2010 IA 1120F Instructions

GENERAL INSTRUCTIONS

Who Must File: Corporations doing business in Iowa as financial institutions must file an Iowa 1120F franchise tax return. Financial institutions include state banks chartered in or out of Iowa, national banks, national association banks, federal savings banks, production credit associations, federally chartered savings and loan associations, trust companies, financial institutions chartered by the federal Home Loan Bank Board, savings and loan associations incorporated by Iowa or any other state, and any financial institution controlled by the Resolution Trust Corporation.

Tax Period End: Iowa considers every period end to be the last day of the month. If your period end is not the last day of the month, you must use the month end closest to the end of your accounting period. Report only the month and year on the Iowa tax form.

When to File: Franchise tax returns must be filed no later than the last day of the fourth month following the close of the financial institution's taxable year. Amended returns must be filed within three years of the due date of the original return. For 2010 calendar year filers, the return is due May 2, 2011.

Where to File: Mail your return to Franchise Tax Return Processing, Iowa Department of Revenue, P.O. Box 10413, Des Moines IA 50306-0413.

Additional Time to File: If 90% or more of the correct amount of tax due is paid by the due date of the return, then no late penalty will be assessed provided that the return is filed within six months of the due date. Any tax elections made on the return will be considered timely if the return is filed no later than six months from the due date. If an additional payment is necessary in order to meet the 90% requirement, you must pay using the Iowa Franchise Tax Payment Voucher, form 43-009.

Section 179 Expensing / Bonus Depreciation: Effective with the enactment of Senate File 512 on April 12, 2011, Iowa did adopt the federal provisions relating to increasing the expensing amount under section 179 of the Internal Revenue Code passed by Congress in 2010.

For any assets placed in service after September 10, 2001, but before May 6, 2003, Iowa continues to disallow the 30% bonus depreciation provisions of the federal Job Creation and Worker Assistance Act of 2002. In addition, Iowa does not allow the 50% bonus depreciation provisions for **assets acquired after December 31, 2007, and before January 1, 2011**. Form IA 4562A must be filed for these assets to account for the difference between Iowa and federal depreciation. **Form IA 4562A has been updated to reflect these changes.** In addition, IA 4562B Iowa Depreciation Accumulated Adjustment Schedule is available on the Department's Web site and should be completed to record the cumulative effect of the adjustment and attached to the Iowa return.

Net Operating Loss Carrybacks: Iowa no longer allows carrybacks of net operating losses for franchise tax for tax years beginning on or after January 1, 2009.

Registration Information Changes: If applicable, please check the Mailing Address Change box on the franchise tax form and enter your new address. If you are changing the Federal Identification Number or the name of the bank, please send a letter prior to filing your tax return explaining the circumstances and the effective date of change. Send your letter to Bank Franchise Tax, Iowa Department of Revenue, P.O. Box 10456, Des Moines IA 50306-0456.

Apportionment of Income: If you are subject to apportionment of income, please contact the Department at (515) 281-3272 to request IA Schedule 59F, or download a copy from the Department's Web site at www.state.ia.us/tax/

How to File: Complete all questions on pages 1 and 2 of the IA 1120F. Attach a complete copy of your federal return as filed with the Internal Revenue Service. If no copy is attached, this WILL NOT be considered a complete return. The preparer must sign, date the return, and enter SSN, FEIN, or PTIN.

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

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

2010 IA 1120F Line Instructions

1. **TAXABLE INCOME PER FEDERAL RETURN:** Enter the amount of federal taxable income computed after the federal dividend deduction but before the federal net operating loss.
2. **INTEREST AND DIVIDENDS:** Enter total interest and dividends from the evidences of indebtedness and from securities of state and other political subdivisions exempt from federal income tax. Also enter interest and dividends received from obligations of United States possessions purchased after January 1, 1991. If the amount on this line differs from the amount shown on line 7 of federal form 1120, Schedule M-1, a schedule reconciling the two amounts must be supplied.
3. **IOWA FRANCHISE TAX EXPENSED ON FEDERAL RETURN:** Enter the amount of Iowa franchise tax expensed on your federal return.
4. **OTHER ADDITIONS:** List other additions to Iowa income on IA 1120F, page 2, Schedule A, and enter the total on this line. Include the depreciation adjustment from the IA 4562A and attach forms IA 4562A and IA 4562B.
5. **TOTAL IOWA INCOME:** Add lines 1 through 4.
6. **OTHER REDUCTIONS:** List other reductions to Iowa income on IA 1120F, page 2, Schedule D, and enter the total on this line. Include the depreciation adjustment from the IA 4562A and attach forms IA 4562A and IA 4562B.
7. **INCOME SUBJECT TO APPORTIONMENT:** Subtract line 6 from line 5.
8. **IOWA PERCENTAGE:** Enter the amount from IA 59F, line 19.
9. **DEDUCTION FOR APPORTIONED INCOME:** Enter the amount from IA 59F, line 22.
10. **IOWA NET OPERATING LOSS:** Enter the amount of Iowa net operating loss deduction. Please provide a complete schedule of the loss on IA 1120, Schedule F.
11. **TOTAL REDUCTIONS:** Line 6 plus line 9 plus line 10.
12. **IOWA NET INCOME:** Line 5 minus line 11.
13. **COMPUTED TAX:** Enter 5% of line 12.
14. **MINIMUM TAX:** Enter the amount of Iowa minimum tax from IA 4626F.
15. **TOTAL:** Line 13 plus line 14.
16. **MINIMUM TAX CREDIT:** The Iowa credit is computed on form IA 8827F and must be attached to the IA 1120F if this credit is claimed.
17. **ELIGIBLE OTHER CREDITS:** Complete IA 148 Tax Credits Schedule.
18. **PAYMENTS:** Complete Schedule C on page 2. Amended return filers must record the tax amount previously paid or refunded on the original return on Schedule C and reduce or increase net payments accordingly.
19. **TOTAL CREDITS AND PAYMENTS:** Line 16 plus line 17 plus line 18.
20. **NET AMOUNT:** Line 15 minus line 19.
21. **PENALTY (IA 2220): Penalty for Underpayment of Estimated Tax.** A financial institution owing $1,000 or more in franchise tax and which has not paid adequate estimated payments is subject to an underpayment of estimated tax penalty in addition to the tax and late penalties. Iowa 2220 penalties may be assessed even if the return is overpaid by the original due date if the amount and/or timing of the estimated payments is incorrect. Please attach form IA 2220 to the IA 1120F.
22. **PENALTY:**

    Failure to Timely File a Return. A penalty of 10% will be added to the tax due for failure to timely file a return if the return is filed after the original due date and if 90% or more of the correct amount of tax is not paid by the original due date of the return.

    Failure to Timely Pay the Tax Due or Penalty for Audit Deficiency. A penalty of 5% will be added to the tax due if at least 90% or more of the correct amount of tax is not paid by the original due date of the return.

    When both the failure to file penalty and the failure to pay penalty are applicable, only the failure to file penalty will apply. Penalties can only be waived under limited circumstances.

    Penalty for Willful Failure to File. A penalty of 75% will be added to the tax due for willful failure to file a return or for filing with intent to evade tax.
23. **TOTAL PENALTIES:** Line 21 plus line 22.
24. **INTEREST:** For each month the required tax is not paid, interest accrues on the unpaid tax at a rate prescribed by law from the due date of the return until payment is received. Any portion of a month is considered a full month when calculating interest due on unpaid taxes.
25. **TOTAL DUE:** Line 20 plus line 23 plus line 24. Make check payable to "Treasurer, State of Iowa." Do not send cash by mail.
26. **NET OVERPAYMENT:** Enter the amount of overpayment. If applicable, reduce the overpayment by the penalty on line 21.
27. **CREDIT TO NEXT PERIOD'S ESTIMATED TAX:** Enter the amount of overpayment to be credited to future tax liabilities. The carryforward election can only be made when the return is filed before the end of the next tax period. If a return is filed after the end of the next tax period, the overpayment will not be credited, but instead will be refunded. The total of the amount claimed for refund and the amount claimed for credit to 2011 estimated tax must equal the overpayment amount.
28. **REFUND:** Enter the amount of overpayment to be refunded.

IA 1120F SCHEDULE A INSTRUCTIONS
Other Additions:

Include the cash to accrual adjustment for Iowa franchise tax and for federal tax-exempt interest and dividends. Please provide the cash to accrual worksheets.

Complete the Expense to Carry Investment Subsidiary Worksheet below and include a copy with your Iowa 1120F.

IA 1120F EXPENSE TO CARRY INVESTMENT SUBSIDIARY WORKSHEET

Iowa Code section 422.61 disallows investment subsidiary expense. The Iowa addition is applicable to all banks with investments in an investment subsidiary. See Rule 701-59.20 for further details.

1. TOTAL FEDERAL DEDUCTIONS from line 27, federal 1120 return $ _____
2. INVESTMENT ASSETS IN INVESTMENT SUBSIDIARY $ _____
3. TOTAL BANK ASSETS $ _____
4. RATIO. Divide line 2 by line 3, carried to one ten thousandth of 1% (_ _ . _ _ _ _)
5. IOWA ADDITION. Multiply line 1 by line 4. $ _____

Enter this number on the IA 1120F Schedule A, line 3. Attach a separate schedule of the Investment Assets in Investment Subsidiary and Total Bank Assets.

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

Enter any net capital loss included in the computation of line 1 of the Iowa return on a separate company basis. Include the Iowa depreciation adjustment from form IA 4562A.

IA 1120F SCHEDULE D INSTRUCTIONS
Other Reductions:

Include the cash to accrual adjustment for Iowa franchise tax and for federal tax exempt interest and dividends. Please provide the cash to accrual worksheets.

You may also deduct the interest expense to purchase or carry obligations, the interest from which is exempt from federal income tax. The interest expense is disallowed under sections 265(b) or 291(3)(1)(B) of the Internal Revenue Code.

Deduct any contributions previously not allowed as an Iowa deduction which was not taken at the federal level.

Enter any net capital loss not allowed as an Iowa deduction which was not taken at the federal level.

IA 1120F SCHEDULE C INSTRUCTIONS
Payments:

List the exact amount of each payment and the date it was paid.

IA 148 Tax Credits Schedule

The Department has an additional form for credits. The IA 148 Tax Credits Schedule is available on our Web site at www.state.ia.us/tax/