



Iowa Department of Revenue Update

December 2, 2025

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Disclaimer

Please be advised that the information in this presentation contains informal opinions and are only applicable to the factual situations referenced and to the statutes in existence as of the date of this presentation.

The Iowa Department of Revenue may take a contrary position in the future to what is stated today. Any oral or written guidance or opinion by Department personnel not pursuant to a Petition for Declaratory Order under Iowa Administrative Code rule 701—4.7 is not binding upon the Department.



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Department of Revenue
Alcohol & Tax Operations Division

From the Director



Mary Mosiman – Director

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About the Department



Mission

To serve Iowans through the responsible collection and generation of revenue to support the public good.



Vision

Iowa will be a state that uses innovation to make it simple to comply with revenue laws and deliver fun and fair lottery experiences.



Values

Integrity first
Dedicated to teamwork
Ready to serve



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Iowa Department of **REVENUE**

Economic Update

Robin Anderson, Ph.D.
Chief Economist and Division Administrator

robin.anderson@iowa.gov 515-423-8005

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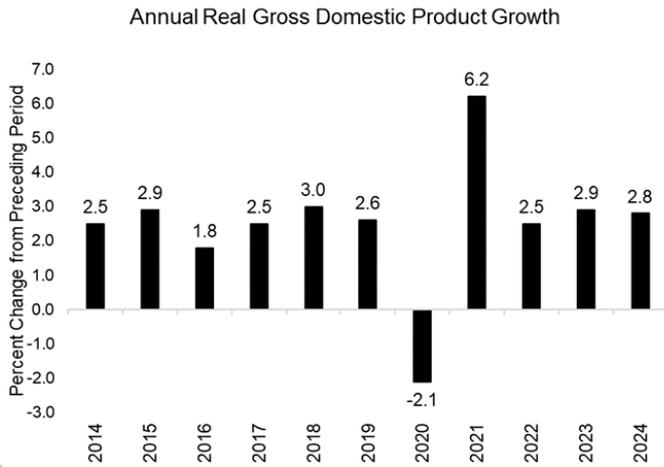
Agenda

- U.S. Considerations
- Iowa Considerations
- Federal Considerations



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U.S. Annual Real Gross Domestic Product (GDP) Growth



- The U.S. economy was resilient over the last three years, ending in 2024
- Real GDP contracted in the first quarter of 2025 (-0.6%) and rebounded sharply in the second quarter (+3.8%); changes in imports and inventories drove growth across quarters

Sources: Bureau of Economic Analysis, Federal Reserve Bank of St. Louis, FRED



U.S. Monthly Job Growth since January 2024

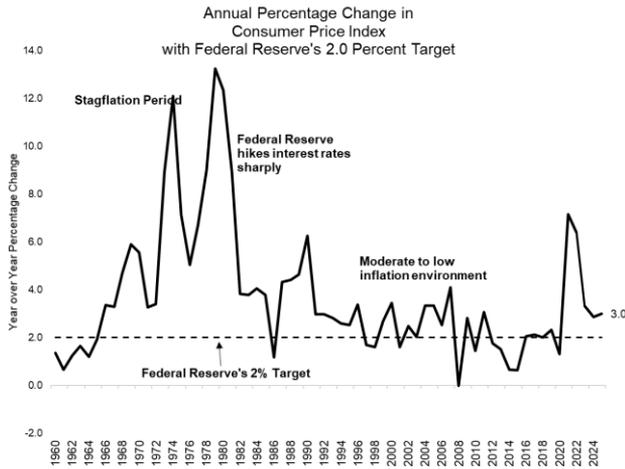


- Monthly changes in nonfarm payrolls (jobs) have *slowed* since the start of 2025
- Benchmark revisions from March 2024 to March 2025 show far less job growth than previously estimated, prior to the release of revisions (-911,000 fewer jobs)

Sources: Bureau of Economic Analysis, Federal Reserve Bank of St. Louis, FRED



Historical Trends in Consumer Price Index (CPI) Inflation

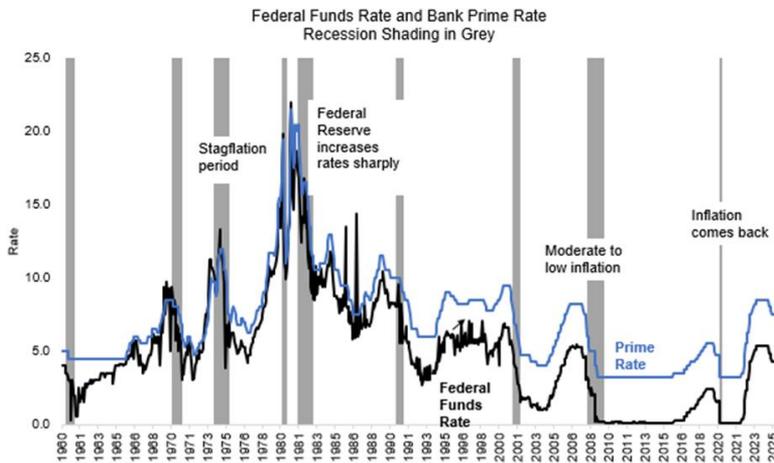


- Inflation is the change in prices; the monetary policy (the Federal Reserve) target for inflation is 2.0 percent year-over-year
- CPI inflation, including food and energy, peaked in 2021 at 7.0 percent
- Inflation is moving towards the Federal Reserve's target but remains sticky, at 3.0 percent

Sources: Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, FRED



Historical Trends in the Federal Funds Rate and the Bank Prime Rate



Sources: Federal Reserve Bank of St. Louis, FRED, Federal Reserve, Federal Open Market Committee, Board of Governors of the Federal Reserve System (US) via FRED®



Price Considerations

- The change in prices (inflation) matters, but so does the *level* of prices
- Since December 2019 (prior to the pandemic):
 - Overall prices (based on the CPI) have increased 25.0 percent
 - Food and shelter prices have increased around 30.0 percent
 - Commodity prices for producers have also increased around 30.0 percent



Real Gross Domestic (GDP) Growth: Iowa versus U.S.

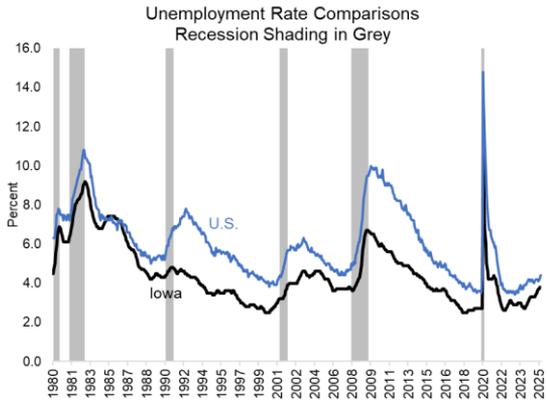


Source: Bureau of Economic Analysis



- Prior to the pandemic, Iowa real GDP grew at a slower pace than nationwide real GDP
- Iowa real GDP did not fall as much as the U.S.'s during the pandemic, and rebounded more quickly
- Iowa real GDP was flat in 2022 and down in 2023, related to weakness in the finance & insurance and the farming sectors, respectively
- Finance & insurance, retail trade, and farming were among the sectors explaining gains in real GDP during 2024

Unemployment Rate: Iowa versus U.S.



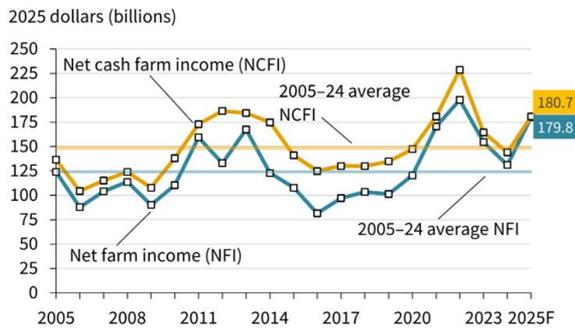
- The unemployment rate is the number of people *actively* looking for work that do not have a job divided by the labor force
- Iowa's unemployment rate is lower than the national unemployment rate, even during recessions
- Currently Iowa's unemployment rate is 3.8 percent, up from a year ago (3.2%); the U.S. unemployment rate is 4.4 percent

Sources: Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, FRED, Iowa Labor Market Information Division



USDA Inflation-adjusted Net Farm Income

U.S. net farm income and net cash farm income, inflation adjusted, 2005–25F



Note: F = forecast. Values are adjusted for inflation using the U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2025 by USDA, Economic Research Service.
 Source: USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of September 3, 2025.



- Real, inflation-adjusted, net farm income is forecasted to increase 37.2 percent in 2025, or \$48.8 billion
- Direct government payments are expected to increase by \$30.4 billion, reaching \$40.5 billion
- Total inflation-adjusted cash receipts are forecasted to grow 2.1 percent with gains in animal/animal product receipts (8.4%) and declines in crop cash receipts (-4.9%)

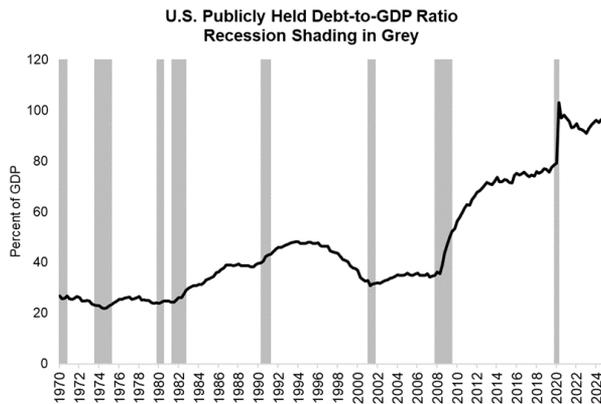
U.S. Tariff Considerations

- Purpose of tariffs
 - The goal of tariffs is to reduce imports and boost exports (reduce the trade deficit), and, in the long run, re-shore and protect sectors of the economy
- How do tariffs work
 - Tariffs act like a tax
 - Tariffs are paid by importers; these higher prices may or may not be passed along to end consumers; as prices go up on those tariffed goods, they are harder to sell, harming a foreign company
- Past impacts of tariffs on the U.S.
 - Research from the National Bureau of Economic Research* showed that the 2018-2019 trade war between the U.S. and China led to higher prices on imported goods for U.S. consumers and lower real U.S. income
 - * Fajgelbaum, Pablo, Khandelwal, Amit, “The Economic Impacts of the U.S.-China Trade War”, NBER Working Paper Series, Working Paper 29315, December 2021

Iowa Tariff Considerations

- According to the Office of the United States Trade Representative:
 - Goods exports make up 7.4 percent of Iowa GDP
 - Iowa is the second largest agricultural exporting state
 - Canada is Iowa’s largest trading partner (20.0 percent of all exports as of 2024), followed by Mexico, China, Brazil, and Japan
- WISERTrade statistics from July 2025 show: industrial machinery was the largest export to Canada; cereals (corn) was the largest export to Mexico; oil seeds (soybeans) were the largest export to China

U.S. Debt-to-GDP Ratio



Sources: U.S. Office of Management and Budget, Federal Reserve Bank of St. Louis, FRED



- U.S. government debt matters as it may crowd out private investment
- One way to measure government debt is the Debt-to-GDP ratio
- Debt-to-GDP has been rising since the end of the financial crisis, soared during the pandemic, and is rapidly rising again, reaching 97.1 percent of GDP in the fourth quarter of 2024

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Conclusion

- Consumer spending has supported U.S. economy activity, even as the labor market has softened
- The Federal Reserve cut interest rates in September and October, likely in response to the softening labor market; going forward, the Federal Reserve may be faced with a trade off between higher prices and a weaker labor market
- The outlook for Iowa's economy is based on the State's interest rate and commodity price sensitive industrial mix
- In the long run, population and labor force growth must lead a dynamic State economy



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Iowa Department of
REVENUE

GovConnectIowa Update

Jerika Pellington
GovConnectIowa Program Manager

Jerika.pellington@iowa.gov

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New with November 2025 Release

- Immediate access allowed when using letter sent to client's headquarters address
- GovConnectIowa updated to include alcohol and lottery license administration, including:
 - “Search for a License” feature allowing you to view all alcohol and lottery licenses from a single database
 - “Submit a complaint” feature allowing citizens to report issues or violations about retailers selling alcohol, tobacco, or lottery products
- Refreshed and new video tutorials are available on YouTube

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Accountant Center

Logon
JOHN SMITH

Welcome, JOHN SMITH
You last logged in on Monday, Nov 24, 2025 9:50:05 AM

[Manage My Profile](#)

[Accountant Center](#)

All Favorites Recent **Action Center** 136

Who do you want to work with?

- > [Request Access to Another Customer](#)
- > [Enter Access Code to Connect to Another Customer](#)

- > [Go to the Accountant Center](#)
- > [Use the Accountant Center to view and complete open actions for all clients in one place and share your access with other users.](#)

On the Accountant Center, you can:

- Request access to new clients
- Create and manage GovConnectIowa accounts for your employees
- Register new businesses on behalf of your clients
- ...and more!



Preview of Accountant Center

Accountant Center
JOHN SMITH

Accountant Center **Action Center** 136

<p>GovConnectIowa Access</p> <p>Request access to an existing account or enter an access code.</p> <ul style="list-style-type: none"> > Request Access to an Existing Account > Enter an Access Code 	<p>My Users</p> <p>Add or update online access to secondary users, view their activity, and manage your client groups.</p> <ul style="list-style-type: none"> > Manage Secondary Logons 	<p>New Business Registration</p> <p>Register a new business on behalf of your client.</p> <ul style="list-style-type: none"> > Register a New Business
<p>Inheritance Tax</p> <p>View online services available for inheritance tax.</p> <ul style="list-style-type: none"> > Apply for Extension of Time to File Inheritance Tax > Apply for a Deferral of Inheritance Tax > Request Consent and Waiver of Lien for Inheritance Tax > Apply for Release of Inheritance Tax Liens 	<p>Additional Services</p> <p>View additional online services.</p> <ul style="list-style-type: none"> > Check the Status of a Refund > Search Drafts and Submissions 	<p>Resources</p> <p>View helpful information about navigating GovConnectIowa and information tailored to tax professionals.</p> <ul style="list-style-type: none"> > View GovConnectIowa Help > View Video Tutorials > View Information for Tax Professionals

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Viewing Action Items

The screenshot shows the 'Accountant Center' for 'JOHN SMITH'. The 'Action Center' tab is selected and has a notification badge with '136'. Below the navigation bar, there are 'Filters' and a dropdown menu set to 'All Account Types'. A second dropdown menu is open, showing a list of action items: 'All Actions', 'Balances to Pay', 'Letters to Read', 'Make a Deposit', 'Messages to Read', and 'Returns to File'. The 'All Actions' item is highlighted. Below the filters, there is a card for 'ABC COMPANY' with contact information and a notification: 'You have 3 unread messages' with a 'View Messages' link.

You can sort by:

- The individual customer, or
- Account or action type

Business Registration - Access Revocations

Business Registration Steps for Other/Third Parties

1. Business is automatically connected to file upon registration
2. Access code is mailed to the client's headquarters address for verification
3. Client must provide the access code letter to the preparer to maintain connection
4. Access is revoked after 30 days if not verified
 - a. Access code remains valid for 90 days even after revocation
5. Preparer can reconnect using the same code at any time within the 90-day window

Providing access to GovConnectIowa does not equate to granting third party authorization and will not provide legal authority to the requestor. A Power of Attorney or other appropriate third party authorization form must be on file with the Iowa Department of Revenue to grant third party authority.

If you have any questions, please contact Taxpayer Services at 515-281-3114. Customer service representatives are available Monday through Friday 8:00 AM to 4:30 PM.

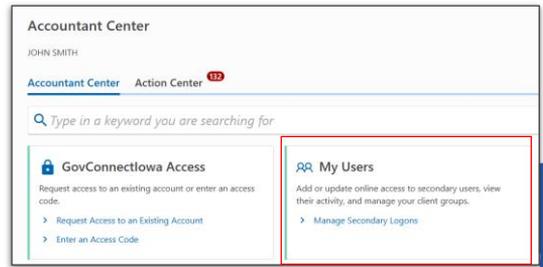
Your access approval code: **V7F-RTF**

Important: This code will expire **90 days** from the date of this letter.

Creating and Managing Secondary Logons

When to Use a Secondary Logon:

- Designed for third-party filers with multiple employees and many clients
- You need to divide clients into smaller customer groups
- Secondary logons allow staff access without sharing usernames and passwords
- Improves security and client-level access controls

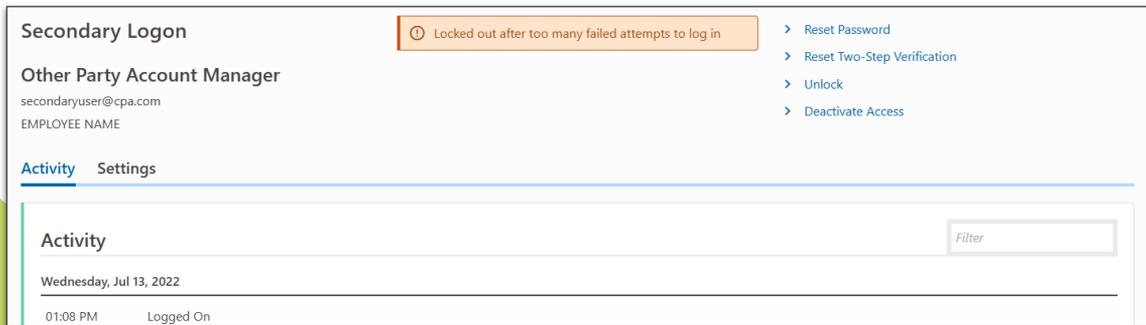


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Managing Secondary Logons - What Can I Do?

From the Secondary Logons page, you can:

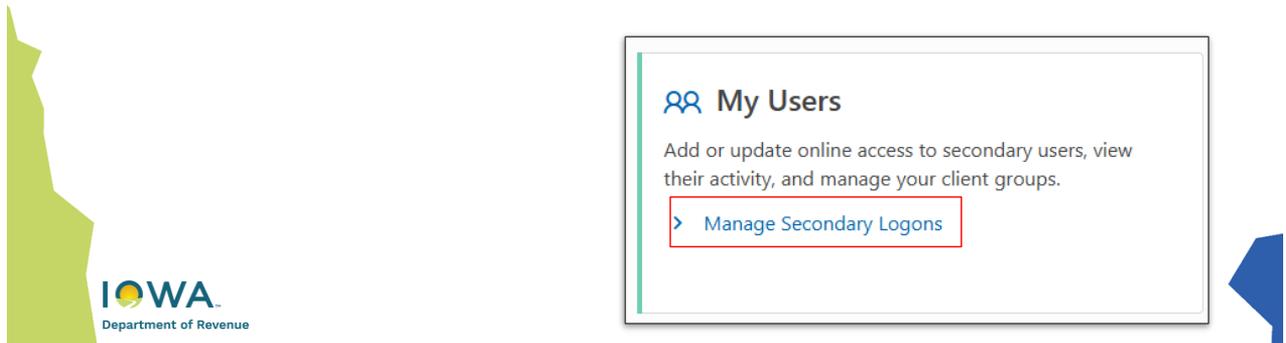
- Resend the new user setup email
- Deactivate a GovConnectIowa logon
- Update customer groups
- Update accessible account types
- View their activity under the Activity tab



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Secondary Logons - Where Do I Start?

1. Log in to your GovConnectIowa account
2. Go to the **Accountant Center**
3. Click “Manage Secondary Logons” in the **My Users** section



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What the Secondary User Receives

- Secondary user receives an email with login instructions
- Must activate the account through the email link
- Access reflects the customer groups and account types you selected

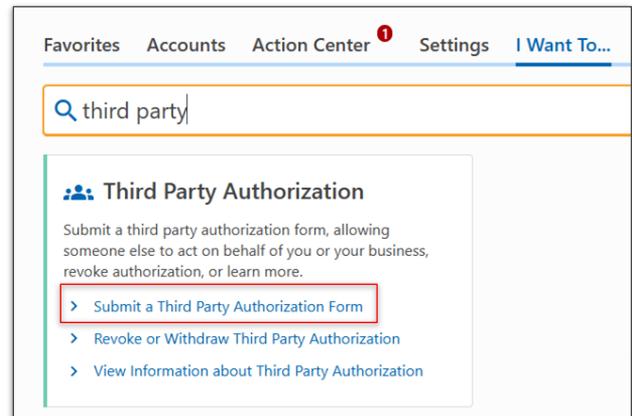


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Submitting Third Party Authority Forms

To submit a third party form on GovConnectIowa, you must:

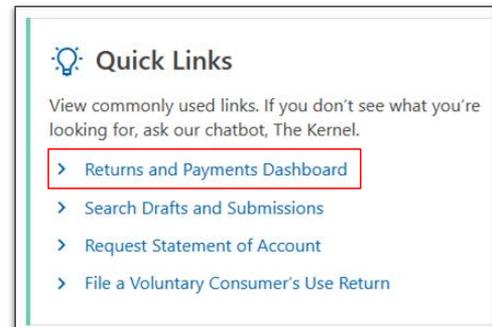
- Be connected to the client first
- Go to the...
 - Client
 - I Want To... tab
 - Third Party Authorization panel
 - **Submit a Third Party Authorization Form link**



Returns and Payments Dashboard

On this dashboard, you can view:

- All returns, payments, and balances for a customer at a single glance
- Period history for each tax period
- A summary of completed actions, such as:
 - Letters sent
 - Payments submitted
 - Returns filed



Policy Directors

Tiana Slaney – Policy Director, Pass-Through Entities
tiana.slaney@iowa.gov 515-336-9007

Ben Clough – Policy Director, Corporation Income Tax
ben.clough@iowa.gov 515-587-0662

Kurt J. Konek – Policy Director, Individual Income Tax
kurt.konek@iowa.gov 515-587-0440

Nick Behlke – Policy Director, Property Tax, Sales and Excise Tax
nick.behlke@iowa.gov 515-336-9025

Matt Bishop – Policy Director, Sales and Excise Tax
matt.bishop@iowa.gov 515-452-9205



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Overview

- Common Questions
- Forms and Instructions
- 2025 Income and Sales Tax Legislation
- Common Filing Issues
- One Big Beautiful Bill Act



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Department of Revenue

Common Questions

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Forms and Instructions

Withholding

- How will the federal no tax on tips or overtime pay impact Iowa withholding?
- Does the federal increased withholding threshold (\$1,200 to \$2,000) impact gambling withholding?

Fiduciary

- Certificate of Acquittance
 - Processing time
 - Check with Executor or Administrator
 - Balance due



Department of Revenue

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Forms and Instructions

Individual Income Tax

- Do I need to complete the following forms each year?
 - IA 125 - Farm Tenancy Income Exclusion
 - IA 100 G - Iowa Capital Gain Deduction - Retired Farmer
 - IA 100 J - Capital Stock Exclusion
 - Holding period



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Forms and Instructions

Individual Income Tax

- If I inherit an IRA is the income excludable? (1040 & 1041)
 - 55 years of age or older, or
 - Disabled, or
 - Is the surviving spouse of an individual or is a survivor having an insurable interest in an individual who would have qualified
 - A surviving spouse may exclude the amount from a deceased spouse's pension, regardless if the deceased spouse was 55 years of age or older or disabled, if the pension was from employment in a protection occupation, or as a sheriff, deputy sheriff, firefighter, or police officer



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Forms and Instructions

Individual Income Tax

- If a federal NOL can be carried back prior to tax year 2023 is an Iowa NOL allowed?
- Does Iowa conform with the One Big Beautiful Bill Act provisions?



Forms and Instructions

Individual Income Tax

- Why do I need to complete part of the IA 1040 and Schedule 1 to determine if I'm eligible to claim the health insurance deduction?

Health Insurance Taxable Income Worksheet

1. Report the amount of Iowa taxable income reported on IA 1040, line 4.	1.
2. Report the following adjustments, if applicable	2a.
a. Federal itemized or standard deduction to the extent it does not exceed federal adjusted gross income	
b. Federal personal exemption deduction	2b.
c. Federal Qualifying Business Income Deduction	2c.
d. Social Security income reported on federal 1040, line 6b	2d.
e. Pensions or other retirement income received from a source that is not taxable in Iowa, reported on IA 1040, Schedule 1, lines 4 and 7	2e.
f. Health insurance deduction reported IA 1040, Schedule 1, line 15.	2f.
g. Total of lines 2a through 2f.	2g.
3. Add line 2g to line 1	3.

If line 3 is less than \$100,000 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 \$100,000 or more you are NOT eligible to deduct health and dental insurance, IA 1040, Schedule 1, line 15 should be changed to zero.





Department of Revenue

Forms and Instructions

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Forms and Instructions

2025 Individual

- Enhanced Deduction for Seniors reported on Line 1f
 - Add-back for low-income exemption, alternate tax, tax reduction, and health insurance deduction.
 - Otherwise, already included in federal taxable income
- Farm Tenancy Income Exclusion (IA 125) - Now reported on Schedule 1, line 18
- Iowa Capital Gain Deduction
 - Iowa Capital Gain Deduction - Retired Farmer (IA 100G)
 - Capital Stock Election (IA 100J)
- College Savings Iowa/Iowa Advisor 529 plans - Now reported on Schedule 1, line 14
 - Deduction increases to \$5,800 per beneficiary



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Forms and Instructions

2025 Fiduciary

- Retirement Income
 - 1041
 - Schedule A line 4
 - K-1
 - Part III, line 3



Forms and Instructions

	Enter Dollars and Cents
1. Interest income	▶ 1
2. Ordinary dividends	▶ 2
3. Business income or (loss)	▶ 3
4. Capital gain or (loss)	▶ 4
5. Rents, royalties, partnerships, other estate and trusts, etc.	▶ 5
6. Farm income or (loss)	▶ 6
7. Ordinary gain or (loss)	▶ 7
8. Other income. Retirement income included.....	▶ 8
9. Federal total income. Add lines 1 through 8.	▶ 9
.....	▶ 10



Forms and Instructions

Type of Iowa Credit	Certificate number (if applicable)	Current Year Amount

3. Other information.
Retirement income included: ▶ 3



IA 2848-Power of Attorney

- The POA now contains Representative Certification designations
- New section, existing POA parts stay the same
- Representative Certification form still exists as a separate form for those who need it
- Always use the most recent version of the IA 2848 from the Department website

4. Authorized Representative Information
This section is **REQUIRED** if the person signing this form is anyone other than the taxpayer listed in Section 1 above. This section replaces the Representative Certification form (14-108) previously required by the Department.

Representative:
 ID Type, check one: SSNITN PTIN CAF IAN
 Representative identification number (required): _____
 Mailing address: _____
 City: _____ State: _____ ZIP: _____
 Phone: _____ Email: _____
 Firm or company's legal name (optional): _____

Source of authority. Check the box next to the number from the list below indicating the source of authority that allows you to act on behalf of the taxpayer. The authority to act is limited to the authority provided by the required documentation.

1. Individual holding one of the following titles within a corporation, association, partnership, or other entity:
 • Officer or employee of the corporation or association who is authorized to act on behalf of the corporation or association in tax matters – by signing, you affirm your authority to act on behalf of the corporation or association

14-1016 (07/31/2025) 

IA 2848 Iowa Department of Revenue Power of Attorney, page 3

- Designated partner authorized to act on behalf of a partnership in tax matters – by signing, you affirm your authority to act on behalf of the partnership
- Person authorized to act on behalf of an LLC in tax matters – by signing, you affirm your authority to act on behalf of the LLC

2. Governmental representative – by signing, you affirm your authority to act on behalf of the government entity

3. Successor of a very small estate, under section 633.356 (2) – by signing, you affirm your authority to act on behalf of the estate

The following authority types require additional documentation to be included with this form.

- 4. Executor or personal representative – include a copy of the will or court order appointing the individual
- 5. Trustee – include a copy of the certificate of trust, trust document, or court order appointing the representative
- 6. General or Durable Power of Attorney – include a copy of the power of attorney document
- 7. Guardian, Conservator, or Custodian appointed by Court – include a copy of the relevant court order
- 8. Licensed attorney appearing on behalf of the taxpayer or the taxpayer's estate in a court proceeding – include a copy of the filed notice of appearance in the relevant court proceeding
- 9. Parent or guardian of minor taxpayer in cases when the parent or guardian has signed the minor's tax return – include a copy of the return(s) signed by the parent or guardian
- 10. Receiver appointed pursuant to chapter 680 – include a copy of the relevant court order(s)

5. Signature
 I, the undersigned, declare under penalties of perjury or false certificate, that I am the person listed as "Taxpayer" above or otherwise have the authority to sign this form. I hereby authorize the representative(s) listed above to act on my behalf before the Department.
 Signature must be signed by hand or via a digital signature with a digital certificate. Stamped or typed signatures are not accepted.

Signature: _____ Date: _____
 Print name: _____ Title: _____



Business Income Signer Contact

I, the undersigned, declare under penalties of perjury or false certificate, that I have examined this return, and, to the best of my knowledge and belief, it is true, correct, and complete. I declare that I am authorized to act on behalf of the taxpayer, and will act only within my authority.

Signature must be signed by hand or via a digital signature with a digital certificate. Stamped or typed signatures are not accepted.

Officer's name (Printed) _____ Title _____ Phone _____

Officer's signature _____ Date _____

Sign Here ▶ _____

Contact address if different than what is on the form: _____ City _____

State _____ ZIP _____ Email _____

- Contact information for Signing Representative added so correspondence can be sent to them
- Default to business address at the top of the form if left blank



New Business Income Refund Request form

- Request a refund without filing an amended return
 - Not allowed if return needs to be amended for other reasons
- Paper only
 - Will eventually be available on GovConnectIowa

IOWA Department of Revenue **Business Income Refund Request**
 revenue.iowa.gov

Complete all sections on the form. Incomplete forms will not be accepted by the Iowa Department of Revenue (Department). See Page 2 for instructions.

All refund claims must be mailed to:
 Corporation Tax Return Processing
 Iowa Department of Revenue
 PO Box 10450
 Des Moines IA 50306-0450

Legal name: _____
 Doing business as: _____
 Current mailing address: _____
 City: _____ State: _____ ZIP: _____
 Federal Employer Identification Number (FEIN): _____
 Email address of contact person: _____

Check the box corresponding to the type of refund you are claiming.
 Corporate S Corporation Moneys & Credits Franchise Partnership

Check the box corresponding to the reason you are claiming a refund, if applicable.
 Notification of an overpayment or excess credit Self-assessed penalty was not due
 Carryforward originally requested Closed account
 Other: _____

Required: Explain in detail the reason(s) a refund is requested.

All refunds will be mailed to the address on file with the Department.
 Iowa Code section 422.73 allows refund claims to be filed within three years after the tax payment became due, or one year after the tax payment was made, whichever is later.

I, the undersigned, declare under penalties of perjury or false certificate, that I have examined this claim, and, to the best of my knowledge and belief, it is true, correct, and complete.

Signature must be signed by hand or via a digital signature with a digital certificate. Stamped or typed signatures are not accepted. Incomplete forms or forms submitted without the required documentation may be denied by the Department.

Signature: _____ Date: _____
 Print name: _____ Title: _____
 Phone: _____



Disclosure Designee

Third Party Disclosure Designee. Do you want to allow an individual to discuss this return with the Department? See instructions.

Designee's Name

Mailing address

City State ZIP

ID Number (optional)

Designee's phone number

Email

- Available on all Iowa income returns (IA 1040, 1041, 1065, 1120, 1120S, 1120F)
- Allows the Department to talk to the person listed about the return
- Year-specific, must be completed every year



Department of Revenue

2025 Iowa Income Tax Legislation

2025 Legislative Update

[SF605](#) - Sports Wagering Withholding

Requires state withholding on sports wagering winnings when federal withholding is required. Currently, federal withholding is required when the amount of proceeds is more than \$5,000 and the amount of proceeds is at least 300 times as large as the amount wagered.

- Effective date: January 1, 2026

2025 Legislative Update

[SF619](#) - Natural Hazard Mitigation Financing Bonds

Exempts interest and dividends from Natural Hazard Mitigation Financing Program bonds from net income

- Effective date: July 1, 2025

2025 Legislative Update

[SF619](#) - Disaster Recovery New Housing Program

Exempts the amount of any qualifying state disaster recovery new housing grant issued to an individual or business by IEDA from individual and corporation income taxes

- "Qualifying state disaster recovery new housing grant" means an award of a state disaster recovery new housing grant that was applied for between August 20, 2024, and December 31, 2024, and approved and issued by IEDA
- Provisions apply retroactively to tax years beginning on or after January 1, 2024



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2025 Legislative Update

[HF976](#) - Lump Sum Tax

- Excludes lump-sum distributions of retirement income from Iowa taxation for qualifying taxpayer
 - 55 years of age or older,
 - Disabled, or
 - A surviving spouse or a survivor having an insurable interest in an individual who would have qualified for the exclusion on the basis of age or disability.
 - A surviving spouse who receives amounts from a deceased spouse's pension, regardless if the deceased spouse was 55 years of age or older or disabled, if the pension was from employment in a protection occupation, or as a sheriff, deputy sheriff, firefighter, or police officer
- Applies retroactively to January 1, 2025 for tax years beginning on or after that date



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2025 Legislative Update

HF976 - Estimated Tax Threshold

Increases the threshold to make estimated income tax payments from \$200 to \$1,000

- Applies to tax years beginning on or after January 1, 2026



Franchise Investment Subsidiaries

- Franchise (IA 1120F) taxpayers can now elect to file a combined return with their investment subsidiaries
- New schedule, IA 60F
- Administrative Rule changes in progress
- Effective for tax years beginning on or after 1/1/2025



IOWA Department of Revenue **IA 60F Franchise Combined Schedule** revenue.iowa.gov

Part I: Parent Financial Institution Return Information

Parent Entity Legal Name: _____ Tax period: _____
 Parent Entity Federal Employer Identification Number (FEIN): _____
 State of Incorporation: _____
 Federal Income Tax Filing Type: C Corporation S Corporation Partnership Other _____

Part II: Return Information: Enter the legal name and FEIN for each group member in a separate column, then complete Parts III through XI before completing this Part

	Legal Name	Legal Name	Legal Name		
	FEIN:	FEIN:	FEIN:	Adjustments	Total
1. Federal Taxable Income					
2. Interest and dividends exempt from federal income tax					
3. Iowa Additions from Schedule A					
4. Iowa Reductions from Schedule A					
5. Income subject to apportionment					
6. Iowa Business Activity Ratio (BAR)					
7. Iowa Taxable Income					
8. Iowa Net Operating Loss (NOL) Carryforward					

Part III: Schedule A Additions

	Legal Name	Legal Name	Legal Name		
	FEIN:	FEIN:	FEIN:	Adjustments	Total
1. Cash to accrual adjustments					
2. Adjustment for expense to carry investment subsidiary (NOT APPLICABLE)					
3. Interest expenses disallowed under IRC sections 56(b) and 291(a)(1)(B)					
4. Contribution adjustments					
5. Capital loss adjustments					
6. Depreciation adjustment from IA 4562A, submit schedule IA 4562A and 4562B					
7. Iowa franchise tax reported on federal return					
8. Pre-2022 federal net operating loss carryforward					
9. Other					
10. Totals					

Franchise Rates Reduced

Franchise Tax Schedule Rate Reduction

- 2023 - 4.7%
- 2024 - 4.4%
- 2025 - 4.1%
- 2026 - 3.8%
- 2027 and later - 3.5%



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2026 Corporate Income Tax Rates

Bracket	Tax Rate
\$0- \$25,000	5.5%
\$25,001- \$100,000	5.5%
\$100,001- \$250,000	7.1%
> \$250,000	7.1%

- No change from 2025
- Each state fiscal year in which net corporate receipts exceed \$700,000,000 a reduction will be triggered
- Eventually Iowa will have a flat 5.5% corporate tax rate



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Tax Credits

- New Tax Credits
 - Sustainable Aviation Fuel Tax Credit
 - Seed Investor Tax Credit
 - Business Incentives for Growth (BIG) Program
 - Research and Development Tax Credit (replacing Research Activities Credit)
- Repealed Tax Credits
 - Assistive Device Tax Credit (effective 1/1/2025)
 - Employer Child Care Tax Credit (effective 1/1/2026)
 - Angel Investor Tax Credit (effective 6/30/2026)
 - High Quality Jobs Program (effective 1/1/2026)



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2025 Iowa Sales/Excise Tax Legislation & Updates

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2025 Legislative Update

SF606 - Sales & Use Tax Returns, Penalty for Non-Electronic Filing

- Since July 1, 2022, monthly sales & use tax returns have been required to be filed electronically.
- Under SF606, a sales & use tax return that is filed in a manner other than in an electronic format is not a valid return.
- Paper sales & use tax returns will be considered not filed and subject to a 5% penalty for failure to timely file unless filed electronically before the due date.
- Persons who are unable to file a sales & use tax return electronically may request permission to file by paper.
- Payments are still required to be made electronically, and failure to pay electronically is subject to a 5% penalty.
- Applies beginning with July 2025 returns, due on August 31, 2025



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2025 Legislative Update

HF976 - Data Center/Web Search Portal Sales & Use Tax Exemption/Refund Changes

- Data centers & web search portals must register with the Department to qualify for incentives.
- To remain eligible, large data centers/WSPs (at least \$200 million investment) must file annual reports with the Department each January, describing their electricity and backup power generation fuel purchases in the prior calendar year.
- Registration and reporting is currently done by paper and will move to electronic.
- Large data centers/WSPs may only claim an exemption/refund for purchases of electricity and backup power generation fuel for 10 or 15 years; after that, taxes paid on these items are transferred to the Energy Infrastructure Revolving Fund.
- Lessee data centers are eligible for incentives.
- “Site preparation activities” is now a defined term.
 - Effective upon enactment (June 6, 2025)



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2025 Legislative Update

SF612 - Electronic Filing Requirement for Cigarettes & Tobacco

- All filings under Iowa Code chapters 453A and 453D must be made electronically.
 - Applies to returns, applications, reports, etc.
- Paper filings will be considered not filed.
 - If not filed electronically before the due date, subject to 5% penalty (minimum \$50) for failure to timely file.
 - Paper applications and other paper filings with no due date have no penalty but will not be processed.
- Persons who are unable to file electronically may request permission to file by paper.
- Payments are still required to be made electronically, and failure to pay electronically is subject to a 5% penalty.
 - Applies beginning with July 2025 filings, due on August 31, 2025



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Elimination of the Penny & Sales Tax

- The federal government is ending production of the penny.
- Some retailers are rounding transactions up or down to the nearest nickel due to a shortage of pennies.
- Tax is to be remitted on the “sales price”
 - The total amount of consideration, including cash, credit, property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise . . .
- Rounding after calculation of the tax does not affect the amount of sales tax collected, reported, and remitted to the Department.
 - When filing the sales & use tax return, retailers must report the amount of gross sales and sales tax before any rounding.
- This guidance applies only to Iowa sales tax.



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Fuel Tax Rates

Fuel Type	Tax Prior to 7/1/25	Tax Effective 7/1/25
Gasoline, E1 to E14	\$0.300 per Gal	\$0.300 per Gal
E15 or Higher	\$0.255 per Gal	\$0.265 per Gal
Diesel, B1 to B19	\$0.325 per Gal	\$0.325 per Gal
B20 or Higher	\$0.295 per Gal	\$0.295 per Gal
Electric Fuel	\$0.026 per kWh	\$0.026 per kWh

Note: Fuel retailers must report their annual fuel sales to the Department in January



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One Quick Property Tax Update

- Certain elderly and disabled taxpayers are eligible for a credit against their property taxes
- HF 976, Division III: Late claims for the property tax credit will no longer be processed by the Department
 - Form is due on June 1, but the deadline for late claims may be extended by the county treasurer up to March 31 of the following year



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Department of Revenue

Common Filing Issues for Iowa Income Tax

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Common Filing Issues

- Not checking the box on IA 1040 if an amended return, will delay processing of the return
- If electronically filing, do not mail a duplicate paper copy of the return. May also delay processing of the return
 - If you need to confirm receipt, rely on notifications from your tax software or “Where’s My Refund?”
- Claiming the incorrect amount of estimated payments on the return
- Not adding the appropriate amounts back in when calculating low-income exemption (filing requirement), alternate tax, or tax reduction
- Incorrect or omitting county and school district codes



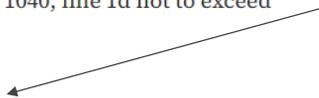
66

Who Must File / Filing Thresholds

- Low Income Exemption

- Iowa taxable income from IA 1040, line 4
- Standard deduction or itemized deductions from IA 1040, line 1d not to exceed the amount included in IA 1040, line 2.
- Personal exemption allowed for federal purposes.
- Qualified business income deduction from IA 1040, line 1e
- Any amount of lump-sum tax distributions of taxable income
- Carryover of net operating loss claimed on the IA 1040 Schedule 1, line 17

Enhanced Deduction for Seniors



Health Insurance Deduction

Health Insurance Taxable Income Worksheet

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	2b.
	(c) Federal Qualifying Business Income Deduction	2c.
	(d) Social Security income reported on federal 1040, line 6b	2d.
	(e) Pensions or other retirement income received from a source that is not taxable in Iowa, reported on IA 1040, Schedule 1, lines 4 and 7	2e.
	(f) Health insurance deduction reported IA 1040, Schedule 1, line 15	2f.
	(g) Total of lines 2a through 2f.	2g.
3.	Add line 2g to line 1	3.

Enhanced Deduction for Seniors



Common Filing Issues (cont.)

- Improper usage of other income modifications or other adjustment codes (Sch 1 Line 11 and Line 19)
- Attempting, especially as a nonresident or PY resident, to use the Schedule 1 to remove income that was sourced from (or taxed by) other states.
 - This entire reconciliation process takes place on IA 126 or IA 130.
- If you have a federal return showing a refund and an Iowa return showing an amount due, IDR does not have the (immediate*) capability to net out these amounts with the IRS.
 - *Older, certified debt may be subject to the Treasury Offset Program (federal refund offset)



Estimated Payment Vouchers

- Period is the end of the Tax Year not the end of the Quarter

xL0001, v15

90200000093910461231266 7

Name: test
Filing Period: 31-Dec-2026
Confirmation Number: 0-000-939-104

Voucher Type: 902
Voucher ID: 00000939104
Period: 31-Dec-2026
Amount Due: 10.00

Amount Paid

Iowa Department of Revenue
 PO Box 10466
 Des Moines, IA 50306-0466

Make check or money order payable to: **Iowa Department of Revenue**. When you pay by check, you authorize the Department of Revenue to convert your check to a one time electronic banking transaction.


2196048019900





PTET Payment Vouchers

- PTET payments should be made using Partnership or S Corporation voucher
- Don't use individual or composite vouchers

Individual Income Tax

- Farmers and Commercial Fisherman - 2210F
 - Check the box on line 35, even if penalty = 0
- IA 148 (Tax Credits)
 - Double-check certificate numbers
 - Rounding of IA 148 credits: The Department cannot allow IA 148 credits for more than what is calculated or awarded.
 - If your software does not allow the calculation of tax credits to the cent, the processing of your return may be delayed if the credit is rounded up to a higher amount than what is specifically allowed or awarded.

Individual Income Tax

- PTET - Schedule CC

1I: Composite Credits Received

A Paying Pass-Through Entity (PTE) Name	B Paying PTE FEIN	C Amount of credit received from PTE	D Received amount in C through a Disregarded Entity? (Y/N)	E Disregarded Entity Name	F Disregarded Entity FEIN
		00			
		00			
		00			
Total of Column C		00			

1II: PTET Credits Received

A Electing Pass-Through Entity (PTE) Name	B Electing PTE FEIN	C Amount of credit received from PTE	D Received amount in C through a Disregarded Entity? (Y/N)	E Disregarded Entity Name	F Disregarded Entity FEIN
		00			
		00			
		00			
Total of Column C		00			



Individual Income Tax

- Endow Iowa Tax Credit
 - Report amount of endowment gift on Schedule 1, line 11, code bb - Other Income not Included in Federal Taxable Income that is Taxable for Iowa Purposes
- Teacher Expense Deduction



Missing Federal income tax return

- Must include copy of federal income tax return with your Iowa income return
 - Requirement for all income tax types (individual, corporate, partnership, franchise, fiduciary)



IA 102- Missing or Incomplete

- Required for amended returns
- Explanation section must be filled out
- When Amending, all required schedules must be included



Electronic Filing

All business taxpayers (IA 1120, IA 1065, IA 1120S, IA 1120F, IA 1041)

- Gross receipts \$250,000+
- Iowa Credits reported on the return \$25,000+

Pass throughs (IA 1065, IA 1120S, IA 1041)

- Required to issue 10+ Iowa K-1s

Composite (IA PTE-C)

- Required if related 1065/1120S/1041 must be efiled

Consolidated Iowa return (IA 1120, status 3)

- Always required

Moneys and Credits

- Always required



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Efile Exception Requests

- Exceptions are limited
- Software not supporting the forms is **not** an excuse
- Form (78-641) is **required**
 - Explanations are helpful, but not enough



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IOWA Department of Revenue		Electronic Filing Requirement Exception Request	
revenue.iowa.gov		revenue.iowa.gov	
Check appropriate box(es) for the type(s) of tax:			
<input type="checkbox"/> Corporation Income	<input type="checkbox"/> Partnership	<input type="checkbox"/> S Corporation	
<input type="checkbox"/> Franchise	<input type="checkbox"/> Composite	<input type="checkbox"/> Fiduciary	
Taxpayer name: _____			
Address: _____			
City: _____		State: _____	ZIP: _____
Phone: _____		Email: _____	
Federal Employer Identification Number (FEIN): _____			
Tax period: _____			
1. Reason(s) for exception. Check the box to indicate applicable reason(s) for exception. For a description of the listed reasons for which an exception to the electronic filing requirement may be granted, see the instructions:			
<input type="checkbox"/> Act of God or casualty	<input type="checkbox"/> Religious objection		
<input type="checkbox"/> Modernized eFile (MeF) permanently unavailable for the tax period	<input type="checkbox"/> Other: _____		
2. Explanation. Describe below why the selected reason(s) for exception to the electronic filing mandate applies. If you need more space, include additional pages. Attach any additional documentation available to support your exception request. The burden is on the taxpayer to show that good cause exists for an exception to this requirement. Failure to provide sufficient explanation or documentation for a request will result in the request being DENIED.			

I, the undersigned, declare under penalties of perjury or false certificate, that I have examined this request, and, to the best of my knowledge and belief, it is true, correct, and complete.			
Name (print): _____			
Signature: _____		Date: _____	
Submit Request for Exception			
Online at govconnect.iowa.gov			
Mail: Iowa Department of Revenue PO Box 10465 Des Moines, IA 50306-0465			
78-641a (10/24/2024)			

IA 2220- Underpayment of Estimated Tax for Businesses

- Iowa Code section 422.85 *et seq.* provide Iowa specific rules for calculating penalties for underpayment of estimated tax
 - Applicable to C Corporations, S Corporations, all passthroughs that elect PTET, and Franchise taxpayers
 - These rules are **different** from the underpayment penalty rules applicable to individuals for federal and Iowa purposes, and to businesses at the federal level
 - Penalty is calculated on **actual tax due for the current year**, if no exception is met,
 - **Not** on the exception amount (prior year tax due).



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IA 2220- Underpayment of Estimated Tax for Businesses- continued

- The penalty does apply in the first year a company does business in Iowa
 - And owes at least \$1000
- Exception 3: Annualized Income will never be applied automatically because it requires information from the taxpayer to properly calculate.
- Exceptions are all or nothing, if the exception amount is paid by the due date, there is no penalty, if the exception amount is not paid timely, the penalty is calculated on the difference between the amount paid and **the amount actually due.**



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PTET and Composite Issues

- The PTET election is irrevocable and cannot be undone
- No composite return required when a PTET election is made
- Composite return cannot be amended down to zero to account for a PTET election in the same tax year
- Composite return cannot be amended to request a refund
 - Any refund request must be from the nonresident member
- Check the tax rate for the type of nonresident member and the tax year for composite tax calculations
- PTET and composite credits may only be claimed once



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Tax Credits

- Schedule B on Pass-through Entity Returns
 - One credit per line; enter the entire amount of the credit not one line per allocation to the owners
 - Enter on the correct lines for earned by the entity or passed through from another entity
- Include the required forms for each credit claimed
 - Include the forms even if the credit is received from a pass-through entity



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Don't Ignore Letters

Often, the first call we get from a taxpayer is in response to collections activity

- Usually the appeal period is expired
- We often simply direct them to the abatement process



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Common Filing Issues for Iowa Sales & Use Tax

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Common Filing Errors - Sales & Use Tax

Returns

- Annual filers must select the correct tax year on a return. The January 2026 return is for sales made in 2025.
- Consolidated returns must include the consolidated schedule.
- E-file mandate. Paper returns are not valid unless the filer obtains permission to file by paper before filing.
- Include all sales (taxable and nontaxable) in gross sales on Line 1. Deduct nontaxable sales as exemptions on Line 4. Sales not matching reported income may trigger review.
 - Fuel sales and sales to a governmental entity must be reported on Line 1 and deducted on Line 4.

Common Filing Errors - Sales & Use Tax

Exemptions

- Businesses must ensure they qualify for an exemption at the time of purchase or when filing a sales & use tax return.
- Business expenses (processing, computers, utilities, etc.) are not always exempt from sales & use tax.

Common Filing Errors - Sales & Use Tax

Recordkeeping

- Businesses must keep records of sales and purchases for the Department to review for as long as the Director has authority to examine and determine tax due.
 - This includes small retailers (bars, restaurants, nail and hair salons, etc.).

Common Filing Errors - Sales & Use Tax

Payments

- Report correct information, including permit number and tax periods, when making an ACH payment or other payment method.
- Correct information ensures proper application of the payment.

Common Filing Errors - Sales & Use Tax

Local Option Sales Tax (LOST)

- Report the dollar amount of LOST on the sales & use tax return. Do not report percentages.
- Ensure the correct LOST jurisdiction is reported.
 - City of Des Moines vs. Des Moines County
 - Iowa City vs. Iowa County vs. State of Iowa



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Common Filing Errors - Sales & Use Tax

Amended Returns

- Amending a return does not cancel any payment made with the original return.
- A second return, including a paper return, filed for the same period will be treated as an amended return. If the returns are identical, processing and issuing refunds may be delayed while the Department reviews the returns.



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Common Filing Errors - Sales & Use Tax

Registration

- The start date on the sales & use tax permit should match when first making taxable sales. If a return is filed for a period before the start date, the Department will request an explanation as to why the dates do not match up.
- Businesses must cancel their sales & use tax permits when ceasing operations (the date of last sale). Businesses must file sales & use tax returns as long as their permit is active. Failure to do so may result in estimated taxes plus penalties and interest.
- A business must keep its address up to date, and can do so in GCI.



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Department of Revenue

Administration

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Iowa Tax Research Library (ITRL)

IOWA Tax Research Library

Welcome!

This research library contains Court Decisions, Rulings and other information from the Iowa Department of Revenue archives. Statutes and rules referenced in library documents are no longer contained in this online library. Please refer to the statutes and rules of Iowa, including past versions of statutes and rules, available on the [Iowa General Assembly Website](#). The Iowa Tax Research Library search function allows you to search by key word(s) or phrase with the ability to refine your selection to narrow your search.

[Click here](#) to begin your search.



- ITRL is being replaced with the Iowa Research Library (IRL): documents.iowa.gov
- Formal documents (case decisions, DO's, etc.) will migrate to new site
- Informal documents (policy letters, etc.) will no longer be posted



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Iowa Research Library (documents.iowa.gov)

SEARCH

Keywords

<p>Organization</p> <input style="width: 100%; height: 25px;" type="text" value="Please Choose"/>	<p>Category</p> <input style="width: 100%; height: 25px;" type="text" value="Please Choose"/>	<p>Area</p> <input style="width: 100%; height: 25px;" type="text" value="Please Choose"/>
<p>Identifier</p> <input style="width: 100%; height: 25px;" type="text"/>	<p>Business Name</p> <input style="width: 100%; height: 25px;" type="text"/>	<p>Last Name</p> <input style="width: 100%; height: 25px;" type="text"/>
<p>First Name</p> <input style="width: 100%; height: 25px;" type="text"/>	<p>Subject</p> <input style="width: 100%; height: 25px;" type="text" value="Please Choose"/>	<p>Order</p> <input style="width: 100%; height: 25px;" type="text"/>
<p>Matter</p> <input style="width: 100%; height: 25px;" type="text"/>	<p>From:</p> <input style="width: 45%; height: 25px;" type="text" value="mm/dd/yyyy"/>	<p>To:</p> <input style="width: 45%; height: 25px;" type="text" value="mm/dd/yyyy"/>
<p>City</p> <input style="width: 100%; height: 25px;" type="text"/>	<p>County</p> <input style="width: 100%; height: 25px;" type="text" value="Please Choose"/>	<p>Entity</p> <input style="width: 100%; height: 25px;" type="text" value="Please Choose"/>

Search for Text that Matches Keywords

[Reset Form](#)

Submit Search



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Department of Revenue

OBBBA

Individual Income Specific Items

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Individual Income Specific Items (Conform Nonconformity)

- 70101 - Permanently extending existing income tax rates temporarily codified in the Tax Cut and Jobs Act (TCJA) of 2017
- 70102 - Standard Deduction
 - Increases the standard deduction to: head of household \$23,625, single \$15,570, and \$31,140 for married filing joint or surviving spouse
- 70103 - Personal Exemption
 - Makes permanent the suspension of the normal personal exemption, but creates a temporary \$6,000 deduction for seniors, effective until 2029

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Individual Income Specific Items (Conform Nonconformity)

- 70104 - Child Tax Credit
 - Increased to \$2,200 from \$2,000; increased each year for inflation
- 70106 - Estate and Gift Tax Exemption
 - Increased to \$15,000,000; increased each year for inflation
- 70107 - AMT
 - Extends the federal AMT exemption amounts, resets the phaseout thresholds to the 2018 levels
- 70108 - Qualified Residence Interest
 - Makes provision related to the deduction for qualified residence interest permanent and makes mortgage insurance premiums eligible for the deduction



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Individual Income Specific Items (Conform Nonconformity)

- 70109 - Casualty Loss Deduction
 - Extends and modifies the limitation on casualty loss deductions
 - Includes State declared disaster in definition
- 70110 - Miscellaneous Itemized Deductions
 - Makes permanent the TCJA suspension of all miscellaneous itemized deductions subject to the 2% floor and carves out a special exemption for unreimbursed “educator expenses”
- 70111 - Limit on Itemized Deductions
 - Permanently suspends the overall limit on itemized deductions (Pease limitation), but replaces it with a new, simpler limit on the tax benefit of itemized deductions



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Individual Income Specific Items (Conform Nonconformity)

- 70112 - Bicycle Commuting Reimbursement
 - Qualified bicycle commuting reimbursement is no longer considered a qualified fringe transportation benefit and is likewise no longer excluded from the gross income of a taxpayer
- 70113 - Moving Expenses
 - Permanently repeals the itemized deduction for moving expenses and exclusion from income for moving expense reimbursement. Deduction now only applies to active duty military personnel and intelligence community

Individual Income Specific Items (Conform Nonconformity)

- 70114 - Gambling Losses
 - Modifies the limitation on deduction of wagering losses
 - For tax years beginning on January 1, 2026, the amount allowed as a deduction "shall be equal to 90 percent of the amount of such losses" and are only permitted "to the extent of the gains from such transactions during such taxable year"
 - Limits additional deductions of professional gamblers (travel, lodging and meals)
- 70115 - Noncash Contributions to ABLE Accounts
 - Removes the 1/1/2026 end date for noncash contributions to ABLE accounts

Individual Income Specific Items (Conform Nonconformity)

- 70116 - ABLE Contributions
 - Increases the amount of the savers credit allowed for ABLE contributions from \$2,000 to \$2,100 and extends the credit beyond the previous end date of 1/1/2026
 - Iowa does not have a corresponding tax credit, but conform with the other provisions
- 70117 - 529 Rollovers
 - Permanently extends the provision allowing rollovers from qualified tuition programs to ABLE accounts



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Individual Income Specific Items (Conform Nonconformity)

- 70118 - Military Special Duty Pay
 - Expands the definition of qualified hazardous duty areas and removes applicable period language related for purposes of military special duty pay
- 70119 - Student Loan Discharge
 - Extension and modification of exclusion from gross income of student loans discharged on account of death or disability



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Individual Income Specific Items (Conform Nonconformity)

- 70120 - State and Local Tax Deduction (SALT)
 - Increases cap on state and local tax deduction to \$40,000 in 2025, \$40,400 in 2026, and increases by 1% each year through 2029 and reverts to \$10,000 after 2029; deduction decreases for taxpayers with an income exceeding \$500,000
 - Iowa PTET will not expire, but will continue as long as this version of the SALT limitation in the IRC exists



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Individual Income Specific Items (Conform Nonconformity)

- 70201 - Tip Income
 - Excludes up to \$25,000 of tip income
 - For tax years beginning after December 31, 2024
 - Iowa W-4
 - Restaurant servers, bartenders, cooks, bakers, baristas, bussers, hosts, and counter staff are among the occupations officially included in the U.S. Department of Treasury's preliminary list of jobs eligible for the new No Tax on Tips law
- 70202 - Overtime Pay
 - Excludes up to \$12,500 (\$25,000 MFJ) of overtime pay
 - For tax years beginning after December 31, 2024
 - Iowa W-4



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Individual Income Specific Items (Conform Nonconformity)

- 70203 - Vehicle Loan Interest
 - Adds above the line deduction of up to \$10,000 of vehicle loan interest
 - For debt incurred starting 01/01/2025; Applies to tax years 2025-2028
- 70204 - Trump Accounts
 - Adds provisions related to Trump Accounts. Contributions limited to \$5K for the exclusive benefit of someone under the age of 18
 - No tax deduction for contributions
 - Established under 408(a), but not a Roth IRA
 - Effective date 01/01/2026 (Pilot program retroactive to newborns starting Jan 2025)



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Individual Income Specific Items (Conform Nonconformity)

- 70309 - Spaceport Exempt Facility Bonds
 - Expands the code to include spaceports along with airports as qualifying facilities for purposes of exempt facility bonds



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Individual Income Specific Items (Conform Nonconformity)

- 70404 - Dependent Care Assistance Program
 - Exclusion cap increased to \$7,500 (\$3,750 for Married filing separately) for employer-paid dependent care
- 70405 - Child and Dependent Care Tax Credit
 - Credit is allowed for 50% of expenses and the 50% is decreased by 1% for each \$2,000 the taxpayer's AGI exceeds 15,000; credit is further reduced by 1% for each \$2,000 the taxpayer's AGI exceeds \$75,000
 - Iowa's credit is a percentage of the federal credit



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Individual Income Specific Items (Conform Nonconformity)

- 70413 - 529 Additional Qualified Higher Education Expenses
 - Expands the types of expenses which meet the definition of "qualified higher education expense." Additionally, it raises the limit of tax exempt distributions per tax year to \$20,000
 - Iowa Code section 12d and Iowa administrative rule update may be required



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Individual Income Specific Items (Conform Nonconformity)

- 70414 - 529 Postsecondary Credentialing Expenses
 - Expands the definition of "qualified higher education expenses" to include postsecondary credentialing expenses, and adds definitions and restrictions to the term
 - Tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary in a recognized postsecondary credential program
 - Fees for testing if such testing is required to obtain or maintain a recognized postsecondary credential
 - fees for continuing education if such education is required to maintain a recognized postsecondary credential
 - Iowa Code chapter 12d and Iowa administrative rule update may be required

Individual Income Specific Items (Conform Nonconformity)

- 70424 - Charitable Contributions Deduction for Individuals who do not Itemize
 - Credit for charitable donations for taxpayers who do not itemize is reinstated and limitation to deduction is increased to \$1,000 (\$2,000 for joint filers)
 - Effective date January 1, 2026
- 70425 - 0.5% Floor on Contributions made by Individuals
 - Requires itemizers to contribute at least 0.5% of their adjusted gross income before claiming deduction
 - Effective date January 1, 2026

Individual Income Specific Items (Conform Nonconformity)

- 70429 - Individual Charitable Deduction for Expenses Incurred in Support of Native Alaskan Whaling
 - Increases the amount of "sanctioned whaling activity" expenses that can be treated as charitable contributions under section 170(n) to \$50,000
- 70431 - Small Business Stock Exclusion
 - Changes exclusions to 50% if held three years, 75% if held four years, and 100% if held five years or more



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Individual Income Specific Items (Conform Nonconformity)

- 70432 - 1099-K Reporting on Third Party Network Transactions
 - Increases the reporting threshold from transactions from \$600 to \$20,000 and the aggregate number of such transactions exceeds 200
- 70433 - 1099 Misc and 1099-NEC Reporting Requirements
 - Increases reporting requirement from payment to any person totaling \$600 to \$2,000 starting in 2026



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Individual Income Specific Items (Conform Nonconformity)

- 70437 - Capital Gain from the Sale of Certain Farmland
 - Allows an election to be made by taxpayers selling farmland property to a qualified farmer to choose to pay the taxes on the gain from the sale in 4 installments. This election can be made by individuals, trusts, or those who have either farmed the land/leased it to a qualified farmer for 10 years preceding the sale. There are also requirements that the land sold be under covenant to ensure usage for at least 10 years after the sale
 - Although Iowa does not conform with the provision, many taxpayers may qualify for the capital gains exclusion



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Individual Income Specific Items (Conform Nonconformity)

- 70438 - Disaster-Related Personal Casualty Losses
 - Taxpayers may currently claim an above-the-line deduction for disaster-related personal casualty losses for qualified disasters through February 10, 2025
 - Extends this tax treatment of disaster-related personal casualty losses through thirty days after the date of enactment of July 4, 2025



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Individual Income Specific Items (Conform Nonconformity)

- 70607 - Task Force on the Replacement of Direct File
 - \$15,000,000 is appropriated to create a report of: Cost of public-private partnerships to provide free-filing instead of direct file, public opinion on direct file or private sector partnerships, feasibility of making the options consistent amongst providers, cost of a direct-file system

OBBBA

Business Income Specific Items

Business Income Specific Items (Conform Nonconformity)

- 70105 - Qualified Business Income Deduction
 - Makes permanent the 20% qualified business income (QBI) deduction for sole proprietors and pass-through owners which was set to expire at the end of 2025
- 70301 - Bonus Depreciation
 - Makes 100% bonus depreciation permanent for any asset acquired after 1/19/25



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Business Income Specific Items (Conform Nonconformity)

- 70302 - Research and Development
 - Repeals the amortization requirement for domestic R&D expenses, making them fully deductible starting in tax year 2025, provides a small business election to deduct (rather than amortize) domestic R&D expenses incurred between tax years 2022-2024, which will require amended returns
- 70303 - Business Interest Deduction
 - Beginning 1/1/25 adjusted taxable income will once again be calculated without regard to deductions for depreciation, amortization, and depletion for purposes of the federal limitation on the business interest expense deduction



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Business Income Specific Items (Conform Nonconformity)

- 70304 - Paid Family and Medical Leave
 - Makes the credit for the Paid Family and Medical Leave permanent and adds a method for determining the credit for employers with certain insurance policies in place
 - Iowa does not offer a similar credit, but conforms to the income tax reporting of the related deductions
- 70305 - Business Meals
 - Retains the 50% deduction of business meals provided at the convenience of the employer in cases where the employer is a commercial fishing vessel and makes those a full deduction, while allowing the deductions available to other employers to expire after 12/31/25



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Business Income Specific Items (Conform Nonconformity)

- 70306 - IRC Sec 179 Deductions
 - Permanently increases the amount of expensing allowed under IRC 179 starting in tax year 2025. The new amounts will be \$2,500,000 with a phaseout amount of \$4,000,000, permanently indexed to inflation after 2025
- 70307 - Bonus Depreciation
 - Adds a new type of nonresidential property called “qualified production property” which is eligible for a 100% depreciation election



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Business Income Specific Items (Conform Nonconformity)

- 70322 & 70323 - change from FDII to FDDEI
 - The calculation of FDII is simplified to FDDEI, providing a broader base amount used to calculate the deduction
 - Calculation of GILTI is simplified and the name changed to NCTI
- 70321 Deductions for NCTI and FDDEI
 - 33.34% of FDDEI is deductible
 - 40% of NCTI is deductible

Business Income Specific Items (Conform Nonconformity)

- 70341- 163(j) Limitation
 - Applies 163(j) limitation to interest that would otherwise be capitalized or deducted under a capitalization provision- special rules apply to this type of interest
- 70342- Excludes certain foreign-related income including NCTI and subpart F income from “adjusted taxable income” for purposes of calculating the 163(j) limitation

Business Income Specific Items (Conform Nonconformity)

- 70401 - Employer Provided Child Care Credit
 - Increases the credit amount to 40% from 25% of eligible expenses, and increases the credit cap from \$150,000 to \$500,000 (\$600,000 for eligible small businesses)
 - IEDA offers an Employer Child Tax Credit which is based upon the federal credit and reported on Form IA 8882 which is repealed after tax year 2025

Business Income Specific Items (Conform Nonconformity)

- 70412 - Educational Assistance Exclusion
 - Removes the 2026 sunset, and creates a method and formula for inflation adjustment with regard to the \$5,250 maximum exclusion in 142(a)(2)
- 70415 - Excise Tax on Investment Income of Certain Private Colleges and Universities
 - Substantially re-writes IRC 4968. Most significant is the creation of three different tiers of taxation at 1.4%, 4%, and 8% for institutions with "student-adjusted endowments of \$500k-\$750k, \$750k-\$2M, and greater than \$2M, respectively. The bill also changes some of the requirements to be an applicable educational institution.

Business Income Specific Items (Conform Nonconformity)

- 70416 - Tax on Excess Compensation with Tax-Exempt Organizations
 - Broadens the scope of definition of "covered employee" to remove the prior requirement that a covered employee be one of the five highest compensated employees in the organization



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Business Income Specific Items (Conform Nonconformity)

- 70421 - Qualified Opportunity Zones
 - Indefinite extension of QOZ program, stricter census/eligibility standards, new reporting requirements, creation of qualified rural opportunity fund
 - Potential impact to Iowa opportunity zones gaining or losing eligibility
- 70427 - Cover Over Tax On Distilled Spirits
 - Rate of \$13.25 for cover over of tax on distilled spirits covered into the treasuries of Puerto Rico and the Virgin Islands
 - Cover over tax refers to a federal excise tax



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Business Income Specific Items (Conform Nonconformity)

- 70426 - Contributions made by Corporations
 - Corporate giving deductions require amount given to exceed 1% of taxable income
 - Further limited to 10% of taxable income
- 70428 - Nonprofit Community Development Activities in Remote Native Villages
 - Specified nonprofit community development corporations in Western Alaska are exempted from income tax on certain asset transfers from wholly owned, for-profit subsidiaries. Also clarifies the meaning of “substantially related to exercise or performance of” the goals listed for these corporations



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Business Income Specific Items (Conform Nonconformity)

- 70430 - Exception to % Completion Method for Residential Construction Contract
 - The term “Home construction contract” is replaced with “residential construction contract” the meaning is the same as home construction contracts but includes buildings with more than 4 dwellings.
 - Increases the 2 years completion date requirement to 3 years for determining if the contract qualifies for the exception under IRC section 263A.
 - Allowed to use other method to recognize income like Completed Contract Method



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Business Income Specific Items (Conform Nonconformity)

- 70434 - Treatment of Certain Sound Recording Productions
 - Certain sound recordings produced and recorded in the US, are now also eligible for the election, but with a limitation of \$150,000 on the deduction for sound recordings, or for bonus depreciation
 - May take as an expense or take bonus depreciation on the property

Business Income Specific Items (Conform Nonconformity)

- 70435 - Exclusion of Interest on Certain Ag Loans
 - Excludes 25% of the interest received by certain lenders on qualified real estate loans.
 - Provides a number of criteria for lenders to qualify
 - Provides that qualified loans are those secured by rural/agricultural real estate or a leasehold mortgage on such real estate.
 - Additionally, a qualified loan cannot be made to a "specified foreign entity."
 - Iowa Impact - Reduces federal taxable income by excluding a portion of qualified loan interest received and will therefore affect Iowa taxable income

Business Income Specific Items (Conform Nonconformity)

- 70436 - Transfer and Mfg Taxes for Certain Devices
 - Maintains the transfer tax for machine guns and "destructive devices," but eliminates the transfer tax for firearms which do not meet those definitions



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Business Income Specific Items (Conform Nonconformity)

- 70439 - REIT Subsidiary Asset Test
 - Current law: A corporation, trust, or association is not a real estate investment trust for any taxable year unless at the close of each quarter at least 75% of the total value of assets is real estate assets, cash, and government securities, and not more than 20% of the total value of assets is represented by securities of one or more taxable REIT subsidiaries.
 - Bill changes 20% requirement to 25%



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Business Income Specific Items (Conform Nonconformity)

- 70507 - Energy Efficient Commercial Buildings Deduction
 - Repeals the deduction for property whose construction begins after June 30, 2026
- 70509 - Cost Recovery for Energy Property
 - Removes this energy property from 5 year special recovery period for construction that begins after December 31, 2024

Business Income Specific Items (Conform Nonconformity)

- 70523 - Intangible Drilling and Development Cost
 - Adds a provision that allows adjusted financial statement income to also be reduced by deductions allowed for capital expenditures under 263(c). It also instructs that depletion expenses accounted for in the taxpayer's financial statement related to "intangible drilling and development costs of such property" should be disregarded

Business Income Specific Items (Conform Nonconformity)

- 70524 - Income from hydrogen storage, carbon capture, advanced nuclear, hydropower, and geothermal energy added to qualifying income of certain publicly traded partnerships
 - The bill broadens the scope and type of activities that are taken into account when determining the qualifying income of partnerships for purposes of treating them as corporations
 - Applies to tax years beginning after 12/31/25

Business Income Specific Items (Conform Nonconformity)

- 70525 - Dyed Diesel Fuel Refund
 - Provides a new refund of federal excise tax paid on clear diesel or kerosene that is subsequently dyed and removed at terminal rack
 - Apply to eligible indelibly dyed diesel fuel or kerosene removed on or after the date that is 180 days after the date of the enactment

Business Income Specific Items (Conform Nonconformity)

- 70601 - Excess Business Losses of Noncorporate Taxpayers
 - Any business loss of an individual that exceeds a certain amount is suspended and not currently deductible, and is instead treated as a NOL carryover to the next year
 - Makes excess business loss limitation permanent. It was previously scheduled to expire at the end of 2025



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Business Income Specific Items (Conform Nonconformity)

- 70602 - Payments to Partners for Property of Services
 - Current law, certain transactions between partners and partnerships are treated as transactions between a partnership and one who is not a partner
 - Slightly modifies lead-in language to section describing treatment to say "except as provided by the Secretary" instead of "under regulations prescribed by the Secretary". Change applies to services and property performed or transferred after 7/1/25. Bill also includes a rule of construction specifying that the change creates no inference about the proper treatment of transactions.



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Business Income Specific Items (Conform Nonconformity)

- 70603 - Excessive Employee Remuneration from Controlled Group Members and Allocation of Deductions
 - Current law, no business expense deduction is allowed for compensation of specified employees of a publicly held corporation in excess of \$1,000,000
 - The disallowance of the deduction is expanded to include employees of a publicly traded company that is a member of a controlled group, where other members of the controlled group provide a portion of the employee's compensation, to the extent that employee's total compensation received from all members of the group exceeds \$1,000,000



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International Provisions (Conform Nonconformity)

- 70604 - Excise Tax on Certain Remittance Transfers
 - 1% excise tax on certain remittance transfers originating from United States
 - Exemptions
 - Most electronic fund transfers (ACH, wire transfers, app-based remittances) sent directly from a US account are exempt.
 - Transfers funded with a US debit or credit card are also exempt.
 - This tax could affect individuals regularly sending money abroad to family and friends, particularly those who rely on cash-based transfers. It's estimated to generate nearly \$10 billion in revenue over 10 years



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International Provisions (Conform Nonconformity)

- 70351- Look-through rule for CFCs made permanent
 - Affects calculation of subpart F income, which is treated as a dividend for Iowa purposes
- 70352- Certain foreign taxpayers that are subject to US taxes are required to use the same tax year as the US parent
- 70353- Prevents ownership of stock owned by a non US person from being attributed to a US person under certain other provisions of the IRC. Extends CFC inclusion rules to foreign controlled US shareholders of foreign controlled CFCs



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Tax Credits

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International Provisions (Conform Nonconformity)

- 70308 - Advanced Manufacturing Investment Credit
 - Raises credit to 35% of qualified investment
 - Iowa does not have similar credit but conforms with reporting of deductions
- 70331 - Base Erosion Minimum Tax
 - Rate rises from 10% to 10.5% but avoids a planned increase to 12.5% in 2025
 - Planned simplification of the base calculation will not take effect, existing calculation is permanent

International Provisions (Conform Nonconformity)

- 70402 - Adoption Credit
 - Makes a certain amount of the federal adoption credit refundable
- 70403 - Recognizing Indian Tribal Government for purposes of the Adoption Credit
 - Modifies the definition of "child with special needs" to include Indian tribal governments for purposes of the government's determination that the child cannot or should not be returned to their parents and the government's determination that adoption assistance is warranted

International Provisions (Conform Nonconformity)

- 70411 - Tax Credit for Contributions of Individuals to Scholarship Granting Organizations
 - Creates a new federal income tax credit for up to \$1,500 in contributions to a qualified scholarship granting organization
 - Iowa must decide whether or not to opt into the program
- 70422 - Low-Income Housing Tax Credit
 - Increases availability of low-income housing tax credits and lowers requirement for private bond financing of real estate
 - Possible effect on Iowa low-income housing development(s)

International Provisions (Conform Nonconformity)

- 70423 - New Markets Tax Credit
 - Tax credit is made permanent
- 70501 - Previously owned Clean Vehicle Credit
 - Repealed for purchases after 9/30/25
- 70502 - Clean Vehicle Credit
 - Repealed for purchases after 9/30/25
- 70503 - Commercial Clean Vehicle Credit
 - Repealed for purchases after 9/30/25

International Provisions (Conform Nonconformity)

- 70504 - Alternative Fuel Vehicle Refueling Property Credit
 - Repealed for property placed in service after 6/30/26
- 70505 - Energy Efficient Home Improvement Credit
 - Repealed for property placed in service after 12/31/25
- 70506 - Residential Clean Energy Credit
 - Repealed for expenditure made after 12/31/25

International Provisions (Conform Nonconformity)

- 70508 - New Energy Efficient Home Credit
 - Repeals the credit for acquisitions after 6/30/26
- 70510 - Zero-Emission Nuclear Power Plant Production Credit
 - Prohibits specified foreign entities or foreign-influenced entities from receiving the credit for tax years beginning after 7/1/25

International Provisions (Conform Nonconformity)

- 70511 - Clean Hydrogen Production Credit
 - Repeals credit for qualified clean production facilities the construction of which begins on or after 1/1/28
- 70512 - Clean Electricity Production Credit
 - Repeals the credit for wind and solar facilities that begin construction after 7/1/26, requiring the facility to be placed in service before 12/31/27. Prohibits specified foreign entities or foreign-influenced entities from receiving the credit if construction begins after 12/31/25

International Provisions (Conform Nonconformity)

- 70513 - Clean Electricity Investment Credit
 - Repeals the credit for wind and solar facilities where construction begins after 7/4/26, requiring the facility to be placed in service before 12/31/27. Prohibits specified foreign entities or foreign-influenced entities from receiving the credit if construction begins after 12/31/25
- 70514 - Advanced Manufacturing Production Credit
 - Currently provides a federal credit related to the manufacturing of certain renewable energy components
 - Restriction and phase-out of credit

International Provisions (Conform Nonconformity)

- 70515 - Advanced Energy Project Credit
 - Provides that the total available credits under the program shall not be increased by the projects that don't meet certain deadlines
- 70521 - Clean Fuel Production Credit
 - Extends the credit to apply to fuel sold through 12/31/2029
 - Additionally, the bill restricts the credit to fuel produced from feedstocks within the US, Mexico, or Canada

International Provisions (Conform Nonconformity)

- 70522 - Carbon Oxide Sequestration Credit
 - Prohibits the credit from going to foreign entities, and also broadens the scope of methods of handling the carbon to be applicable for the credit, not just sequestration
- 70531 - Modification for De Minimis Entry Privilege for Commercial Shipments
 - Imposes civil penalties upon persons who violate certain customs laws

International Provisions (Conform Nonconformity)

- 70605 - Employee Retention Credits
 - Prevents IRS from paying any 3rd and 4th quarter ERC claims unless the claim was filed before 1/1/25, and increases enforcement and penalties for promoters
 - Iowa - Because no deduction is allowed for wages for which a taxpayer received the ERC at the federal level, no deduction is allowed for these amounts at the Iowa level, even though Iowa has no equivalent credit

International Provisions (Conform Nonconformity)

- 70606 - SS# Requirement for American Opportunity Credit and Lifetime Learning Credit
 - For tax years beginning after December 31, 2025, individuals are **required to provide their Social Security** number on a tax return claiming this credit in order for the credit to be allowed (either the taxpayer, the taxpayer's spouse, or someone else). Claimant must also **provide the employer identification number** of the institution to which the qualified tuition or related expense is paid in order for the credit to be allowed

International Provisions (Conform Nonconformity)

- 70311-70313 - Modify the calculation of the foreign tax credit, mostly to account for the new NCTI regime, which treats some income that may be taxed by foreign taxing authorities as US Income

International Provisions (Conform Nonconformity)

- 70531 - Modification for De Minimis Entry Privilege for Commercial Shipments
 - Imposes civil penalties upon persons who violate certain customs laws

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Questions?

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