2016 IA 1120F General Instructions

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

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

When to File:
Franchise tax returns must be filed no later than the last day of the fourth month following the close of the financial institution's taxable year. Amended returns must be filed within three years of the due date of the original return. For 2016 calendar year filers, the return is due May 1, 2017.

Where to File:
Mail your return to Franchise Tax 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:
Depreciation allowed on the Iowa return may differ from amounts allowed on the federal return. Refer to the IA 4562A and IA4562B.

Net Operating Loss Carrybacks:
Iowa no longer allows carrybacks of net operating losses for franchise tax.

Registration Information Changes:
If you are changing the Federal Identification Number or the name of the bank, send a letter prior to filing your tax return explaining the circumstances and the effective date of change. Send your letter to Franchise Tax Processing, Iowa Department of Revenue, P.O. Box 10413, Des Moines IA 50306-0413.

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

How to File:
Complete all questions on pages 1 and 2 of the IA 1120F. Include a complete copy of your federal return as filed with the Internal Revenue Service. If no copy is included, this will not be considered a complete return. The preparer must sign and date the return, and enter SSN, FEIN or Tax ID Number.

Confidentiality:
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 can only be released to an Iowa Department of Revenue or Internal Revenue Service employee.

Fair Information Practices Notice:
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.

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

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

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

If municipal interest taxable for Iowa differs from total municipal interest reported on the federal return, a schedule should be included.

Line 3: Iowa franchise tax expenses on federal return - Enter the amount of Iowa franchise tax expenses on your federal return.

Line 20: 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. If applicable, include form IA 2220 with the IA 1120F.

Line 21: Penalty -
Note: Penalties can only be waived under limited circumstances, as described in Iowa Code section 421.27

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 of the return and if at least 90% 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 the return is filed by the original due date and at least 90% of the correct amount of tax is not paid by the original due date of the return.

When the failure to file penalty and the failure to pay penalty are both applicable, only the failure to file penalty will apply.

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.

Line 23: Interest - For each month the required tax is not paid, interest accrues on the unpaid tax at a rate prescribed by law from the due date of the return until payment is received. Any portion of a month is considered a full month when calculating interest due on unpaid taxes.

Line 25: Net overpayment - Enter the amount of overpayment. If applicable, reduce the overpayment by the penalty on line 20.

Line 26: Credit to next period's estimate 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 2017 estimated tax must equal the overpayment amount.

Line 27: Refund - Enter the amount of overpayment to be refunded.

IA 1120F Schedule A Instructions

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

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

IA 1120F Expense to Carry Investments Subsidiary Worksheet
Iowa Code section 422.61 disallows investment subsidiary expense. The Iowa addition is applicable to all financial institutions with investments in an investment subsidiary. See Iowa Admin. Code r. 701-59.20 for further details.

1. Total federal deductions from line 27, federal 1120 return. .....$_____
2. Investment assets in investment subsidiary .....$_____
3. Total financial institution assets .....$_____
4. Ratio. Divide line 2 by line 3, carried to one ten thousandth of 1%. .....(__ __ . __ __ __ __)
5. Iowa addition. Multiply line 1 by line 4. .....$_____

Enter this number on the IA 1120F Schedule A, line 3.

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 IA 1120F on a separate company basis. Include the Iowa depreciation adjustment from form IA 4562A.

IA 1120F Schedule D Instructions
Other Reductions:
Include cash to accrual adjustment for Iowa franchise tax and for federal tax exempt interest and dividends. Provide cash to accrual worksheets.

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

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

Enter any net contributions previously not allowed as an Iowa deduction, which were 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. 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.