

## Iowa

## What's New

Returns Included	e-File Approved*	e-File Activated
IA 1040	02/05/2024	02/06/2024
IA 1041	02/16/2024	02/17/2024
IA 1065	02/22/2024	02/23/2024
IA 1120	02/16/2024	02/17/2024
IA 1120S	02/21/2024	02/22/2024
IA 706	Must be paper filed	Must be paper filed
IA PTE-C	02/21/2024	02/22/2024

\*NOTE: Certain return types may not be available for e-file as of the EF approval date. e-File will be activated when the state taxing authority is ready to receive all forms within the applicable package.

## New Forms

- IA 100G, Iowa Capital Gain Deduction – Retired Farmers
- IA 100H, Iowa Capital Gain Deduction – Real Property Used in a Farming Business
- IA 100J, Iowa Capital Gain Deduction – Capital Stock Election
- IA 124, Net Operating Loss (NOL) Adjustment Schedule
- IA 125, Farm Tenancy Income Exclusion
- IA 8882, Iowa Employer Child Care Tax Credit

## Obsolete Forms

- Federal Income Tax Received in 2022 Worksheet (IAFR\_WKS)
- IA 1040 Schedule A, Iowa Itemized Deductions
- IA 1040 Schedule B Summary Interest and Dividend Income (IAWK\_B)
- IA 1040C, Composite Individual Income Tax Return for Nonresidents
- IA 1040V, Individual Income Tax Payment Voucher
- IA 1040X, Amended Iowa Individual Income Tax Return
- IA 1040XV, Amended Individual Income Tax Payment Voucher
- IA 1041 Schedule D, Explanation of Expenses
- IA 1041V, Fiduciary Income Tax Payment Voucher
- IA 6251, Iowa Alternative Minimum Tax – Individuals
- IA 8995C, Composite Return Qualified Business Income Deduction Worksheet
- IAB 1040 Schedule B, Iowa Interest and Dividend Income
- Iowa Dependent Credits Name List Attachment #2 (IAD2\_ATT)

- Iowa Filing Status Results (AWK\_RST)
- Iowa Schedule B – Beneficiaries Shares of Income and Credits (IAF\_SCHB)
- Iowa Schedule B – Dividend Income Attachment (IAD\_ATT)
- Iowa Schedule B – Interest Income Attachment (IAI\_ATT)
- Line 37 – Other Deductions (Charitable Miles) Worksheet (IAOD\_WKS)
- Married Filing Separately on Combined Return Worksheet (IAMS\_WKS)
- Proration of Federal Estimated Tax Payments (IA 140 Line 31) Worksheet (IAPRO\_31)
- Proration of Pension/Retirement Income Exclusion (IA 1040 Line 21) Worksheet (IAPRO\_21)
- Proration of Social Security (IA 1040 Step 4) Worksheet (IAPRO\_13)
- Request for Copy of Business eFile (BEN) Letter (IARFCOP)
- Self-Employment/Household Employment/Other Federal Taxes Worksheet (IASE\_WKS)
- Vehicle Registration Deduction Worksheet (IAFD\_WKS)

## Tax Law Changes

There are extensive legislative changes to IA for tax year 2023. The IA DOR is currently in the process of drafting administrative rules related to many of the following provisions. See the [2018 IA Senate File 2417](#) and [2022 IA House File 2317](#) for additional information; refer the [IA DOR 2023 Changes to Iowa Individual Income Tax](#) webpage for an overview of many of the changes mentioned below.

- The filing status “Married Filing Separately on a Combined Return” is no longer available.
- Iowa’s Alternative Minimum Tax (AMT) has been repealed. The AMT credit is allowed for tax year 2023 but cannot be carried forward to another tax year.
- The starting taxation point for IA individual income tax returns is now the same as federal taxable income, allowing taxpayers the same:
  - Standard and itemized deductions (subject to IA adjustments)
  - Net operating loss (as calculated for federal purposes for losses, which are incurred on or after January 1, 2023); for NOLs incurred prior to tax year 2023 and carried forward to tax year 2023 or later, taxpayers must:
    - Add back the federal NOL carryforward
    - Deduct the amount of IA NOL carryforward until the NOL runs out or expires
- Retirement income is no longer taxable for taxpayers who are 55 years or older or who are disabled. Refer to the [IA Retirement Income Tax Guidance](#) webpage, which addresses who qualifies for the retirement income exclusion, what retirement income qualifies for the exclusion, and the withholding requirements related to retirement income.

- The following table lists the income tax rates effective for tax years 2023 – 2026. Beginning tax year 2026, IA has a flat individual income tax rate of 3.9%.

Income Tax Brackets		Rates			
Lower Limit**	Upper Limit**	TY 2023	TY 2024	TY 2025	TY 2026
\$0	\$6,000	4.40%	4.40%	4.40%	3.90%
\$6,001	\$30,000	4.82%	4.82%	4.82%	3.90%
\$30,001	\$75,000	5.70%	5.70%	4.82%	3.90%
\$75,001	No limit	6.00%	5.70%	4.82%	3.90%

\*\*NOTE: Lower and upper limits are doubled for Married Filing Jointly returns.

### Deductibility of Federal Taxes Paid

The deduction for federal taxes paid has been repealed; there is a one-year transition period where federal taxes paid for a previous tax year can be deducted. Following is a summary of the allowed deductions and required additions for tax year 2023:

- The amount of federal taxes paid in tax year 2023 for a prior-year federal income tax return (tax year 2022 and before) is still allowed as a deduction.
- The amount of any federal estimated income tax payments paid in tax year 2023 for tax year 2022 is still allowed as a deduction.
- The amount of any federal refund received in tax year 2023 for a prior tax period must be included as income in tax year 2023, as in prior tax years.

### Student Loan Repayments by Employers

Taxpayers can deduct the amount of student loan repayments paid by an employer from taxable income for IA purposes. Payments on any qualified loan for this purpose include:

- Payments made to the taxpayer or to a lender
- Payments of principal or interest

If the taxpayer is eligible for a deduction in computing federal taxable income under section 221 of the Internal Revenue Code for interest paid on a qualified student loan, the taxpayer must recompute the amount of the deduction by subtracting from the deduction the amount of interest that was also deducted for federal purposes.

### Health Insurance Deduction

The additional IA health insurance premiums deduction, previously allowed for all taxpayers, is now limited to taxpayers of age 65 or older with a net income of less than \$100,000. To determine whether a taxpayer's net income is less than \$100,000 for purposes of this provision, taxpayers are required to add back the following items:

- Pension or retirement income exclusion
- Standard deduction
- Itemized deduction
- Personal exemption deduction
- Qualified business income deduction

### Capital Gain Exclusion for Sale of Qualified Stock

Qualifying taxpayers can now subtract net capital gains from the sale of stock of a qualified corporation.

An employee-owner is entitled to make one irrevocable lifetime election to exclude net capital gain from the sale or exchange of capital stock of one qualified corporation that was acquired on account of employment by the qualified corporation. The single lifetime election applies to:

- All subsequent sales or exchanges within 15 years of date of election
- Qualifying capital stock that has been transferred by *inter vivos* gift from employee-owner to either:
  - The employee-owner's spouse
  - A trust for the benefit of the spouse

If the employee-owner dies after selling or exchanging qualifying capital stock without making an election, the surviving spouse or personal representative may make the single lifetime election.

The allowed deduction on qualifying net capital gains for each tax year is as follows:

- Tax years beginning in 2023 – 33%
- Tax years beginning in 2024 – 66%
- Tax years beginning in or after 2025 – 100%

### Retired Farmer Lease Income Exclusion

Eligible taxpayers may subtract, to the extent included, net income received pursuant to a farm tenancy agreement covering real property. The real property must have been held by the eligible individual for 10 or more years. Individuals must also:

- Have materially participated in the farming business for 10 or more years
- Be 55 years of age or older or disabled at the time of the election
- No longer materially participate in a farming business
- Be a party to a farm tenancy agreement

## Capital Gain Exclusion for Sale of Specific Farming-Related Property

Net capital gains from the sale of specific farming-related property may qualify for the capital gains deduction.

Applicable sales include:

- Real property used in a farming business
- Cattle or horses
- Breeding livestock (other than cattle and horses)

## Repeal of Certain Capital Gains Deductions and Allowance of Installment Sales

Most IA capital gains deductions have been repealed, including the deductions for the sale of:

- Cattle, horses, or breeding livestock, except in the case of retired farmers
- Real property used in a non-farm business
- Timber
- A business
- Employer securities to a qualified IA employee stock ownership plan (ESOP)

Installments for sales initiated prior to January 1, 2023, qualify for the capital gains deduction; installment sales completed prior to January 1, 2023, that previously qualified for the capital gains deduction continue to qualify for the capital gains deduction on or after January 1, 2023.

## Supported Forms

The following Iowa forms are supported in Drake Tax 2023. Forms denoted with  can be e-signed.

Form	Description	IND	CRP	SCRIP	PTR	FID	EST
	Nonresident Member Composite Agreement			✓	✓	✓	
IABCANC	Iowa Business Tax Cancellation Request for Cancellation of Tax Permit	✓	✓	✓	✓	✓	
IABPTR	Iowa Business Tax Permit Registration	✓	✓	✓	✓	✓	
IABCHANG	Iowa Business Tax Request for Change, or Correction, or Reinstatement of Tax Permit	✓	✓	✓	✓	✓	
IAE_EXT	Iowa Inheritance Tax Application for Extension of Time to File						✓
IAE_WAIV	Iowa Inheritance Tax Consent and Waiver of Lien						✓
IA54001	Iowa Property Tax Credit Claim	✓					
IA54023	Iowa Property Tax Family Farm Tax Credit	✓	✓	✓	✓	✓	
IA 100	Capital Gain Deduction	✓					
IA 100A	Iowa Capital Gain Deduction – Cattle, Horses, or Breeding Livestock	✓					
IA 100B	Iowa Capital Gain Deduction – Real Property Used in a Farm Business	✓					
IA 100C	Iowa Capital Gain Deduction – Real Property Used in a Non-Farm Business	✓					
IA 100D	Iowa Capital Gain Deduction – Timber	✓					

Form	Description	IND	CRP	SCRIP	PTR	FID	EST
IA 100E	Iowa Capital Gain Deduction – Business	✓					
IA 100F	Iowa Capital Gain Deduction – ESOP	✓					
IA 100G	Iowa Capital Gain Deduction – Retired Farmers	✓					
IA 100H	Iowa Capital Gain Deduction – Real Property Used in a Farming Business	✓					
IA 100J	Iowa Capital Gain Deduction – Capital Stock Election	✓					
IA 102	Amended Return Schedule	✓	✓	✓	✓	✓	
IA 124	Net Operating Loss (NOL) Adjustment Schedule	✓	✓				✓
IA 125	Farm Tenancy Income Exclusion	✓					
IA 126	Nonresident and Part-Year Resident Credit Schedule	✓					
IA 128	Research Activities Tax Credit	✓	✓	✓	✓	✓	
IA 128A	Alternative Simplified Research Activities Tax Credit			✓	✓		
IA 128S	Alternative Simplified Research Activities Tax Credit		✓				✓
IA 130	Out-of-State Tax Credit Schedule	✓					✓
IA 133	New Jobs Tax Credit	✓	✓	✓	✓	✓	
IA 134	S Corporation Apportionment Tax Credit	✓		✓			✓
IA 135	E85 Gasoline Promotion Tax Credit	✓	✓	✓	✓	✓	
IA 138	E15 Plus Gasoline Promotion Tax Credit	✓	✓	✓	✓	✓	
IA 147	Franchise Tax Credit	✓	✓				✓
IA 148	Tax Credits Schedule	✓	✓	✓	✓	✓	
IA 163	Interest Expense Adjustments	✓	✓	✓	✓	✓	
IA 163A	Interest Expense Carryforward Adjustments	✓	✓	✓	✓	✓	
IA 177	Adoption Tax Credit	✓					
IA 178	Farm to Food Donation Tax Credit	✓	✓	✓	✓	✓	
IA 706	Iowa Inheritance Tax Return						✓
IA 1040	Individual Income Tax Return	✓					
IA PTE-C	Iowa Composite Return			✓	✓	✓	
IATPV	Tax Payment Voucher		✓	✓	✓		
IA 1041	Fiduciary Return						✓
IA 1041 Schedule C	Computation of Nonresident Tax Credit						✓
IA 1041 Schedule I	Alternative Minimum Tax – Estates and Trusts						✓
IA 1041 Schedule K-1	Beneficiary's Share of Iowa Income, Deductions, Modifications						✓
IA 1065	Iowa Partnership Return of Income				✓		
IA 1065 Schedule K-1	Partner's Share of Iowa Income, Deductions, Modifications				✓		
IA 1120	Corporation Income Tax Return		✓				
IA 1120S	Iowa Income Tax Return for S Corporations			✓			
IA 1120S Schedule K-1	Shareholder's Share of Iowa Income, Deductions, Modifications			✓			
IA 2210	Underpayment of Estimated Tax by Individuals	✓					
IA 2210 Schedule AI	Annualized Income Installment Method	✓					
IA 2210F	Underpayment of Estimated Tax by Farmers and Fishers	✓					
IA 2220	Underpayment of Estimated Tax Corporations and Financial Institutions		✓				
IA 2440	Disability Income Exclusion	✓					
IA 2848	Power of Attorney	✓	✓	✓	✓	✓	
IA 3468	Investment Tax Credit	✓	✓	✓	✓	✓	

Form	Description	IND	CRP	SCRIP	PTR	FID	EST
IA 4136	Fuel Tax Credit	✓	✓	✓	✓	✓	
IA 4562A	Depreciation Adjustment Schedule	✓	✓	✓	✓	✓	
IA 4562B	Accumulated Depreciation Adjustment Schedule	✓	✓	✓	✓	✓	
IA 6251B	Balance Sheet/Statement of Net Worth	✓					
IA 8453 📄	Declaration for an e-File Return	✓	✓	✓	✓	✓	
IA 8453-PTEC 📄	Composite Declaration for an e-File Return			✓	✓	✓	
IA 8801	Prior Year minimum Tax Credit	✓				✓	
IA 8882	Iowa Employer Child Care Tax Credit	✓	✓	✓	✓	✓	
IAIORS	Itemized Schedule of Receipts from Other Income Sources				✓	✓	
IAIPRS	Itemized Schedule of Receipts from Partnerships				✓	✓	
Schedule A	Real Estate						✓
Schedule B	Stocks and Bonds						✓
Schedule C	Mortgages, Notes, and Cash						✓
Schedule CC	Composite Credits Schedule	✓	✓	✓	✓	✓	
Schedule D	Insurance of Decedent's Life						✓
Schedule D	Non Business Income (C,S,P)		✓	✓	✓		
Schedule DE	Disregarded Entity Schedule		✓	✓	✓		
Schedule E	Jointly Owned Property						✓
Schedule F	Net Operating Loss (NOL)		✓				
Schedule F	Other Miscellaneous Property Not Reportable Under Any Other Schedule						✓
Schedule G	Alternative Minimum Tax Net Operating Loss (AMT NOL)		✓				
Schedule G	Transfers during Decedent's Life						✓
Schedule H	Powers of Appointment						✓
Schedule H1	Computation of Federal Tax Refund/Deduction		✓				
Schedule H2	Consolidating Income Statements		✓				
Schedule H3	Reconciliation of Iowa Schedule H2 with Consolidated Federal Return		✓				
Schedule I	Annuities, Section 529 and ABLE Plans						✓
Schedule I	IA 851 Affiliated Group		✓				
Schedule J	Funeral Expenses and Expenses Incurred in Administering Property in the Gross Estate						✓
Schedule J1	Receipts in Iowa		✓				
Schedule J2	Receipts Everywhere		✓				
Schedule K	Debts of the Decedent and Mortgages and Liens						✓
Schedule L	Nexus Adjustment		✓				
Schedule M	IA Affiliated Group P.L. 86-272 Entities		✓				