

**k. State Income Tax Refunds**

Report state income tax refunds other than Iowa to the extent that the tax refunded in 2023 was a deduction on a prior Iowa return and not already included on IA 1040, line 2.

**l. RESERVED FOR FUTURE USE**

**m. RESERVED FOR FUTURE USE**

**n. Net Premium Tax Credit**

The Net Premium Tax Credit from the 2022 federal 1040, Schedule 3, line 9 will be reported as Other Income on this line. The Net Premium Tax Credit is reportable income to the extent these credits were a reimbursement for health insurance premiums deducted from Iowa income in a prior year.

If the deduction is taken on the IA 1040 Schedule A (for tax years prior to 2023), then the federal tax guidance should be followed when addressing the complications due to the impact of the Federal Excess Advance Premium Tax Credit repayment and the Net Premium Tax Credit.

However, if the deduction is taken on IA 1040, line 18 (for tax years prior to 2023), then the IA 1040, Schedule 1, Line 11, must reflect the impact of the Federal Excess Advance Premium Tax Credit repayment and the Net Premium Tax Credit. The Iowa expanded instructions for this line and IA 1040, Schedule 1, line 15 set forth the Department's guidance for the correct reporting of these amounts.

**o. Iowa ABLE Savings Plan**

Report amounts received from cancellation of accounts or other non-qualifying withdrawals to the extent the amount was previously deducted on the IA 1040.

**p. RESERVED FOR FUTURE USE**

**q. RESERVED FOR FUTURE USE**

**r. RESERVED FOR FUTURE USE**

**s. RESERVED FOR FUTURE USE**

**t. RESERVED FOR FUTURE USE**

**u. RESERVED FOR FUTURE USE**

**v. RESERVED FOR FUTURE USE**

**w. RESERVED FOR FUTURE USE**

**x. Other Nonconformity Adjustments**

See IA 101 Nonconformity Adjustments Schedule. Include IA 101 with your return.

**y. IA 163 Interest Expenses Adjustment**

Report any interest expenses adjustment. Include IA 163 with your return.

**z. RESERVED FOR FUTURE USE**

**aa. Premium Pay Payments**

Report to the extent included in federal taxable income, up to \$1,000, the amount of:

1. Premium pay received by a certified peace officer who was designated by the governor of the State of Iowa as an eligible worker.
2. Premium pay received by a correctional officer or medical staff member at a correctional facility who was designated by the governor of the State of Iowa as an eligible worker.
3. Premium pay received by a teacher employed by an independently accredited school or a teacher employed by the State of Iowa who was designated by the governor as an eligible worker.

4. Teacher retention payment received by a teacher that was funded from moneys received by the State of Iowa from the elementary and secondary school emergency relief fund pursuant to the federal Coronavirus Response and Relief Appropriations Act or the American Rescue Plan Act of 2021.
5. Teacher retention payment received by a teacher employed by a private school or specially accredited school, that was funded from the private sector worker premium pay program administered by the department of education that was funded from the State of Iowa moneys.
6. Recruitment and retention bonus received by a child care worker through the recruitment and retention bonus program administered by the department of human services.

**bb. Other Income not Included in Federal Taxable Income that is Taxable for Iowa Purposes**

Certain Iowa tax credits require taxpayers who claim those credits to make adjustments to their itemized deductions for the contributions associated with those credits. The amount of the contributions associated with the credits should be added back to taxable income. Those credits include:

- Charitable Conservation Contribution Tax Credit
- Endow Iowa Tax Credit
- Farm-to-Food Donation Tax Credit
- Hoover Presidential Library Tax Credit
- School Tuition Organization Tax Credit

**cc. Military Retirement Income**

**Line 12: Total modifications to federal total income**

Add lines 1 through 11.

**Line 13: Net modifications to federal total income**

Subtract line 12, column B from line 12, column A.

**Line 14: Federal income tax refund or overpayment received in 2023**

To find out the amount of your federal refund, contact the IRS at 1-800-829-1040 or [www.irs.gov](http://www.irs.gov). If you received a federal tax refund in 2023, you must report the amount on IA 1040 Schedule 1, line 14. It must be reported even if you used the standard deduction on the prior year’s Iowa return. The federal refund must be included on this line because you benefited from being able to deduct federal taxes on the prior year’s Iowa return, which reduced your Iowa taxable income for that year. The amount reported on the IA 1040 Schedule 1, line 14 should not exceed the total amount of any federal tax deduction taken on the prior year(s) Iowa return. The total overpayment is reported on Schedule 1, line 14.

Any portion of the federal refund received due to the fuel tax credit must be reported on the Iowa return. Include any amount received in 2023 due to excess FICA payments if the amount was claimed as a federal tax payment on the 2022 Iowa return. Report any federal income tax refund received in 2023 for tax year 2022 or any other years that were amended or filed late.

Do not include the portion of the federal refund attributable to the following:

- Do not include federal refundable credits such as earned income tax credit, additional child tax credit, refundable education credit, net premium tax credit, or recovery rebate credit.
- You are filing an Iowa return for 2023 for the first time. A refund of federal tax received in 2023 is not reported if the tax was not deducted from Iowa income in a prior year.
- The refund you received was from a year in which you did not take a deduction for the payment of federal tax because your income was less than the minimum amount for paying Iowa tax or your tax for that year was calculated using the alternate tax computation.
- You were a nonresident for the tax year of the refund and were not required to file an Iowa return for that year.

**Married Separate Filers:**

If the refund received in 2023 was from a jointly-filed federal return, it must be divided between the spouses in the ratio of the spouses’ Iowa net incomes in the year for which the refund was issued.

**Line 15: Health Insurance Deduction**

For taxpayers who are 65 years of age or older and whose Iowa taxable income is less than \$100,000, enter 100% of the amount paid for health and dental insurance premiums paid with post-tax funds. Typically, employer health insurance premiums are made on a pre-tax-basis when they are deducted from wages. Do not include any amount of health insurance that was used as a deduction in the computation of federal taxable income, this includes amounts reported on federal 1040, Schedule A, line 1, and federal 1040, Schedule 1, Part II, line 17.

Enter 100% of the amount paid for:

- health insurance premiums paid with post-tax dollars
- supplemental health insurance, such as:
  - Medicare B supplemental medical insurance
  - Medicare D voluntary prescription drug insurance
- dental insurance premiums paid with post-tax dollars
- long-term nursing home coverage premiums paid with post-tax dollars regardless of age

Do NOT include:

- “Medicare tax withheld” on your W-2
- premiums paid with pre-tax dollars
- premiums which are later reimbursed, in the same tax year

The \$100,000 taxable income limitation is calculated without regard to filing status, meaning that a single taxpayer, a married taxpayer filing separately, and a couple that files married filing jointly will all have a \$100,000 taxable income limitation.

To calculate taxable income for purposes of this deduction, use the following calculation:

- |  |           |
|--|-----------|
| 1. Report the amount of Iowa taxable income reported on IA 1040, line 4.   | 1. _____  |
| 2. Report the following adjustments, if applicable:  |           |
| a. Federal itemized or standard deduction to the extent it does not exceed federal adjusted gross income                           | 2a. _____ |
| b. Federal personal exemption deduction (\$0 for 2023)   | 2b. _____ |
| c. Reportable Social Security income. See Reportable Social Security Benefits  | 2c. _____ |
| d. Pensions or other retirement income received from a source that is not taxable in Iowa, reported on IA 1040, Schedule 1, line 7 | 2d. _____ |
| e. Health insurance deduction reported IA 1040, Schedule 1, line 15.   | 2e. _____ |
| f. Total of lines 2a through 2e.   | 2f. _____ |
| 3. Subtract line 2f from line 1  | 3. _____  |

If line 3 is \$100,000 or less and you are age 65 or older you are eligible to deduct health and dental insurance paid with post-tax funds.

If line 3 is \$100,001 or more you are NOT eligible to deduct health and dental insurance, IA 1040, Schedule 1, line 15 should be changed to zero.

The deduction must be reduced by the amount of any premium reimbursement from Health Reimbursement Arrangements (HRAs).

## Federal Health Insurance Credits

Any Excess Advance Premium Tax Credit repayment from the 2022 federal form 1040, Schedule 2, line 2 will be entered on IA 1040, Schedule 1, line 15 in the year paid (For tax years 2023 and later). Any repayment calculated on your 2023 federal return cannot be included on the 2023 IA 1040, Schedule 1, line 15.

The Net Premium Tax Credit from the 2023 federal form 1040, Schedule 3, line 9 will be reported as Other Income on the 2024 IA 1040, Schedule 1, line 11. The federal Net Premium Tax Credit is reportable income to the extent this credit was a reimbursement for health insurance premiums deducted from Iowa income in a prior year.

If the deduction is taken on the IA 1040, Schedule A (For tax years prior to 2023), then the federal tax guidance should be followed when addressing the complications due to the impact of the Federal Excess Advance Premium Tax Credit repayment and the Net Premium Tax Credit.

### Married Separate Filers:

If both spouses have self-employment income, the deduction for self-employed health insurance must be allocated between the spouses in the ratio of each spouse's self-employment income to the total self-employment income of both spouses. If health insurance premiums are paid directly by one spouse, that spouse will claim the entire deduction.

If both spouses paid through a joint checking account, the deduction is allocated between the spouses in the ratio of each spouse's Iowa taxable income to the total Iowa taxable income of both spouses. For this Iowa taxable income calculation, do not include the health insurance deduction. If one spouse is employed and has post-tax health insurance premiums paid through wages, that spouse will claim the entire deduction. If both spouses pay post-tax health insurance premiums through their wages, each spouse will claim what each spouse paid.

## Line 16: Capital Gains Deduction

You must complete and include the applicable IA 100 with your return to claim the Iowa capital gain deduction. In addition to the instructions and guidance found in the applicable IA 100, flowcharts to assist in determining if a gain qualifies can be found on the Department's website.

### Married Separate Filers:

Divide the capital gain deduction based on ownership of the asset.

- Jointly held: Divide equally between spouses.
- If other than jointly held: Divide between spouses based on percentage of ownership.

Each spouse must file a separate form of the applicable IA 100.

## Line 17: Iowa Net Operating Loss (NOL) prior to 1/1/23

Enter the Iowa NOL carried forward from a tax year prior to January 1, 2023 from IA 124, Part II, line 5. Include the IA 124 with your return.

## Line 18: Federal Tax Paid for Prior Years

Enter the amount of additional federal income tax paid during 2023 for tax year 2022 and any prior tax years. The amount of additional federal income tax paid is deductible only if Iowa income tax returns were required to be filed for the year for which the additional federal income tax was paid. Include only the actual federal income tax payments made in 2023, but do not include penalties and interest.

For taxpayers whose reporting method was to report the amount of self-employment, household tax, or other federal taxes in the following year, reduce the amount of federal tax paid reported on line 18 by the following:

- Excess advance premium tax credit repayment reported on the 2022 federal 1040, Schedule 2, line 2

- Federal self-employment tax reported on the 2022 federal 1040, Schedule 2, line 4
- Total additional Social Security and Medicare tax reported on the 2022 federal 1040, Schedule 2, line 7
- Additional tax on IRAs or other tax-favored accounts reported on the 2022 federal 1040, Schedule 2, line 8
- Federal household employment taxes reported on the 2022 federal 1040, Schedule 2, line 9
- Repayment of first-time homebuyer credit reported on the 2022 federal 1040, Schedule 2, line 10
- Additional Medicare tax from federal form 8959 reported on the 2022 federal 1040, Schedule 2, line 11
- Uncollected social security and Medicare or RRTA tax on tips or group-term life insurance from Form W-2, box 12, reported on the 2022 federal 1040, Schedule 2, line 13
- Interest on tax due on installment income from the sale of certain residential lots and timeshares reported on the 2022 federal 1040, Schedule 2, line 14
- Interest on the deferred tax on gain from certain installment sales with a sales price over \$150,000 reported on the 2022 federal 1040, Schedule 2, line 15
- Recapture of low-income housing credit reported on the 2022 federal 1040, Schedule 2, line 16
- Other additional federal taxes reported on the 2022 federal 1040, Schedule 2, line 18

Note: If line 18 results in a negative amount, due to the adjustments reported above, report this amount as a positive figure and add this amount to the amount reported on Schedule 1, line 14.

#### **Married Separate Filers:**

The additional federal tax paid must be divided between the spouses in the ratio of the spouses' Iowa net incomes for the prior years for which they paid additional federal income tax.

#### **Line 19: Other Adjustments**

Enter the total of other allowable adjustments as listed below. Include an explanation for each adjustment on a separate form or schedule. Column A should be used to report additions to federal taxable income and Column B should be used to report subtractions, deductions and exclusions from federal taxable income. Report all amounts as a positive number.

##### **a. Accrual method**

Taxpayers who had capital gains in 2023 that were reported on the installment method for federal tax purposes and the entire gain was reported for Iowa in a prior year do not have to report installments.

##### **b. RESERVED FOR FUTURE USE**

##### **c. RESERVED FOR FUTURE USE**

##### **d. RESERVED FOR FUTURE USE**

##### **e. RESERVED FOR FUTURE USE**

##### **f. Claim of Right Deduction**

If income was repaid in the 2023 tax year and was reported and taxed on a prior Iowa return, that income may be deducted on the 2023 tax return. However, it may be to your advantage to take a credit on line 26. You may take either the deduction on Schedule 1, line 19 or take a credit on line 26, but not both.

Example: A taxpayer reported \$7,000 in unemployment benefits on the 2022 Iowa return. The taxpayer's 2022 AGI exceeded \$150,000 without including the unemployment income. The taxpayer did not qualify for the unemployment exclusion. In early 2023 the taxpayer was notified that \$4,000 of the unemployment benefits had to be repaid. The benefits were repaid by the end of 2023. The taxpayer may claim a \$4,000 income adjustment on the 2023 IA 1040, Schedule 1, line 19.

### **g. College Savings Iowa or Iowa Advisor 529 Education Savings Plans**

If you or your spouse participate in the College Savings Iowa 529 Plan (Iowa Educational Savings Plan Trust) or the Iowa Advisor 529 Plan, each may deduct an amount contributed not to exceed \$3,785 per beneficiary. This deduction is only available for contributions to Iowa 529 plans.

You must be the "participant" in the Iowa 529 plan in order to deduct your contributions. If you are not the "participant" in the Iowa 529 plan, you may not deduct your contributions to that plan.

Example: Adam and Tara have 2 children; Charlie and Ruth. Adam opens two 529 accounts – one for Charlie and one for Ruth. Tara also opens two 529 accounts one for Charlie and one for Ruth. Both Adam and Tara can take up to \$3,785 per child's account. Adam and Tara each are eligible for a deduction of up to \$7,570. Adam and Tara's total potential deduction amount is \$15,140.

Only contributions to these two Iowa 529 plans qualify for a deduction on the Iowa return; however, a rollover from another state's 529 plan to one of the Iowa plans qualifies toward the deduction for Iowa income tax. If you received a refund of any qualified higher education expenses from an eligible educational institution and recontributed the refund amount consistent with Iowa Code section 422.7(22)(c)(1)(f)(i), you may not deduct the retribution amount when calculating your Iowa taxable income and the retribution amount will not be considered when determining whether you have met the annual deduction cap.

Be sure you have properly shown these contributions as a deduction for one of these plans. Most computer software programs will ask for this information and correctly indicate the appropriate reason for the deduction.

Individuals making a contribution on or before the Iowa income tax return filing deadline (April 30 for calendar year tax filers), excluding extensions, can elect to have that contribution treated as though it was made on the last day of the preceding calendar year, which allows them to claim the income tax deduction for the most recently completed tax year.

### **h. Disability income exclusion**

You may exclude from Iowa taxable income a portion of the disability pay you received in 2023 if you meet ALL of the following conditions:

- You received disability pay, and
- You were not yet 65 when your tax year ended, and
- You retired on disability and were totally and permanently disabled when you retired, and
- On January 1, 2023, you had not yet reached the age when your employer's retirement program would have required you to retire.

If you meet all of these conditions, include form IA 2440. You MUST complete form IA 2440 to take this exclusion. A doctor's statement must accompany each year's return attesting to the taxpayer's complete and permanent disability.

### **i. RESERVED FOR FUTURE USE**

### **j. First-Time Homebuyer Savings Account qualifying contributions**

You may deduct up to \$2,181 (\$4,363 for married filing jointly) in qualifying Iowa First-Time Homebuyer Savings Account contributions made during the tax year. This deduction limitation is based on the account holder, so even though you may have contributed to multiple accounts for more than one beneficiary, your total deduction may not exceed \$2,181 (\$4,363 for married filing jointly).

Contributions are only deductible if they are made to accounts that have been designated as First-Time Homebuyer Savings Accounts by submitting the Account Holder and Designated Beneficiary Form to the Department. The Account Holder and Designated Beneficiary Form must be submitted to the Department by

the due date of the Iowa individual income tax return, April 30 for calendar year filers, of the calendar year following the year in which you opened the account to the address on that form.

The Account Holder and Designated Beneficiary Form must be submitted to the Department separately from your 2023 Iowa income tax return.

Taxpayers are also required to complete an Iowa Department of Revenue annual report form and include it with their Iowa income tax return.

Complete and send a First-time Homebuyer Withdrawal Form, 41-163 to the Iowa Department of Revenue when money is withdrawn. Note: this form must be submitted to the Department within ninety (90) days of the date of any withdrawal of funds in any amount from the First-Time Homebuyer Savings Account.

Interest and earnings income from a qualified First-Time Homebuyer Savings Account are exempt from Iowa individual income tax.

**k. RESERVED FOR FUTURE USE**

**l. RESERVED FOR FUTURE USE**

**m. RESERVED FOR FUTURE USE**

**n. RESERVED FOR FUTURE USE**

**o. RESERVED FOR FUTURE USE**

**p. Contributions to injured veterans program**

An Injured Veterans Grant Program is available through the Iowa Department of Veterans Affairs. Money appropriated for these grants will be given to veterans injured in a combat zone after September 11, 2001. The grants cannot exceed \$10,000 per injured veteran. The Department of Veterans Affairs may also receive money from any public or private source for purposes of providing grants to injured veterans.

A deduction is allowed for the amount paid by a taxpayer to the Department of Veterans Affairs for the purposes of providing grants to the Injured Veterans Grant Program to the extent that amount is included in federal taxable income.

**q. Grants from injured veterans program**

The amount of Department of Veteran Affairs grant money received by an injured veteran that is included in the veteran's federal adjusted gross income is not included in the veteran's Iowa taxable income.

**r. In-home health care**

To the extent included in federal taxable income, deduct any State Supplementary Assistance payments received for unskilled in-home health-related care services to a family member.

**s. Iowa Veterans Trust Fund**

Income from the Iowa Veterans Trust Fund for the following items can be excluded:

- Travel expenses directly related to follow-up medical care for wounded veterans and their spouses
- Unemployment assistance during a period of unemployment due to prolonged physical or mental illness or disability resulting from military service

**t. Military exemptions**

For more information see Tax Responsibilities of Servicemembers and Their Spouses

**u. Net operating loss, Iowa**

Nonresidents: Enter any Iowa-source net operating loss carryforward or carryback on your Schedule IA 126. Include the IA 124 and supporting documentation, if any.



#### **v. Organ transplant expenses**

A deduction is allowed for taxpayers for unreimbursed expenses relating to a human organ transplant to the extent the amount is included in federal taxable income. The taxpayer, while living, who donates all or part of a designated human organ can claim a deduction for unreimbursed expenses such as travel expenses, lodging expenses, and lost wages.

The deduction is limited to \$10,000, and a taxpayer can only claim this deduction once.

#### **w. Partnership income and / or S corporation income: Modifications that decreased the income (including Biodiesel Production Refund)**

Report any all-source Iowa modifications reported on an IA Schedule K-1 that decrease the income.

Any biodiesel production refund received is not included as income for Iowa individual income tax purposes.

#### **x. Segal AmeriCorps Education Award Payments**

Federal Segal AmeriCorps education award payments are excluded from Iowa taxable income.

#### **y. RESERVED FOR FUTURE USE**

#### **z. RESERVED FOR FUTURE USE**

#### **aa. Victim compensation awards**

To the extent included in federal taxable income, the following items can be excluded from Iowa taxable income:

- Amounts of victim compensation awards paid under the victim compensation program administered by the Department of Justice under Iowa Code section 915.81
- Amounts of victim restitution payments received pursuant to Iowa Code chapters 910 and 915
- Amounts of damages awarded by a court, and received by a taxpayer, in a civil action filed by the victim against an offender

#### **bb. Wages paid to certain individuals (ex-offenders & disabled)**

If you operate a business, you may qualify for an additional deduction of 65% of the wages paid in the first 12 months up to a maximum deduction of \$20,000 per qualifying new employee. This deduction is in addition to the wage deduction you were allowed on federal Schedule C. To qualify, the new employee(s) must be disabled or an ex-offender on parole, probation, or in a work release program. All types of businesses may qualify for this deduction for hiring qualifying ex-offenders. However, the deduction for hiring qualifying persons with disabilities is restricted to certain small businesses.

Further information is available online:

- Benefit for hiring ex-offenders
- Benefit for hiring persons with disabilities

#### **cc. RESERVED FOR FUTURE USE**

#### **dd. Other federal adjustments**

Other federal adjustments from Schedule 1, Part II, prior to the calculation of federal 1040 line 11 (federal AGI) not taken elsewhere on the IA 126.

#### **ee. Educator expenses**

Educators can deduct out-of-pocket educator expenses of up to \$200 in excess of the federal deduction limitation (\$300), per eligible educator. Do not include expenses already deducted from federal taxable income.

#### **ff. RESERVED FOR FUTURE USE**

#### **gg. Nonresident Electric Utility Worker Training and Emergency Response Work Reciprocity**

The income a nonresident individual earns for performing emergency response work for an electric utility in Iowa under a mutual aid agreement between Iowa and the state in which the nonresident lives is excluded from Iowa individual income tax. Income received by a nonresident individual for training by an electric utility in Iowa is also excluded.

#### **hh. Rapid Response to State Disasters**

Out-of-state businesses and individuals performing disaster or emergency-related work in Iowa are not subject to Iowa income tax or withholding. The disaster response period starts ten days before the state-declared or presidential-declared disaster and ends sixty days after the end of the declared state disaster or emergency.

#### **ii. Iowa ABLE (Achieving a Better Life Experience) Savings Plan Trust**

Contributions to a qualified ABLE savings plan trust account made during 2023, on behalf of a designated beneficiary, are deductible from Iowa individual income tax up to a maximum amount, \$3,785, allowed per beneficiary per year for purposes of the Iowa ABLE savings plan trust in Iowa Code chapter 12I. Interest and earnings income from an ABLE savings plan trust account are exempt from Iowa individual income tax.

#### **jj. RESERVED FOR FUTURE USE**

#### **kk. Broadband Infrastructure Grant**

Enter the amount of a federal, state, or local grant provided to a communications service provider during the tax year, to the extent included on Federal Schedule C, 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.

#### **ll. Iowa Qualifying COVID-19 Grants**

Enter the amount of an Iowa qualifying COVID-19 grant eligible for exclusion from Iowa income. The exclusion applies only to the extent the qualifying COVID-19 grant was included in your federal taxable income and reported as taxable income on this Iowa return. The exclusion is reported as an adjustment on Schedule 1, line 19, regardless of the line where the grant income is reported on the IA 1040. For more information on the Iowa qualifying COVID-19 grant exclusion, including qualifying grant programs, see the Department's guidance, Qualifying COVID-19 Grants - Income and Franchise Tax Exclusion.

#### **mm. RESERVED FOR FUTURE USE**

#### **nn. Education Savings Account**

Taxpayers who receive payments from an education savings account may exclude that from Iowa taxable income to the extent it was included in federal taxable income.

#### **oo. Farm Tenancy Income Exclusion**

Taxpayers who are retired farmers who have materially participated in a farming business for ten years in the aggregate and have held real property used in a farming business for at least ten years may elect to exclude income received from a farm tenancy agreement covering that real property. Include the IA 125 with the return.

For more information about this exclusion, see Iowa Code section 422.7(14) and Iowa Administrative Code rule 701-302.88.

#### **pp. Student Loan Repayments by Employers**

Taxpayers may deduct 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.

### **Married Separate Filers:**

When the adjustment is attributable to a specific spouse, it is taken by that spouse. When the adjustment is not attributable to any one spouse, it must be prorated based on each spouse's taxable income.

### **Line 20: Total modifications to federal taxable income**

Add lines 14 through 19.

### **Line 21: Net modifications to federal taxable income**

Subtract line 20, column B from line 20, column A.

### **Line 22: Net Iowa Modifications**

Add lines 13 and 21. Enter here and IA 1040, line 3.

## **Contacts**

### **Where's My Iowa Refund?**

[tax.iowa.gov/wheres-my-refund](http://tax.iowa.gov/wheres-my-refund)

[govconnect.iowa.gov](http://govconnect.iowa.gov)

Note: If this is a joint tax return, enter the first SSN or ITIN listed on the tax return. You will need to enter your SSN, tax year, and exact refund amount (dollars and cents) to check the status of your refund.

### **Questions about Iowa Taxes?**

[tax.iowa.gov](http://tax.iowa.gov) | [idr@iowa.gov](mailto:idr@iowa.gov)

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

### **Questions about Federal Income Taxes?**

Internal Revenue Service, [irs.gov](http://irs.gov)

800-829-1040

## **Amending Tax Returns**

To amend your return you must file an IA 1040 and include an IA 102 Iowa Amended Return Schedule. Amended returns may be submitted electronically. Check with your software vendor regarding whether filing an amended return electronically is supported. Amended returns should not be submitted on the same day as the original return. To correct errors or misstatements on your original filing, you must submit a new IA 1040 with an IA 102. Include an explanation of the changes. If you file an amended federal return, include the federal 1040X with your submission.

### **If you owe additional tax:**

Calculate the tax, and any penalty and interest due. You may make your payment online for the current year through [Govconnect.iowa.gov](http://Govconnect.iowa.gov) direct debit or with a credit/debit card, fees apply). To pay by check or money order, print an IA 1040XV payment voucher to send in with your check. Visit the Department's website at [tax.iowa.gov/easypay Iowa](http://tax.iowa.gov/easypay Iowa) for more information about your payment options.

## **Are You a Resident of Iowa for Tax Purposes?**

A person can be a resident of only one state at any given time. Usually, it is clear which state that is. Normally, it is the state in which one lives and works. Occasionally, however, the question of residency can be a little

more difficult to answer. If a person moves during the year, or for some reason spends an extended period of time outside the state, the actual state of residence may not always be as obvious.

## **Intent of Individual**

The issue of residency hinges mainly on the intent of the individual. That intent is often clear and easy to determine. If a person moves from one state to another with the intent of changing residence, that person will take certain actions. They will typically take obvious steps to eliminate ties and contacts with the former state, and establish similar ties and contacts with the new state. In some cases, however, the actions taken by the individual may create some confusion as to the actual intent.

## **Factors to Measure Intent**

When a person's intent is not readily apparent, several factors are used as a guide to measure that intent. No single factor can be used. All the facts and circumstances of the case must be weighed in their totality to determine a person's intent and residency.

### **Some of the factors used in this analysis are listed below:**

- Are you registered to vote in Iowa?
- Have you voted (in person or by absentee ballot) in an Iowa election?
- Do you or any of your family attend Iowa schools?
- Do you have an Iowa telephone listing and service?
- Do you receive your mail in Iowa?
- Do you have an Iowa driver's license?
- Do you hold any business or professional licenses in Iowa?
- Do you hold an Iowa hunting or fishing license?
- Is your automobile registered in Iowa? Do you have Iowa license plates?
- Are any boats or recreational or all-terrain vehicles registered in Iowa?
- Do you own a home in Iowa?
- Is your home larger than your home in any other state?
- Do you claim homestead or military credits for property tax?
- Do you keep your valuables, mementos, collections, jewelry, or prized personal possessions in Iowa?
- Do you live in Iowa for more days of the tax year than in any other state?
- Do you live in any other state for more days of the tax year than in Iowa?
- Do you receive income from an Iowa source?
- Do you receive services from doctors, dentists, attorneys, CPAs, or any other professionals located in Iowa?
- Do you have an active membership in an Iowa church, club, professional or civic organization in Iowa, and participate as a result of the membership?
- Do you claim a benefit on the federal income tax return based on an Iowa home being the principal place of business?
- Do you have active checking or savings accounts or use of safe deposit boxes located in Iowa?
- Do you have a location of employment in Iowa or active participation in a business within Iowa?
- Is Iowa the state of residency in your Last Will and Testament?

Please keep in mind that no single factor will typically be sufficient to make a residency determination. When viewed as a whole, the answers to the above questions will generally give a good indication as to the individual's intent, and therefore, to the state of residence.

## Residency Rules

For more details on the subject of residency, including several examples, please refer to Iowa Administrative Code rule 701—300.17.

## Servicemembers and their Spouses

Servicemembers and their spouses should reference *Iowa Tax Responsibilities of Servicemembers and their Spouses* for additional information.

## Certified Tax Returns for Nonresidents

Residents of other states who need a certified copy of the Iowa return for filing with their state of residence must include an extra copy of their Iowa return and a self-addressed stamped envelope when they file. A note stating the purpose of the extra copy should be included. The Department will stamp the copy and return it to you.

## Confidentiality

Taxpayers provide confidential tax information to the Iowa Department of Revenue in the form of individual income tax returns and other Iowa schedules, forms, and supporting documentation.

Your tax information is kept confidential by the Department, with a few exceptions as required by law. Most notably, information from your return may be made available to the Internal Revenue Service or to tax officials of another state for tax administration purposes.

Any Iowa Department of Revenue employee who discloses tax return information without legal authority is guilty of a serious misdemeanor, subject to a fine, incarceration, and civil damages. The Department will discuss confidential tax information only with the taxpayer, unless the taxpayer has properly authorized another individual to speak with or represent the taxpayer regarding the relevant tax year and issue. For more information, see Confidentiality, Disclosure, and Authorized Representation.

If you do not provide individual income returns or the necessary information to support the return, or if you provide fraudulent information, you may be charged penalties and interest and may be subject to criminal prosecution.

## Credits: Refundable or Nonrefundable - What's the Difference?

Although Iowa and the IRS may have the same type of credit, it may or may not be refundable on both returns.

### Nonrefundable Tax Credit

A nonrefundable tax credit will reduce your tax liability. This credit may reduce your tax liability down to zero, but it will never generate a refund. An example of this type of credit is the Tuition and Textbook Credit or any other credit taken in Step 5 of the IA 1040 individual income tax form.

### Refundable Tax Credit

A refundable tax credit will also reduce your tax liability. However, if this tax credit exceeds your tax liability it will generate an Iowa refund. An example of this type of credit is the Iowa Child and Dependent Care Credit or any other credit taken in Step 6 of the IA 1040 individual income tax form.

## Do You Owe Tax? Here Are Your Payment Options

### Payments through your Tax Software

#### Direct Debit payment with the income tax return

A Direct Debit is a tax payment electronically withdrawn from your bank account through the tax software used to electronically file individual income or corporation income tax returns. You will need to enter your bank routing number and your bank account number.

**Note:** You receive credit for making the payment on the date you indicate the Department should withdraw it from your bank account. This may be the date you send it, or a date in the future if you request the payment to be warehoused for withdrawal at a later date. Please allow a week after the withdrawal date for your bank to post it to your account.

#### Why Direct Debit through your tax software?

(Check with your software vendor for the features that are provided.)

- You control the date when the payment is withdrawn from your bank account.
- You may pay the entire amount or a portion of the balance due.
- You choose whether the payment is withdrawn from your checking or savings account.

#### Need to cancel a Direct Debit payment made through your tax software?

- Email the Department's Payment Processing team.
- Include this information in your email:
  1. Taxpayer name
  2. Payment amount
  3. Scheduled pay date
  4. Taxpayer's daytime phone number
- PAYMENT PROCESSING will return a cancel confirmation email.

### Payments through GovConnectIowa

- Visit [govconnect.iowa.gov](http://govconnect.iowa.gov)
- Using the Quick Pay option and selecting Make a Return Payment without setting up a GovConnectIowa logon will not provide an option to view history of payments made.
- Create a logon to take full advantage of GovConnectIowa including viewing up-to-date balance, return status, and payment history.

**Note: If paying by credit/debit card,** a service fee will be charged by the credit card processing vendor. This service fee is retained by the vendor and is not revenue to the Iowa Department of Revenue.

#### Need to cancel a Direct Debit payment made through GovConnectIowa?

For more information, visit GovConnectIowa Help.

### Other Payment Information

#### Need to change the timing of a payment or update bank account information?

We cannot make these changes for you, you must cancel the payment (see above) and resubmit a payment in one of the following ways:

- Through your tax software
- Pay through our website using [govconnect.iowa.gov](http://govconnect.iowa.gov)
- Mail us a check or money order

## Payments by Check or Money Order...

Mail a check or money order with an IA 1040V Payment Voucher payable to: Iowa Department of Revenue. Payments must be at least \$1. Write the type of tax being paid and the tax year being paid on the check or money order. The address for mailing is on the IA 1040V Payment Voucher.

## Payment Plans

Pay as much as you can, and you will be billed for the balance due. You can make payments prior to receiving a bill from the Department.

**Note:** You must have received a bill from the Department before you can set up a formal payment plan.

Iowa does not have a formal payment plan option prior to receiving a bill from the Department. However, if you are unable to pay your Iowa tax liability in full, file the return and pay what you can by the due date. If you do not file your return by the due date, and at least 90% of the correct tax is not paid, you owe an additional 5% late penalty on the unpaid tax. By filing the return on time, even if at least 90% of the correct tax due isn't paid, you only owe an additional 5% late penalty on the unpaid tax.

You may pay online through [Govconnect.iowa.gov](https://govconnect.iowa.gov)

If paying by check or money order, mail a check or money order with an IA 1040V Payment Voucher payable to Iowa Department of Revenue. Write the type of tax being paid and the tax year being paid on the check or money order. Do not send in any payment of less than one dollar. The mailing address is on the voucher.

You will be billed for the balance after your return is processed, including any penalty or interest that may be due. We encourage you to make payment prior to receiving a bill in order to reduce the interest amount due. Interest will accrue on the first of each month until the balance is paid.

Questions about payment plans? [tax.iowa.gov/pay-delinquent-tax](https://tax.iowa.gov/pay-delinquent-tax)

## Estimated Payments

### Iowa Residents

Iowa residents who expect to owe tax of \$200 or more for 2024 from income not subject to withholding tax must make estimated tax payments to avoid a penalty for underpayment of estimated tax. For additional information, see IA 1040ES instructions.

### Farming or Commercial Fishing

If at least two-thirds of your income is from farming or commercial fishing, you may avoid penalty for underpayment of estimated tax in one of the following ways: (1) You may pay the estimated tax in one payment on or before January 15, 2024, and file your return by June 1, 2024, or (2) you may file your return and pay the tax in full by March 1, 2024.\*

### Nonresidents

Nonresidents with nonwage income from Iowa, see IA 1040ES instructions.

### Married Taxpayers filing Jointly

Estimated tax payments should be filed under the primary taxpayer's name and SSN.

### Married Taxpayers filing Separately

Each individual required to make estimated tax payments must file an estimated payment under their name and Social Security Number.



## How to Pay

You can set up your payments to be automatically deducted from your bank or credit union account using Govconnect.iowa.gov, in person, or by mail. Simply select Individual Income Estimate Tax and the payment option that works best for you using EasyPay Iowa.

\* If the due date falls on a Saturday, Sunday, or holiday as defined in Iowa Code section 421.9A, then the due date is the following day that is not a Saturday, Sunday, or holiday.

## Extension Requests

**The Department does not have an extension form to obtain additional time to file. A federal extension does not apply for Iowa purposes.**

If at least 90% of your total tax liability is paid by April 30, 2024, you will automatically have until October 31, 2024, to file your return timely. You will not be charged a late file penalty. However, you may owe an IA 2210 penalty for failure to make estimated payments. You will owe interest on any tax still due after April 30, 2024.

If the due date falls on a Saturday, Sunday, or holiday as defined in Iowa Code section 421.9A, then the due date is the following day that is not a Saturday, Sunday, or holiday.

### How to determine if 90% of the tax you owe has already been paid:

Multiply the amount on IA 1040, line 20 by 90% (.90).

If the result is equal to or less than the amount on IA 1040, line 30, an extension is automatic.

#### Example:

- Total state and local tax before contributions from IA 1040, line 20 = \$5,000
- $\$5,000 \times 90\% = \$4,500$
- Total credits from IA 1040, line 30 = \$4,000

90% of the tax has not been paid. No extension is available to this taxpayer. This taxpayer will owe penalty and interest on the unpaid tax.

#### Example:

- Total state and local tax before contributions from IA 1040, line 20 = \$3,000
- $\$3,000 \times 90\% = \$2,700$
- Total credits from IA 1040, line 30 = \$2,850

This taxpayer receives an automatic extension until October 31, 2024 and will pay only interest on the unpaid tax.

### If you need to make a tax payment to meet the 90% requirement, you may:

- arrange payment from your bank account, or by credit/debit card through govconnect.iowa.gov.
- use the IA 1040V payment voucher form

## Farmers and Commercial Fishers

If at least two-thirds of your income is from farming or commercial fishing, you may avoid penalty for underpayment of estimated tax in one of the following ways:

1. Pay the estimated tax in one payment on or before January 15, 2024, and file the Iowa income tax return by April 30, 2024, or
2. File the Iowa income tax return and pay the tax due in full on or before March 1, 2024. An IA 2210F is required to be filed with the Iowa income tax return.

If the due date falls on a Saturday, Sunday, or holiday as defined in Iowa Code section 421.9A, then the due date is the following day that is not a Saturday, Sunday, or holiday.

## Federal Bonus Depreciation / Section 179

### Bonus Depreciation

Bonus depreciation is available for Iowa tax purposes for assets placed in service in a tax year beginning on or after January 1, 2021. See IA 4562A&B for required adjustments for assets placed in service in a tax year beginning before January 1, 2021.

### Section 179

For tax years beginning on or after January 1, 2020 the IRC section 179 limitations and phase-out threshold for Iowa purposes are the same as federal. See IA 4562A&B for required adjustments.

### How to Prorate

Taxpayers using filing status 3 (married filing separately) may be required to prorate (divide) certain entries on the IA 1040.

#### Example 1: How spouses would prorate a federal refund:

2022 federal refund received in 2023 from a jointly-filed return: \$1,000

Spouse A has net income of \$15,000 on the 2022 IA 1040.

Spouse B has net income of \$30,000 on the 2022 IA 1040.

Total net income: \$45,000 on the 2022 IA 1040.

Divide Spouse B's net income by total net income.  $\$30,000 \div \$45,000 = 66.7\%$

The result is the percent of total net income earned by Spouse B.

Then multiply the total 2022 federal refund amount by the result above.  $\$1,000 \times 66.7\% = \$667$ . This is Spouse B's portion of the refund, reported on the 2023 IA 1040, Schedule 1, line 14.

Subtract Spouse B's portion of the refund from the total 2022 federal refund amount.  $\$1,000 - \$667 = \$333$ .

This is Spouse A's portion of the refund, reported on the 2023 IA 1040, Schedule 1, line 14.

**Note:** Round to the nearest one-tenth of a percent. For example, 66.74% becomes 66.7% and 66.75% becomes 66.8%

### Injured Spouse

Injured spouse: The federal "injured spouse" form is not recognized by the State of Iowa when using filing status 2 (married filing jointly). If your filing status is married filing jointly, your refund will be used to pay a federal, state, county, or city debt owed by either spouse. See Refunds May Be Used to Pay Debt.

#### Relief from Joint and Several Liability

Married taxpayers are generally jointly and severally liable for the total tax, penalty, and interest from a joint return. However, a person who meets the criteria for relief from joint and several liability established in Section 6015 of the Internal Revenue Code may be relieved of liability for an understatement of tax that is attributable to erroneous items of the other spouse.

A married taxpayer filing a return with a spouse can qualify for relief from joint and several liability only if the taxpayers file a joint return. A married taxpayer who files a separate return that has been accepted by the state will not be eligible for relief from joint and several liability.

## Time Period for Requesting Relief from Joint and Several Liability

Relief from joint and several liability must be requested within two years of the date on the Notice of Assessment. However, an extended time period to request equitable relief is available for taxpayers who satisfy the criteria under Section 6015(f) of the Internal Revenue Code and, if applicable, Internal Revenue Service Notice 2011-70.

For additional information related to relief from joint and several liability, see Iowa Administrative Code rule 701–300.15.

### How to Request Innocent Spouse Relief:

1. Follow the process described in the Notice of Assessment
2. Go to [govconnect.iowa.gov](http://govconnect.iowa.gov)
3. Under the *Individuals* section, select *Request Innocent Spouse Relief*
4. Complete the on-screen prompts

### Notification of Non-Requesting Spouse

When a taxpayer requests innocent spouse relief, the Department may notify the nonrequesting spouse or former spouse of the request for relief. The notice will advise the nonrequesting spouse or former spouse of their right to intervene by filing a notice of intervention with the Department.

## Iowa 2210 / 2210S General Information

### Learn About the IA 2210 Form

The IA 2210 penalty is calculated as a per day interest charge based upon the number of days that an estimated income tax payment is made after the required due date.

The first 9 lines of the 2210 form determine how much tax the taxpayer should have paid.

The second part of the 2210 form determines what the penalty, if any, is on the tax that was not paid. Penalty is determined on a quarterly basis.

Either the IA 2210 or IA 2210S is used to determine if an individual taxpayer paid income tax sufficiently throughout the year. This form is used to calculate any penalty due.

You may use the short method (IA 2210S) for 2210 penalty if:

- You did not make any estimated payments, or
- You paid the same amount of estimated tax on each of the four payment due dates.

You must use the regular method (IA 2210) to calculate your 2210 penalty if:

- You made any estimated tax payments late,
- You choose to annualize your income for 2210 penalty calculations.

**Note:** If any payment was made earlier than the due date for that payment, you may use the short method, but using it may cause you to pay a larger penalty than the regular method. If the payment was only a few days early, the difference is likely to be small.

To find out if you owe 2210 penalty, complete the IA 1040 through line 34 then complete the IA 2210 or IA 2210S. You will need the amount of tax you paid Iowa in 2022 in addition to completing the 2023 Iowa return.

Taxpayers who do not have Iowa tax withheld from their paychecks must pay Iowa tax on their income by making Iowa estimated tax payments on a quarterly basis.

## Estimated Payments

If you file returns on a calendar-year basis and are required to file form IA 1040ES, you are generally required to pay the tax in four installments with the first installment due by April 30.

If you file returns on a fiscal-year basis and are required to make estimated income tax payments, you are generally required to pay the tax in four installments with the first installment due the last day of the fourth month after the filing year ends.

You may benefit by using the IA 2210 Schedule AI (pdf) Annualized Income Installment Method if your income varied during the year.

**Calendar-Year Taxpayers:** If you are not required to file estimated payments until later in the year because of a change in your income or exemptions, you may be required to pay in fewer installments.

## IA 2210 Schedule AI Information

**Nonresident or Part-Year Resident Credit:** Must be computed on the IA 126 for each period as follows:

1. Figure the Iowa-source gross income less any adjustments for the period. Multiply this income figure by the number for the corresponding period on Schedule AI, line 2 and enter on the IA 126, line 25.
2. Enter the amount from Schedule AI, line 3 on the IA 126, line 26.
3. Calculate the Iowa income percentage and the nonresident/part-year resident credit percentage on the IA 126, lines 27 and 28.
4. Enter the tax amount for the period from Schedule AI, line 4 on the IA 126, line 29.
5. Add the credits from Schedule AI, lines 7 and 8 that represent IA 1040, lines 8, 9, and 10. Enter this figure on form IA 126, line 30.
6. Compute the nonresident/part-year resident credit by subtracting the credits on IA 126, line 30 from the tax on IA 126, line 29. Multiply this amount by the percentage on line 28. Enter this number on Iowa Schedule AI, line 8.

**Out-of-State Tax Credit form IA 130** must be computed for each period:

The gross income taxed by the other state/country, IA 130, line 13, must be annualized by multiplying by the annualization factor for the period. The gross income for residents, IA 130, line 16, is the amount on Iowa Schedule AI, line 3, (if a part-year resident, the amount is taken from IA 126, line 13) for the period. The tax, IA 130, line 18, is the amount on Iowa Schedule AI, line 4 for the period. The total tax imposed by the other state/country must be multiplied by a ratio of gross income taxed by the other state/country for the period to total gross income taxed by the other state/country.

Example: Fred, a full-year resident, had \$100,000 of income taxed by another state. The other state's tax imposed was \$4,000 for the year. For the period 1/1/23 to 3/31/23, the income taxed by the other state was \$25,000. The computation for the tax imposed for the period 1/1/23 to 3/31/23 is (\$4,000 times the annualization factor of  $4.0 \times 25,000/100,000$ ).

Please include a worksheet or tax form showing the calculations for each credit claimed on line 8.

## Estimated / Installment Payment Periods and Due Dates

The chart below shows the due date for the calendar year filers installments and the maximum number of installments required for each. More installments than required may be made in each period.

Period Requirement First Met	Installment is Due	Maximum Number of Installments Required During the Year
Between January 1 and April 1	April 30	4

Between April 2 and June 1	June 30	3
Between June 2 and September 1	September 30	2
After September 1	January 31	1

If the due date falls on a Saturday, Sunday, or holiday as defined in Iowa Code section 421.9A, then the due date is the following day that is not a Saturday, Sunday, or holiday.

**Fiscal-year filers:** If you file returns on a fiscal-year basis and are required to make estimated income tax payments, you are generally required to pay the tax in four installments with the first installment due the last day of the fourth month after the filing year ends. Subsequent installment due dates would fall on the last day of the sixth month, last day of the ninth month, and last day of the first month of the next fiscal year

### Basic IA 2210 Calculation Criteria

- Installment period due dates are important. When a due date is missed, penalty applies in most cases.
- Payments are first carried back to any prior period with an underpayment.
- Any overpayments are carried forward to the next period.
- Any credit carryforward from the prior year is applied to the April 30 installment.
- There may be more than one penalty calculation for an installment period if more than one payment was made in that period.
- Iowa tax withholding is credited equally in each installment period.

### Learn About the IA 2210 Form

The first 13 lines of the 2210 form determine how much tax the taxpayer should have paid.

The second part of the 2210 form determines what the penalty, if any, is on the tax that was not paid. Penalty is determined on a quarterly basis.

#### IA 2210 Example 1

An individual taxpayer did not make any estimated payments of Iowa income tax throughout the year. The taxpayer paid \$4,000 when filing the tax return on April 30.

Results: The taxpayer should have paid \$1,000 each quarter, for a total of \$4,000 for the entire year. This taxpayer owes 2210 penalty.

#### IA 2210 Example 2

An individual taxpayer made four estimated payments of Iowa income tax for a total of \$4,000. Although the full amount was eventually paid, some payments were not timely.

Results: This taxpayer owes 2210 penalty. Why? It matters when the payments are made. If they are not timely, penalty is due.

First installment period (due April 30): No payment was made by April 30; therefore, the taxpayer has a \$1,000 underpayment and will be assessed a penalty.

- The first payment of the year (\$500) was made June 15. The second (\$2,000) was two weeks later on June 30.
- The underpayment is paid by applying the \$500 paid June 15 and \$500 of the \$2,000 paid June 30.
- The \$500 paid June 15 has a penalty for 46 days (May 1 - June 15). The \$500 paid June 30 has a penalty for 61 days (May 1 - June 30).

Second installment period (due June 30): No penalty is charged for this period.

- The taxpayer had \$1,500 remaining from the \$2,000 paid June 30 to apply to this period.

- Of the remaining \$1,500, \$500 is carried forward to the next installment.

Third installment period (due September 30): Penalty is charged for this period. \$500 of the June 30 payment carried over to this period; therefore, the taxpayer still owes \$500 for this period.

- The taxpayer's third payment of \$500 is made January 31, too late for the third period. This amount is applied to the third period.
- Penalty on this \$500 is for 92 days for the October 1 - December 31 quarter AND 31 days for Jan 1-31.

Fourth installment period (due January 31): Since the taxpayer's January 31 payment applied to the third installment, penalty is due on \$1,000.

- The \$1,000 payment made February 25, is applied to this period's underpayment.
- Penalty on the \$1,000 is for 25 days for February 1 - February 25.

### **IA 2210S Example 1**

An individual taxpayer did not make any estimated payments of Iowa income tax throughout the year.

Results: The taxpayer should have paid \$1,000 each quarter, for a total of \$4,000 for the entire year. This taxpayer owes 2210 penalty.

### **IA 2210S Example 2**

An individual's tax liability determined on the IA 1040 was \$4,000. The individual made four estimated payments of Iowa income tax during the year in the amount of \$500 each, for a total of \$2,000. Payment of the remaining \$2,000 due was made on April 15.

Results: All payments were made on time, but the taxpayer should have made a total of \$4,000 in estimated payments of Iowa income tax. This taxpayer owes 2210 penalty.

## **Iowa and Illinois Reciprocal Agreement**

### **Iowa's only income tax reciprocal agreement is with Illinois.**

Any wages or salaries earned by an Iowa resident working in Illinois are taxable only to Iowa and not to Illinois. Any wages or salaries earned by an Illinois resident working in Iowa are taxable only to Illinois and not to Iowa. Iowa will tax any Iowa-source income received by an Illinois resident that is not from wages or salaries. Illinois may tax any Illinois-source income received by an Iowa resident that is not from wages or salaries.

Iowa gambling winnings and unemployment compensation for employment in Iowa are examples of income that are not wages and salaries and, therefore, not covered under the Iowa-Illinois Reciprocal Agreement.

### **Iowa Resident Working for Wages or Salary in Illinois**

An Iowa resident working for wages or salary in Illinois should complete and file Illinois form IL-W-5-NR Employee's Statement of Nonresidence in Illinois with the employer so that the employer will withhold Iowa income tax.

### **Illinois Resident Working for Wages or Salary in Iowa**

An Illinois resident working for wages or salary in Iowa should complete and file the Employee's Statement of Nonresidence in Iowa, 44-016 with the employer so that the employer will withhold Illinois income tax.

### **Tax Withheld in Error**

If Illinois income tax has been mistakenly withheld from the wages or salary of an Iowa resident, the Iowa resident must file an Illinois income tax return to get a refund. Any questions on how to complete the Illinois return should be directed to the Illinois Department of Revenue at 800-732-8866.

Illinois residents who had Iowa income tax withheld in error from their wages and have no other Iowa-source income must file an Iowa income tax return requesting a refund. They should complete IA 1040, Steps 1, 2, and 3, show "0" on IA 1040, lines 1, 4, and 20, write "Illinois resident tax withheld in error" on the face of the return. Enter the Iowa tax withheld on IA 1040, lines 28 and 30 through 32. Sign the return and include copies of all W-2s with the return. Copies of federal and Illinois returns must be included.

## **Iowa Income Tax Responsibilities of Native Americans**

### **Definitions**

- "Native Americans" means all persons of Native American Indian descent who are members of any recognized tribe.
- "Settlement" means all land within the boundaries of any recognized Native American settlement or reservation within the State of Iowa.

### **Native Americans living on the settlement of their own tribe**

#### **Taxable Income:**

- Wages for working off the settlement
- Income from business or real estate located off the settlement

#### **Exempt Income:**

- Wages from working on the settlement
- Income from business or property located on the settlement
- Interest, dividends, and other income from intangibles, regardless of where the bank accounts, financial institutions, etc., are located

### **Native Americans living off the settlement of their own tribe**

#### **If Residents of Iowa:**

- Taxed in the same manner as other residents. (Income from working on the settlement is taxable.)

#### **If Nonresidents of Iowa:**

- Taxed in the same manner as other nonresidents. (Income from working on the settlement is taxable.)

### **Persons who are not tribal member Native Americans, regardless of whether they live on or off the settlement**

#### **If Residents of Iowa:**

- Taxed in the same manner as other residents. (Income from working on the settlement is taxable.)

#### **If Nonresidents of Iowa:**

- Taxed in the same manner as other nonresidents. (Income from working on the settlement is taxable.)

## **Iowa Tax Responsibilities of Servicemembers and their Spouses**

### **Resident Servicemembers**

Iowa residents who are members of the armed forces, armed forces military reserve, and the National Guard in an active duty status can exclude pay received from the federal government for military service performed. "Active duty," for Iowa tax purposes, has the same meaning as defined in 10 U.S.C. § 101(d)(1).

Iowa residents who are members of the military should include the active duty pay received from the federal government for military service performed as income on the IA 1040, line 1 and deduct the same active duty pay on IA 1040, Schedule 1, line 6. These individuals should provide an IA W-4 to the payer of this income,



claiming exemption from withholding on active duty pay. Servicemembers claiming this exclusion should be prepared to send a copy of their active duty military orders to the Department if requested to do so.

### **When must a resident servicemember file an Iowa income tax return?**

If a servicemember is an Iowa resident, they must file an Iowa individual income tax return if they:

- are married and their combined income\* totals more than \$13,500 (\$32,000 if you or your spouse is 65 or older on 12/31/23)
- are single and total income\* is more than \$9,000 (\$24,000 if 65 or older on 12/31/23)
- have income\* of \$5,000 or more and is claimed as a dependent on another person's Iowa return
- are filing as head of household or qualifying surviving spouse and total income\* is more than \$13,500 (\$32,000 if you or your spouse is 65 or older on 12/31/23)

\*Income does not include pay received from the federal government for military service performed by members of the armed forces, armed forces military reserve, and the National Guard in an active duty status.

### **School District Surtax (Iowa Administrative Code rule 701—304.1)**

Each person has one and only one state of residence. A person may be a resident of a state even though he or she does not actually live in the state. A military person does not lose “home state” residency simply by being absent from the state while in the military. (Servicemembers Civil Relief Act)

### **What income is subject to Iowa tax? (Iowa Administrative Code rule 701—302.76)**

Military pay to Iowa residents must be included on the IA 1040, line 1 to the same extent it is included on the federal return regardless of where the person is stationed when it is received.

Other income earned by an Iowa resident stationed in or out of Iowa is also taxable to Iowa to the same extent it is taxable on the federal level. If any of that income is correctly taxed by another state, then Iowa allows an Out-of-State Tax Credit on the IA 1040. This credit is calculated on the IA 130 form, which must be included with the IA 1040 along with a copy of the other state's return.

### **Active duty pay**

Iowa resident members of the armed forces, armed forces military reserve, and the National Guard in an active duty status can exclude pay received from the federal government for military service performed. “Active duty,” for Iowa tax purposes, has the same meaning as defined in 10 U.S.C. § 101(d)(1).

**Note:** Members who are employed full-time in the National Guard (as defined in Title 32 of the U.S. Code) are not considered in an active duty status, so their pay is not excluded from Iowa tax.

Include all income on line 1 with other W-2, 1099, or W-2G income. Qualifying military income is then deducted on IA 1040, Schedule 1, line 6.

### **Combat zone pay**

Income excluded by the federal government is also excluded for Iowa income tax purposes. For example, combat zone pay is excluded on the Iowa return because it is excluded for federal income tax purposes.

The federal Military Family Tax Relief Act of 2003 provides for a number of tax breaks related to military personnel. Iowa follows the federal treatment of the military adjustments to gross income.

The Internal Revenue Service (IRS) website is your best source of qualifying combat zones and tax breaks related to military personnel. See [www.irs.gov/individuals/military](http://www.irs.gov/individuals/military)

### **Operation Iraqi Freedom, Operation New Dawn, Operation Noble Eagle, or Operation Enduring Freedom (Iowa Administrative Code rule 701—302.61)**

There is an income tax exemption for active duty pay received from a source other than the federal government by a person in the National Guard or armed forces military reserve for services performed on or after January 1, 2003, pursuant to military orders for Operation Iraqi Freedom, Operation New Dawn, Operation Noble Eagle, or Operation Enduring Freedom. The individual needs only to be called to active duty under the appropriate orders to qualify for the exemption of active duty pay. The individual does not have to be serving overseas to be eligible for the exemption, but can be serving in Iowa or elsewhere in the United States under the appropriate military orders and qualify for the exemption for active duty pay.

Note that prior to tax year 2011, if a person in the National Guard or military reserve was called to active duty pursuant to military orders for an operation or purpose other than the operations specified above, the active duty pay is not exempt from Iowa income tax.

Include all income on line 1 with other W-2, 1099, or W-2G income. Qualifying military income is then deducted on IA 1040, Schedule 1, line 6. If you file a paper return, include a copy of your orders. If you file electronically, keep a copy of your orders with your tax records in case the Department requests them at a later date.

### **Persian Gulf Conflict or Bosnia-Herzegovina Peacekeeping (Iowa Administrative Code rules 701—302.40 and 701—302.51)**

There is an income tax exemption for active duty pay received from a source other than the federal government by a person in the National Guard or armed forces military reserve for services performed on or after August 2, 1990, pursuant to military orders related to the Persian Gulf Conflict or for services performed outside the United States on or after November 21, 1995, pursuant to military orders related to peacekeeping in Bosnia-Herzegovina.

### **Military Student Loan Exemption (Iowa Administrative Code rule 701—302.63)**

Military student loan repayments included in federal taxable income are exempt from Iowa income tax if the following criteria are met. This exemption may be taken by persons in the:

- armed forces
- armed forces military reserve
- National Guard

The individual must be on active duty at the time of the loan repayment.

Include the loan repayment amount on IA 1040, line 1 and deduct it on IA 1040, Schedule 1, line 19 using code “t”.

### **Military Retirement Pay**

Retirement pay for military service in the United States Armed Forces, the Armed Forces Military Reserve, or the National Guard is eligible for exemption from Iowa income tax, without regard for age or disability.

The Army, Navy, Air Force, Marine Corps, and Coast Guard make up the Armed Forces. Only military retirement pay received from the Defense Finance and Accounting Service (DFAS), or a similar source, is eligible for the exemption.

Retirement pay received from other sources, including the Office of Personnel Management (OPM), does not qualify for the exemption. In particular, retirement pay resulting from participation in the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) does not qualify for the exemption.

For more details, see Iowa Administrative Code rule 701—302.80.

### **Exclusion of Distributions from Retirement Plans by National Guard members and members of military reserve forces of the United (Iowa Administrative Code rule 701—302.58)**

If a National Guard member or member of the military reserve is called to National Guard duty or federal active duty and makes a withdrawal from a qualified retirement account of the member, the amount of the withdrawal is not subject to Iowa income tax or state tax penalty. If this income is reported as taxable pension income, enter that amount on the IA 1040, Schedule 1, line 11 using code “cc”.

### **Deferral of Collection of State Income Tax (Servicemembers Civil Relief Act)**

The Servicemembers Civil Relief Act (SCRA) is a federal law that, among other things, requires the Department to allow a deferral of *collection* of state income tax if a servicemember’s ability to pay is materially affected by their military service. The deferral lasts for only a period of up to 180 days after termination or release from military service. The SCRA only defers collection of income tax that has fallen due before or during military service. Servicemembers must still file their income tax returns, unless their duty to file is suspended by another authority.

### **Do You Qualify?**

1. You must be a “servicemember.”
  - Members of the Army, Navy, Air Force, Marine Corps, Coast Guard, and commissioned corps of the National Oceanic and Atmospheric Administration and of the Public Health Service are servicemembers under the SCRA.
  - Members of the National Guard and reserves are servicemembers under the SCRA *only if* those members are serving under a call to active service authorized by the President or the Secretary of Defense for a period of more than 30 consecutive days.
2. You must serve during a period of “military service.”
  - In the case of Army, Navy, Air Force, Marine Corps, or Coast Guard, a servicemember is serving in a period of military service if they are on “active duty.”
  - In the case of commissioned officers of the National Oceanic and Atmospheric Administration or Public Health Service, a servicemember is serving in a period of military service if they are in “active service.”
  - In the case of members of the National Guard and reserves, a servicemember is serving in a period of military service if they are serving under a call to active service authorized by the President or the Secretary of Defense for a period of more than 30 consecutive days.
3. You must be “materially affected” by your military service.
  - The Department will consider all relevant facts and circumstances in determining whether servicemembers' ability to pay their income tax has been materially affected by their military service.
4. You must be in “filing compliance.”
  - Servicemembers can receive a deferral of collection of income taxes only for periods in which they have filed an income tax return.
5. You must file a written request for deferral.
  - Servicemembers must make a written request for deferral of collection of income to the Department by completing the Request for Deferral of Iowa Income Tax form.

Servicemembers must submit a copy of their orders with their Request for Deferral of Iowa Income Tax form.

### **Forgiveness of Tax (Iowa Administrative Code rule 701—301.11)**

Iowa income tax is forgiven if an individual’s federal income tax was forgiven because:

- the individual was killed in a combat zone, or

- the individual is missing in action and presumed dead, or
- the individual was killed outside the United States due to terrorist or military action while they were a military or civilian employee of the United States

### **Single status**

Iowa income tax is forgiven for the tax year in which the individual was killed or was missing and presumed dead and for the tax year prior to the year of death.

### **Married / year of death**

All tax is forgiven for the year of death if the deceased was married at the time of death and his or her filing status is married filing joint for that tax year.

### **Married / prior year**

All tax is forgiven if the deceased was married at the time of death and a joint return or a married filing separate return was filed for the year prior to death. Please note that if the deceased had filed using the married filing separately on the combined return status, only the state income tax attributable to the deceased will be forgiven. Prior-year returns cannot be amended to change the filing status. (Iowa Administrative Code rule 701—301.11)

### **Applying for Forgiveness of Tax**

To claim forgiveness of tax for an individual who was killed in military or terrorist action, or who is missing in action and presumed dead, the person filing an Iowa income tax return or an Iowa claim for refund should write at the top of the return “Forgiveness of Tax—Killed in Military Action” or “Forgiveness of Tax—Killed in Terrorist Action” depending on how the deceased was killed. A copy of the deceased’s death certificate, or other evidence that establishes that the deceased was killed in military or terrorist action or is missing in action and presumed dead, should be attached to the income tax return or to the claim for refund. Claims for refund will only be honored if the claim for refund is made within the statute of limitations for claims for refund provided in Iowa Code section 422.73.

### **Return Due Date and Extensions (Iowa Administrative Code rules 701—301.12 and 701—301.14)**

The usual filing deadline for Iowa income tax returns is April 30. If 90% of the tax due is paid by that time, the deadline is extended to October 31. No extension form is available or required.

Qualifying individuals may be granted extensions under certain circumstances for filing returns and for other acts related to the Department. These are listed below.

### **Who qualifies for an extension?**

- Active duty military servicemembers in the armed forces, armed forces military reserve, or National Guard who are deployed outside the United States
- A person serving in support of those forces
- A spouse of a person listed above if they file jointly or if they are a party with the eligible taxpayer to any other act related to the Department
- An eligible individual who was continuously hospitalized because of illness or injury in the combat zone

### **“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

- Performing other acts described in the Department’s rules

### **Applying for the Extension**

To claim the extension, eligible taxpayers, and, if applicable, their spouses, should notify the Department of their eligibility by sending the information described below to the Department:

- Taxpayer’s name and spouse’s name
- Taxpayer’s date of birth and spouse’s date of birth
- Taxpayer’s U.S. address and spouse’s address
- Date of taxpayer’s deployment overseas
- For military personnel, an official document that indicates taxpayer’s deployment
- For qualifying civilians, a letter of authorization, a similar letter from the taxpayer’s employer, or a letter from the military stating that the taxpayer served in a “tax-free zone” or “Combat Zone Tax Exclusion Area (CZTE)”

The taxpayer, the taxpayer’s spouse, or an authorized agent or representative of the taxpayer may submit the notification of eligibility to the Department.

### **Extension Periods**

In general, the additional time period for filing state returns and performing other acts related to the Department is 180 days.

### **IRS Military Web Page**

For further information about federal tax provisions governing military personnel, go to the IRS website at: [www.irs.gov/individuals/military](http://www.irs.gov/individuals/military)

### **Nonresident Servicemembers**

The Servicemembers Civil Relief Act (SCRA) is a federal law that, among other things, protects servicemembers from losing their home state residency simply by being absent from their home state in compliance with military orders. The SCRA also protects servicemembers from establishing residency simply by being in another state where they are located pursuant to military orders.

### **Residency (Iowa Administrative Code rule 701—300.17)**

Each person has one and only one state of residence. A person may be a resident of a state even though they do not actually live in the state.

### **When is a servicemember an Iowa resident?**

A servicemember is an Iowa resident if:

- the servicemember was a resident of Iowa at the time of enlistment or
- the servicemember has declared Iowa to be his or her “military home of record” or
- the servicemember has taken positive action to establish residency in Iowa

A person remains an Iowa resident until positive action is taken to establish residency in another state.

See Are You a Resident of Iowa for Tax Purposes.

### **Establishing residency in another state**

To establish residency in another state, a servicemember should first complete form DD2058, State of Legal Residence Certificate, which is available from the payroll officer of the Military Office of Personnel. However, completion of this form, alone, does not establish residency.

A combination of the actions listed below is required to establish legal residence in another state.

- physical presence in the other state
- registering to vote in the other state
- changing driver's license
- registering vehicles in the other state
- applying for other privileges offered by the other state
- payment of real estate tax or income tax in the new state

If steps are not taken to change residency, a servicemember remains a resident of Iowa and is subject to Iowa income tax laws. The Director of the Iowa Department of Revenue may require an individual to provide proof that residency has been established in another state.

### **Nonresident Military Income**

Beginning with tax year 2003, the following apply for Iowa as a result of the Servicemembers Civil Relief Act:

Compensation for military service is not considered to be Iowa-source income for nonresident servicemembers. However, nonresident servicemembers who have Iowa income from sources other than compensation for military service may be subject to Iowa income tax.

In general, the Servicemembers Civil Relief Act applies only to active duty members of the Army, Navy, Air Force, Marine Corps, or Coast Guard and to commissioned officers of the Public Health Service or the National Oceanic and Atmospheric Administration who are in active service. Generally, this does not include the National Guard or reserve personnel.

Exceptions exist for nonresident members of the National Guard who are under active duty orders under Section 502(f) of Title 32 of the United States Code and for servicemembers who are absent from duty under specific circumstances.

Servicemembers who are not residents of Iowa are required to file Iowa income tax returns if their all-source income meets the above requirements and their Iowa-source income is \$1,000 or more. The nonresident servicemember does not include compensation for military service on the IA 1040 line 1 and also does not report it as Iowa income on the IA 126. The net result is a reduction of the tax rate on any other Iowa-source income.

All other income, excluding military pay, is included on the Iowa income tax return (IA 1040) and tax is initially calculated on all income, excluding military pay. Once this is done, the nonresident turns to another Iowa form, the IA 126 Nonresident and Part-Year Resident Schedule. Only Iowa-source income is included on this form and will not include military pay when calculating the credit. That credit is entered on the IA 1040 and is designed to minimize the taxation of income by Iowa and the other state.

Nonresidents and part-year residents must file both the IA 1040 and the IA 126 with a complete copy of the federal return.

### **IRS Military Web Page**

For further information about federal provisions that may impact military personnel, go to the IRS website at [www.irs.gov/individuals/military](http://www.irs.gov/individuals/military)

### **Spouses of Servicemembers**

Under the Military Spouses Residency Relief Act of 2009 (MSRRA) and the Veterans Benefits and Transitions Act of 2018 (VBTA), the spouses of servicemembers may be exempt from Iowa income tax on income from services performed in Iowa if they are not residents of Iowa. Servicemembers' spouses are protected, by federal law, from losing their home state residency simply by being absent from their home state in order to be with the servicemember spouse who is elsewhere in compliance with military orders. Federal law also protects

servicemembers' spouses from establishing residency simply by being in another state where they are located to be with the servicemember spouse pursuant to military orders. Spouses covered by the MSRRA can establish new residency when they take positive action to do so.

Under the MSRRA and Iowa law, a servicemember's spouse's income from wages, salaries, tips, etc., may be excluded from Iowa income tax if:

- the servicemember spouse is a member of the uniformed services present in Iowa in compliance with his or her orders
- the non-servicemember spouse is present in Iowa solely to be with the servicemember spouse, and
- the non-servicemember spouse is a resident of another state.

Under the VBTA, a servicemember's spouse's income from wages, salaries, tips, etc., may be excluded from Iowa income tax if:

- the non-servicemember spouse elects to use the same residence as the servicemember spouse for tax purposes.

Other income, like interest income or rental income, is included in a nonresident spouse's Iowa income and may be taxed in Iowa.

#### **Iowa W-4**

The IA W-4 includes information related to this federal law. If you claim this exclusion, check the appropriate box on the IA W-4 and enter the state other than Iowa you are claiming as your state of domicile or residence for tax purposes. Attach a copy of your spousal military identification card to the IA W-4 form provided by your employer.

#### **Filing Iowa Income Tax Returns**

Spouses who are eligible for this exclusion on their Iowa income tax return should report all-source income on the IA 1040, but should show no Iowa wages, salaries, tips, or Schedule C income on the IA 126. Enter the amount from IA 126, line 32 on IA 1040 line 13. Iowa income tax withheld should be entered on IA 1040, line 28. Then complete the remainder of the IA 1040 to determine the amount of any refund that may be due.

#### **IRS Military Web Page**

For further information about federal tax treatment military personnel and their spouses, go to the IRS website at [www.irs.gov/individuals/military](http://www.irs.gov/individuals/military)

### **Iowans Paid in Foreign Currency**

Taxpayers who are paid in foreign currency must convert the currency to U.S. dollars as required for federal tax purposes.

### **Mailing Address for Returns and Payments**

**Mail to:** Iowa Income Tax - Document Processing, P.O. Box 9187, Des Moines IA 50306-9187

**Make checks payable to:** Iowa Department of Iowa

- Include IA 1040V payment voucher with payment.

#### **Electronic options are available for paying additional tax:**

Make a Payment on [Govconnect.iowa.gov](http://Govconnect.iowa.gov)

- Using the Quick Pay option and selecting Make a Return Payment without setting up a GovConnectIowa logon will not provide an option to view history of payments made.



- Create a logon to take full advantage of GovConnectIowa including viewing up-to-date balance, return status, and payment history.

**Note:** If paying by credit/debit card, a service fee will be charged by the credit card processing vendor. This service fee is retained by the vendor and is not revenue to the Iowa Department of Revenue.

### **Direct Debit payment with the income tax return**

- Your tax payment is made from your savings or checking account without having to write a check.
- You may be able to make a direct debit payment through your software when you file electronically.
- You may be able to schedule the payment for a future date through your tax software.
- See our payment options using EasyPay

## **Net Operating Losses**

For tax years beginning on or after January 1, 2023, Iowa will incorporate the federal net operating loss and will no longer allow an Iowa-specific net operating loss. Taxpayers must use Schedule 1 to carry forward any pre-2023 Iowa net operating loss and must use Schedule 1 to reduce federal taxable income by any pre-2023 federal net operating loss carryforward. Taxpayers must use the new IA 124 to calculate pre-2023 federal net operating loss carryforwards to add back and pre-2023 Iowa net operating loss carryforwards to deduct against taxable income. View additional information related to the 3-year carryback period for Iowa NOLs incurred by individuals during the COVID-19 Pandemic.

## **Nonresidents and Part-Year Residents**

A nonresident or part-year resident of Iowa must complete the IA 1040 reporting the individual's total income, including income earned outside Iowa. The taxpayer is allowed adjustments to income on the same basis as if the taxpayer were a resident of Iowa.

The nonresident or part-year resident then completes a Schedule IA 126. On the IA 126, only Iowa income is reported and a percentage of Iowa income to total income is determined. The taxpayer receives a credit against the initial tax liability based on the percentage of income from outside Iowa. Therefore, the result of this credit is that only Iowa-source income is taxed.

Although non-Iowa income is used to calculate the initial tax liability at the appropriate tax rate, the non-Iowa income itself is not subject to tax. By using this method, Iowa taxes the Iowa-source income of nonresidents and part-year residents at the same rate it taxes Iowa residents. Iowa, like many states and the federal government, uses a graduated tax rate system based on level of income.

A nonresident of Iowa with all-source income of \$250,000 and \$10,000 of Iowa income, will use the same tax rate as an Iowa resident with \$250,000 of income to calculate their initial tax liability, rather than using the same tax rate as an Iowa resident with \$10,000 of total income. For more information, see IA 126.

A part-year resident may also complete the IA 130 if they have income earned while an Iowa resident which is taxed by another state, local jurisdiction, or foreign country. For more information, see IA 130.

Income which is not taxable for Iowa purposes should not be reported on the IA 126 or IA 130. Examples of types of income which are taxable for federal purposes but are excluded for Iowa purposes on Schedule 1 include:

- Social Security Benefits
- Active Duty Military Pay
- IRA/Pension/Railroad Retirement Income
- Railroad Unemployment Income

## Nonresidents with Gambling Winnings

Gambling winnings are taxable in Iowa even if the winner is not an Iowa resident. Nonresidents should complete the IA 1040, showing income from all sources, including Iowa gambling winnings, lines 1 through 12. Then use the IA 126 to determine your credit based upon the percentage of Iowa income to total income.

This credit should be entered on IA 1040, line 13, then complete the remainder of the return.

Include a copy of your federal return.

## Record Keeping

Iowa individual income tax returns and all supporting documentation, including federal returns and all relevant schedules, should be kept for at least 10 years after filing the return.

If you have unreported income or fraudulent filings, the statute of limitations for examination by the Department is unlimited.

## Refunds May Be Used to Pay Debt

The state setoff program is a method public agencies of the State of Iowa may use to collect past-due (delinquent) debts (for example, child support payments) that are owed.

The state setoff program matches people and businesses who owe delinquent debts with money that is owed to those people and businesses (for example, an income tax refund). Sources of funds available for setoff include, but are not limited to, tax refunds, casino and sports wagering winnings, State-issued vendor payments, and Iowa Lottery winnings. To the extent allowed by law, when a match occurs, the Iowa Department of Revenue (IDR) withholds or sets off money to apply toward the delinquent debt. State of Iowa Setoff Program requirements are outlined in Iowa Code section 421.65 as enacted by 2020 Iowa Acts, House File 2565, and Iowa Administrative Code 701—Chapter 26. To learn more, visit [tax.iowa.gov/setoffs](http://tax.iowa.gov/setoffs).

## Supporting Documentation

Include all necessary supporting documentation and a copy of your federal return. Place documents in the following order:

1. Check or Money Order
2. Payment Voucher
3. W-2s and 1099s
4. IA 1040
5. Iowa schedules, forms, and supporting documentation
6. Copy of complete federal return
7. Copy of any other applicable state tax returns

Do not staple the IA 1040 or any supporting documentation. Include all required schedules, even if the schedule results in zero dollars.

## Use Tax

### Information for Businesses and Individuals

Do you purchase items from out of state or through the internet, catalogs, magazines, or vendors who advertise on television or radio? Will those items be used in Iowa? Would they be subject to Iowa sales tax if purchased in Iowa?

Are you paying tax on those purchases? If not, you owe Iowa use tax on the purchase price.

If you purchase tangible personal property for use in Iowa and the seller does not charge you Iowa tax on the purchase, you owe a 6% tax known as the use tax on the price of the purchase.

**Individuals:** Individuals without a permit who rarely make purchases subject to use tax should pay their tax in one of the following ways:

- Electronically through EasyPay Iowa
- Complete the Iowa Non-Permit Use Tax Return (32-007) Anyone who regularly purchases merchandise from out of state for their own use in Iowa should register for a use tax permit and pay the tax.

**Businesses:** Businesses making taxable purchases on a regular basis should register with the Iowa Department of Revenue to file use tax returns. However, some businesses may only occasionally make purchases for their own use and owe Iowa use tax. If this type of purchase is not typical for your business, instead of separately registering for use tax, you can report the purchase on the Total Taxable Purchases line of your monthly or annual sales and use tax return or file and pay the tax as outlined for individuals above.

## What to Do If You Do Not Receive Your W-2

Each year many Iowans do not get W-2s from their employers by the January 31 date required by the IRS.

### If you have moved:

Contact your employer with your new address.

### If you simply have not received it:

Contact your employer and try to find out why you have not received the W-2.

### If you still do not receive it:

You may also call the IRS at 800-829-1040. They will work with you and explain the steps needed to receive a substitute W-2.

Iowa will accept a copy of the substitute W-2 filed with the IRS. However, the substitute W-2 may not show Iowa withholding. No credit for Iowa withholding can be given in this case unless you have pay stubs that show Iowa withholding.

If you need a W-2 from a previous year, here are some other possible options:

- Social Security Administration (SSA) - may provide copies of Forms W-2 for retirement purposes at no charge and for other than retirement purposes for a fee. Call 1-800-772-1213, or visit the SSA web site at [www.ssa.gov](http://www.ssa.gov) for instructions on how to obtain wage information from the SSA.
- Internal Revenue Service (IRS) - may provide an exact copy of a previously filed and processed tax return with attachments (including the form W-2). You should complete Form 4506, Request for Copy of Tax Return, and mail it to the address listed in the instructions. A fee will be charged for each tax year requested.

**Note:** The Iowa Department of Revenue is not able to provide you with a copy of your W-2 information.

Iowa Department of Revenue  
Hoover State Office Building  
1305 E Walnut, Des Moines IA 50319

tax.iowa.gov

**Mailing Address**

Iowa Income Tax  
Document Processing  
PO Box 9187  
Des Moines, IA 50306-9187

See detailed Expanded Instructions online at:  
[tax.iowa.gov/expanded-instructions](http://tax.iowa.gov/expanded-instructions)



GovConnectIowa is the Iowa Department of Revenue's free and secure e-Services portal, available 24/7, to make payments, manage your tax account(s), and more.

**Benefits of GovConnectIowa:**

- **Convenience** - Access your accounts and online service 24/7
- **Efficiency** - View and respond to letters electronically
- **Payment Options** - View and make payments securely
- **Enhanced Communication** - Receive timely important alerts

If mailing your return and payment, provide applicable documents in this order:

1. Check or money order
2. Payment voucher (visit [govconnect.iowa.gov](http://govconnect.iowa.gov))
3. W-2s / 1099s with Iowa withholding
4. IA 1040
5. All supporting schedules and attachments
6. Copy of complete federal return

**Enclose all documents. Do not staple.**



**Department of Revenue**

**Need Forms?**

[tax.iowa.gov/forms](http://tax.iowa.gov/forms)

**What's your return status?**

[tax.iowa.gov/wheres-my-refund](http://tax.iowa.gov/wheres-my-refund)

**Questions?**

View Expanded Instructions:  
[tax.iowa.gov/expanded-instructions](http://tax.iowa.gov/expanded-instructions)  
Email: [idr@iowa.gov](mailto:idr@iowa.gov)  
Call: 515-281-3114 or 800-367-3388

**Federal Tax Refund**

Contact the IRS  
[www.irs.gov](http://www.irs.gov) or 800-829-1040

FILE ELECTRONICALLY



Almost everyone can eFile electronically.  
Find out if you can eFile for free at  
[tax.iowa.gov/filing-options](http://tax.iowa.gov/filing-options)