

IOWA INCOME TAX

HOW TO CALCULATE PENALTY AND INTEREST ON UNPAID TAX

Do you owe a penalty on your unpaid tax?

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

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

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

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

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

Do you owe interest on your unpaid tax?

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

TAX INTEREST RATE CHART

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

TAX YEAR	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC
2015					0.4	0.8	1.2	1.6	2.0	2.4	2.8	3.2
2014	3.6	4.0	4.4	4.8	5.2	5.6	6.0	6.4	6.8	7.2	7.6	8.0
2013	8.4	8.8	9.2	9.6	10.0	10.4	10.8	11.2	11.6	12.0	12.4	12.8
2012	13.2	13.6	14.0	14.4	14.8	15.2	15.6	16.0	16.4	16.8	17.2	17.6
2011	18.0	18.4	18.8	19.2	19.6	20.0	20.4	20.8	21.2	21.6	22.0	22.4
2010	22.8	23.2	23.6	24.0	24.4	24.8	25.2	25.6	26.0	26.4	26.8	27.2
2009	27.6	28.0	28.4	28.8	29.2	29.6	30.0	30.4	30.8	31.2	31.6	32.0
2008	34.8	35.2	35.6	36.0	36.4	36.8	37.2	37.6	38.0	38.4	38.8	39.2
2007	44.0	44.4	44.8	45.2	45.6	46.0	46.4	46.8	47.2	47.6	48.0	48.4
2006	53.6	54.0	54.4	54.8	55.2	55.6	56.0	56.4	56.8	57.2	57.6	58.0
2005	62.4	62.8	63.2	63.6	64.0	64.4	64.8	65.2	65.6	66.0	66.4	66.8
2004	69.2	69.6	70.0	70.4	70.8	71.2	71.6	72.0	72.4	72.8	73.2	73.6
2003	75.2	75.6	76.0	76.4	76.8	77.2	77.6	78.0	78.4	78.8	79.2	79.6
2002	82.0	82.4	82.8	83.2	83.6	84.0	84.4	84.8	85.2	85.6	86.0	86.4
2001	90.8	91.2	91.6	92.0	92.4	92.8	93.2	93.6	94.0	94.4	94.8	95.2
2000	101.2	101.6	102.0	102.4	102.8	103.2	103.6	104.0	104.4	104.8	105.2	105.6
1999	111.2	111.6	112.0	112.4	112.8	113.2	113.6	114.0	114.4	114.8	115.2	115.6

EXAMPLE 1 OF CALCULATING INTEREST:

You are amending a **2014** Iowa income tax return.

An additional tax of \$500 is due.

You are amending in **August** 2016.

The interest rate to use is **6.4%** .

The computed interest is equal to: $\$500 \times 0.064 = \32.00 .

TAX YEAR	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC
2015					0.4	0.8	1.2	1.6	2.0	2.4	2.8	3.2
2014	3.6	4.0	4.4	4.8	5.2	5.6	6.0	6.4	6.8	7.2	7.6	8.0
2013	8.4	8.8	9.2	9.6	10.0	10.4	10.8	11.2	11.6	12.0	12.4	12.8
2012	13.2	13.6	14.0	14.4	14.8	15.2	15.6	16.0	16.4	16.8	17.2	17.6
2011	18.0	18.4	18.8	19.2	19.6	20.0	20.4	20.8	21.2	21.6	22.0	22.4
2010	22.8	23.2	23.6	24.0	24.4	24.8	25.2	25.6	26.0	26.4	26.8	27.2
2009	27.6	28.0	28.4	28.8	29.2	29.6	30.0	30.4	30.8	31.2	31.6	32.0
2008	34.8	35.2	35.6	36.0	36.4	36.8	37.2	37.6	38.0	38.4	38.8	39.2
2007	44.0	44.4	44.8	45.2	45.6	46.0	46.4	46.8	47.2	47.6	48.0	48.4
2006	53.6	54.0	54.4	54.8	55.2	55.6	56.0	56.4	56.8	57.2	57.6	58.0
2005	62.4	62.8	63.2	63.6	64.0	64.4	64.8	65.2	65.6	66.0	66.4	66.8
2004	69.2	69.6	70.0	70.4	70.8	71.2	71.6	72.0	72.4	72.8	73.2	73.6
2003	75.2	75.6	76.0	76.4	76.8	77.2	77.6	78.0	78.4	78.8	79.2	79.6
2002	82.0	82.4	82.8	83.2	83.6	84.0	84.4	84.8	85.2	85.6	86.0	86.4
2001	90.8	91.2	91.6	92.0	92.4	92.8	93.2	93.6	94.0	94.4	94.8	95.2
2000	101.2	101.6	102.0	102.4	102.8	103.2	103.6	104.0	104.4	104.8	105.2	105.6
1999	111.2	111.6	112.0	112.4	112.8	113.2	113.6	114.0	114.4	114.8	115.2	115.6

EXAMPLE 2 OF CALCULATING PENALTY AND INTEREST:

You are filing your **2011** Iowa income tax return for the first time in **December** 2016.

An additional tax of \$500 is due.

Calculate Interest

The interest rate to use is **22.4%** .

The computed interest is equal to: $\$500 \times 0.224 = \112.00 .

Calculate Penalty

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

Total Your Final Payment:

Tax Due: \$500

Interest: 112

Penalty: 50

TOTAL DUE: \$662