



TAXATION IN IOWA

Franchise Tax

Iowa does not have a franchise tax on corporations or business owners. However, banking association, financial institution, bank, trust company, and federally chartered savings bank doing business within the state is subject to franchise tax. The Franchise tax is imposed at a rate of **5%** on income apportioned to Iowa.

- **Filing Requirement** - Entities doing business in Iowa as banking association, financial institution, bank, trust company, and federally chartered savings bank must file an **IA 1120F** Franchise Return for Financial Institutions.
- **Due Date** - File franchise tax returns by the earlier/ later of the last day of the fourth month after the financial institution's taxable year closes, or 45 days after the federal tax return's due date (excluding extensions).
- **Estimated tax payment** - A financial institution in Iowa with a tax liability exceeding USD 1,000 or more in franchise tax shall make estimated tax payments.
- **Extension** - All taxpayers who have paid 90% or more of their correct tax on or before the original due date of their return automatically have an additional six months extension to file their return and pay any additional tax due with no penalty.
- **Penalty** - If the return is filed after the original due date of the return and less than 90% of the correct amount of tax was paid by the original due date, multiply the unpaid tax by 5%. A penalty of 5% must be added to the tax due if less than 90% of the correct amount of tax was paid by the original due date of the return.



Corporate Income Tax (1/2)

Corporate income tax in Iowa is a state-level tax imposed on the net income of corporations that operate within the state. All corporations doing business in Iowa or deriving income from Iowa sources are generally required to file a corporate income tax return. The return must be filed annually. The corporate income tax rate in Iowa are as follows:



Income Brackets (USD)	Rates
0 - 100,000	5.5%
100,000+	8.4%

The Iowa Department of Revenue provides specific forms and instructions for filing corporate income tax returns as follows:

Corporation	Form
C corporation	IA 1120
S corporation	IA 1120S
LLCs that are taxed as corporations	IA 1120

Corporate Income Tax (2/2)

Due Date

The due date for filing the Iowa Corporation Income Tax Return is due on or before the 1st day of the fifth month following the close of the corporation's calendar year.

Extension

All taxpayers who have paid 90% or more of their correct tax on or before the original due date of their return automatically have an additional six months in which to file their return and pay any additional tax due with no penalty.



Estimated Tax

Every corporation in Iowa with USD 1,000 or more in tax due after credits must file and pay estimated tax. Estimated tax payments are typically due in four installments throughout the year, with due dates being April 30th, June 30th, September 30th, and December 31st. The form used to calculate estimated tax payment is IA 1120ES.

Interest & Penalty

If the return is filed after the original due date of the return and less than 90% of the correct amount of tax was not paid by the original due date then a penalty of 5% shall be assessed. An interest of 0.5% per month is charged on the due date of the return and accrues each month until paid tax in full.



Pass Through Entity Tax

S corporations, Partnerships LLP & LLC are classified as pass-through entities. This means that the income, deductions, and credits of the business are passed through to the owners or shareholders, who report them on their individual income tax returns. The tax rate for the pass-through entity tax in Iowa is **8.53%** equal to the highest individual income tax rate.

A

Form IA 1040 is used to report the income, deductions and credits of the pass-through entity. **Partners of Partnership** including LLC and LLP files a Form 1065 (information return) with **Schedule K-1** to report its income, gains, losses, and deductions. The return must be filed on or before the 1st day of the fifth month following the close of the tax year.

B

S corporation and Partnership LLC & LLP may be required to make estimated tax payments if they expect to owe USD 1000 or more in Iowa corporate income tax. These payments are typically due in installments throughout the year with due dates falling on the 30th April, 30th June, 30th September and 31st January of the following year. Form IA 1040ES needs to be filed for estimated tax payments.

C

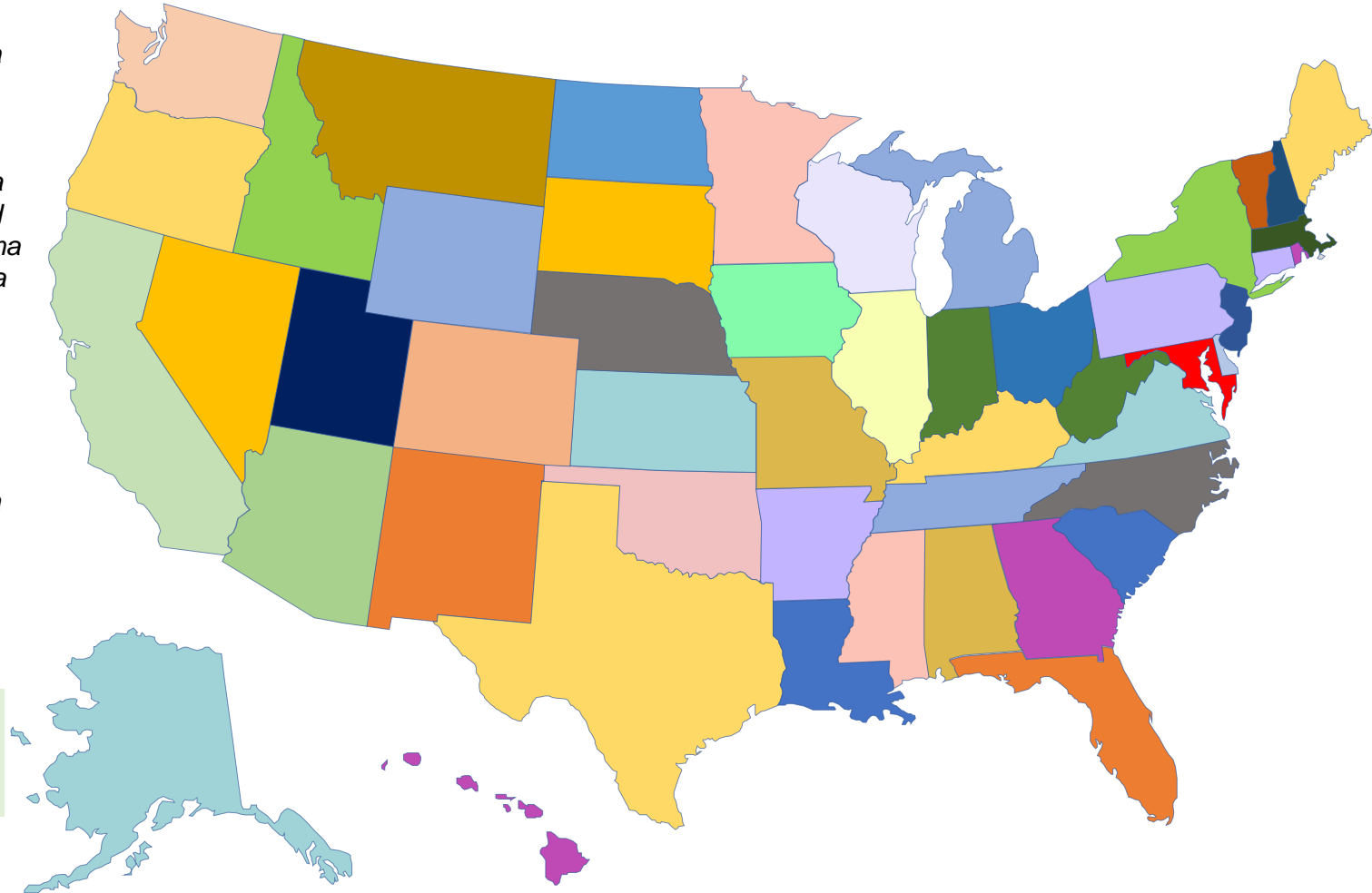
Penalty & Interest - If the return is filed after the original due date of the return and less than 90% of the correct amount of tax was not paid by the original due date then a penalty of 5% shall be assessed. An interest of 0.5% per month is charged on the due date of the return and accrues each month until paid tax in full.



Upcoming Series

Please find below the list of completed alerts from the series. In case you have missed the previous alerts, click on the hyperlink for the completed alerts to refer the same.

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