

Name: _____

Federal Employer Identification Number (FEIN): _____ Tax Period: _____

Computation of Underpayment

Note: If you meet any of the exceptions that avoid the underpayment penalty for all quarters (see instructions), skip lines 1 through 8, and go directly to line 9.

- 1. 2020 tax from IA 1120, line 19, or IA 1120F, line 15..... 1. _____
- 2. Total credits from IA 1120, line 20, or IA 1120F, line 16..... 2. _____
- 3. Balance. Subtract line 2 from line 1 3. _____

| | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| 4. Enter in columns 1 through 4 the installment dates that correspond to the last day of the 4th, 6th, 9th, and 12th months of your taxable year. | | | | |
| 5. Enter 25% of line 3 in columns 1 through 4. | | | | |
| 6. (a) Amount paid or credited for each period | | | | |
| 6. (b) Overpayment of previous installment. An overpayment on line 8 in excess of all prior underpayments is to be applied as a credit against the next installment. | | | | |
| 7. Total of lines 6(a) and 6(b) | | | | |
| 8. Underpayment: Subtract line 7 from line 5 Overpayment: Subtract line 5 from line 7 | | | | |

Exceptions that avoid the underpayment penalty; Exceptions 1 and 2 not applicable for initial year filers.

| | | | | |
|---|------------|------------|------------|-------------|
| 9. Total cumulative amount paid or credited from the beginning of the taxable year through the installment dates that correspond to the last day of the 4th, 6th, 9th, and 12th months of your taxable year | | | | |
| 10. Exception 1: Prior year's tax/ Order 2020-03 Relief | 25% of tax | 50% of tax | 75% of tax | 100% of tax |
| 11. Exception 2: Tax on prior year's income using current year's rates | 25% of tax | 50% of tax | 75% of tax | 100% of tax |
| 12. Exception 3: Tax on annualized income. Include schedule. | 25% of tax | 50% of tax | 75% of tax | 100% of tax |

Computation of Underpayment Penalty

| | | | | |
|---|--|--|--|--|
| 13. Enter same installment dates used in line 4 | | | | |
| 14. Amount of underpayment from line 8 | | | | |
| 15. Date of payment. See Instructions. | | | | |
| 16. (a) Number of days from due date of installment to date of payment or 12/31/20, whichever is earlier | | | | |
| 16. (b) Number of days inclusively from 01/01/21, or due date of installment, whichever is later, to the date of payment or the last day of the 4th month after the close of the tax year, whichever is earlier | | | | |
| 17. (a) 7% a year on the amount shown on line 14, for the number of days shown on line 16(a). See Instructions. | | | | |
| 17. (b) 6% a year on the amount shown on line 14 for the number of days shown on line 16(b). See Instructions. | | | | |
| 18. Total of lines 17(a) and 17(b). | | | | |
| 19. Penalty: Add the four columns of line 18 and enter here. Also, show the amount on IA 1120, line 25, or IA 1120F, line 20. | | | | |



2020 IA 2220 Instructions

Purpose of Form

Corporations and financial institutions use the IA 2220 to determine if they paid the correct amount of estimated tax by the proper due date. If the minimum amount was not paid timely, an underpayment penalty is imposed for the period of the underpayment. This form helps you to determine whether or not you are subject to such a penalty.

Estimated Tax

Every corporation or financial institution with \$1,000 or more in tax due after credits is required to file estimated tax.

Exceptions that Avoid the Underpayment Penalty

No penalty will be charged for any underpayment on line 8 if:

1. All of the payments were made on or before the due date of the installment; and
2. The total payments made by that installment date equal or exceed the amount which would have been due if the estimated tax were calculated using any of the exceptions listed below.

A different exception may be applied to each underpayment. If there has been an underpayment of the amount of the estimated tax, and the taxpayer believes that one or more of the exceptions to the penalty precludes the assertion of the underpayment penalty, the taxpayer should complete lines 9 through 12 showing the applicability of any exception upon which the taxpayer relies. If no exception applies, complete lines 13 through 19 to determine the amount of the penalty on the underpayment from line 8.

Line 10: Exception 1 - Prior year's tax

This exception allows corporations and financial institutions to substitute for the current year's estimate the amount of the tax shown on the return for the preceding taxable year. This exception may be utilized only if the preceding taxable year was a taxable year of 12 months and a return showing a tax liability (including a "zero" liability) was filed for that year. Corporations or financial institutions filing an initial year Iowa return may not use Exception 1.

Additional Relief for Tax Year 2020: Pursuant to Order 2020-03, for tax year 2020 estimated payments with a due date on or after April 30, 2020, and before July 31, 2020, taxpayers will not be subject to an underpayment penalty as long as the tax payments made during this period are equal to or greater than the following percentage of the taxpayer's total tax shown due or required to be shown due on the taxpayer's 2018 Iowa return:

- 25% for the first payment due, if any, during this period
- 50% the second payment due, if any, during this period

This relief is available only if the taxpayer filed a 2018 Iowa return for a 12-month period, showing a tax liability (including a "zero" liability). This relief is in addition to the other exceptions listed on this form; if another exception would result in a lower penalty or no penalty, the taxpayer should apply that exception instead.

This relief applies only to estimated payments due during the period described. The difference, if any, between the total 2020 installment payments otherwise required to be made prior to July 31, 2020, under Iowa law without regard to this special relief, less the tax payments required to be made prior to July 31, 2020, under Order 2020-03, shall be added to the taxpayer's next 2020 installment payment due on or after July 31, 2020. Failure to pay such increased required installment by that due date shall be considered an underpayment of estimated taxes for the installment.

In order to claim this additional relief, substitute the installment amounts based on the taxpayer's 2018 liability described above in the boxes for the appropriate installment payments on line 10.

Line 11: Exception 2 - Tax on prior year's income using current year's rates

This exception allows corporations and financial institutions to use a tax computed by using the current year's rates but otherwise on the basis of the facts and law applicable to the prior year. Corporations and financial institutions filing an initial year Iowa return may not use Exception 2.

Line 12: Exception 3 - Tax on Annualized Income

This section applies if the corporation or financial institution made an estimated tax payment of at least 100% of the amount it would owe if its estimated tax were a tax computed on annualized taxable income for the months preceding an installment date.

A corporation or financial institution may thus annualize its income:

1. For the first 3 months if the installment was required to be paid in the 4th month;
2. For the first 3 months or the first 5 months if the installment was required to be paid in the 6th month;
3. For the first 6 months or the first 8 months if the installment was required to be paid in the 9th month; and
4. For the first 9 months or for the first 11 months if the installment was required to be paid in the 12th month.

To annualize, multiply taxable income for the period by 12 and divide the resulting amount by the number of months in the period (3, 5, 6, 8, 9, or 11, as the case may be). Enclose corporation income statements for appropriate months in the tax period.

Overpayment

A payment of estimated tax on any installment date is considered a payment of any previous underpayment only to the extent the payment exceeds the amount of the installment as computed on line 5.

Date of payment (line 15): Once a payment is made to cover an exception to the penalty, the underpayment is no longer outstanding, so the penalty computation stops at the date that payment is made.

To Compute Penalty

Use the following formula:

$$\text{Penalty} = \begin{array}{c} \text{Daily \%} \\ \text{rate} \\ \text{(line 17)} \end{array} \times \begin{array}{c} \text{Number of} \\ \text{days} \\ \text{(line 16)} \end{array} \times \begin{array}{c} \text{Underpayment} \\ \text{(line 14)} \end{array}$$

The daily percentage rate is:

7% per annum = 0.019126% per day (01/01/20 - 12/31/20)

6% per annum = 0.016438% per day (01/01/21 - 12/31/21)

Please enclose this form with your corporation income tax return, IA 1120 or IA 1120F.

Questions:

Call 515-281-3114 or 800-367-3388

Additional information can be found on the Department website (tax.iowa.gov).

Email: idr@iowa.gov