

**What's New for Tax Year 2022**

- The S corporation income tax return has been redesigned. Please read the instructions carefully.
- New penalties apply for failure to timely file the S corporation income tax return, even if no tax is due by the S corporation. See Part 6, line 50 instructions below.
- S corporations with nonresident shareholders have new composite return filing and tax remittance requirements. See Composite Filing below and the IA PTE-C Iowa Composite Return for more information.
- New electronic filing requirements apply to certain S corporation returns. See Time and Place for Filing below.
- All S corporations are required to complete the Schedule C – Business Activity Ratio, even if all the S corporation's business is conducted in Iowa.

**Who Must File**

Every S corporation doing business in Iowa or deriving income or loss from real, tangible, or intangible property located or having a situs in Iowa must file an Iowa Income Tax Return for S Corporation, IA 1120S. The IA 1120S must also be used by interest charge domestic international sales corporations and foreign sales corporations. If the S corporation is a financial institution, it must also file an IA 1120F.

**Note:** Only S corporations with activity (income or loss) from Iowa sources as described above, or which have a commercial domicile in Iowa, are required to file. An S corporation should not file if its only connection to Iowa is because one or more shareholders are Iowa residents or because the S corporation is registered with the Iowa Secretary of State.

**What Must be Filed**

To be considered a complete return and not subject to late filing penalties, all of the following must be timely filed with the Department:

- An annual Iowa Income Tax Return for S corporation (IA 1120S) including all required schedules and attachments.
- An IA 1120S Schedule K-1 for each person who was a shareholder at any time during the taxable year.
- A copy of the federal S corporation 1120-S return and all supporting schedules, not including federal Schedules K-1.

**Time and Place for Filing**

The Iowa S corporation return must be filed on or before the last day of the fourth month following the close of the S corporation's tax year. For calendar year filers, the due date is May 1, 2023. If the S corporation is required to file a short period return consisting of fewer than 12 months, the Iowa short period return is due 45 days after the due date of the federal short period return. Every S corporation that owes no tax and does not file by the original due date automatically receives a 6-month extension of time to file after the original due date, provided the return is filed within that 6-month period. No extension request form is required. If the S corporation owes tax on built-in gains or passive investment income (see Part 5 below), a 6-month automatic extension will be granted only if at least 90% of that total tax liability is paid by the original due date of the return. Late-filed returns are subject to penalty. For more information, see the instructions for Part 6, lines 49 and 50 below.

For tax years ending on or after December 31, 2022, an S corporation must file its annual return with the Department electronically using the federal modernized e-file system (MeF) if it meets any one of the following conditions for the tax year:

- The S corporation has \$250,000 or more in total gross receipts.
- The S corporation is required to provide 10 or more IA 1120S Schedules K-1 to shareholders.
- The S corporation is reporting \$25,000 or more in Iowa tax credits on Schedule B of its Iowa S corporation return.

All S corporations are encouraged to file electronically. If an S corporation return is subject to the electronic filing requirement, but it is filed in another manner, it is not considered a valid return unless the Department provides an exception to the electronic filing requirement.

Mail paper returns to:

Corporation Tax Return Processing  
Iowa Department of Revenue  
PO Box 10468  
Hoover State Office Building  
Des Moines Iowa 50306-0468

**OTHER IMPORTANT INFORMATION****Conformity with the Internal Revenue Code (IRC)**

For tax years beginning on or after January 1, 2020, Iowa has adopted rolling conformity, meaning the state will automatically conform to any changes made to the IRC, except as specified by Iowa law.

**Composite Filing**

Iowa Code section 422.16B imposes composite return filing and tax remittance obligations on S corporations for tax years beginning on or after January 1, 2022. An S corporation with nonresident shareholders is required to file an IA PTE-C Iowa Composite Return and remit Iowa income or franchise tax on behalf of its nonresident shareholders. A nonresident shareholder is any shareholder who is a nonresident individual; an estate or trust without a situs in Iowa; or a corporation, partnership, or other business entity without a commercial domicile in Iowa. An S corporation is also required to file an IA PTE-C Iowa Composite Return in order to claim a composite credit received from another pass-through entity. For more information, see the instructions for Part 3 below and the IA PTE-C Iowa Composite Return. The IA 1040C has been discontinued for any S corporation tax year that begins on or after January 1, 2022.

**Disregarded Entities**

An S corporation that owns 100% of an entity that is disregarded as a separate entity for federal income tax purposes must report the activities of that disregarded entity on its Iowa S corporation return, and must include an IA Schedule DE Iowa Disregarded Entity Schedule with its return.

**Tax Preference Items**

If the S corporation had tax preference or alternative minimum tax (AMT) adjustment items, they will be allocated to the individual and fiduciary shareholders in the same ratio as net income from the S corporation is allocated. Individual and fiduciary shareholders may be subject to the Iowa AMT on the items of tax preference or adjustments allocated to them.

**Iowa Resident Out-of-State Tax Credit**

Iowa Code section 422.8 and Iowa Administrative Code rule 701—304.6 allow Iowa residents to claim the Iowa Out-of-State Tax Credit for certain

entity-level income taxes paid by an S corporation to another state, local jurisdiction, or foreign country on income also subject to tax in Iowa only if the resident shareholder receives a qualifying supplemental schedule from the S corporation reporting certain information. If the S corporation paid entity-level income tax (including composite return income tax, but not including withholding tax) to another qualifying jurisdiction on the distributive share of the resident shareholder's income also subject to tax in Iowa, the S corporation must provide a qualifying supplemental schedule identifying the jurisdiction to which the income tax was paid, the pass-through entity that paid the income tax, and the shareholder's pro-rata share of the income, tax liability, and tax paid in that jurisdiction. A shareholder will not be permitted to claim an Out-of-State Tax Credit on the IA 130 for that income tax unless the shareholder receives that qualifying supplemental schedule from the S corporation and submits a copy with the IA 1040.

If the S corporation is itself an owner of another pass-through entity that paid entity-level income tax to another qualifying jurisdiction on income also subject to tax in Iowa, and the S corporation receives a qualifying supplemental schedule from that pass-through entity, the S corporation may in turn report that income tax to its shareholders on a qualifying supplemental schedule with the shareholder's IA Schedule K-1. When reporting this other pass-through entity's income tax to its shareholders, the S corporation must reduce the income tax by the amount of any credit available from that other jurisdiction to the S corporation related to the income tax payment. The S corporation may not report this tax to its shareholders as described above if the S corporation does not receive the qualifying supplemental schedule from the other pass-through entity.

The S corporation should keep the schedule it received from the other pass-through entity because the Department may request it of the resident shareholder in order to prove the credit claimed on the IA 130. The resident shareholder is responsible for providing documentation of the out-of-state tax paid by a pass-through entity at the Department's request.

*Example:* Partnership X earns \$2,000 of income in State A, which imposes an entity-level income tax directly on the partnership. Partnership X pays \$100 of income tax to State A. Partnership X is owned 50% by S corporation Y, and provides a schedule to S corporation Y indicating that Y's pro-rata share of the income taxed by State A is \$1,000, and Y's pro-rata share of the income tax imposed by and paid to State A is \$50. S corporation Y does not receive a credit in State A for its share of the tax paid by Partnership X. S corporation Y is owned 50% by individual Z, a resident of Iowa. S corporation Y provides a schedule to individual Z indicating that Z's pro-rata share of Partnership X's income taxed by State A is \$500, and Z's pro-rata share of Partnership X's income tax imposed by and paid to State A is \$25. Individual Z may use the income and tax amounts reported on that schedule in completing Z's IA 130 Iowa Out-of-State Tax Credit Schedule, provided that the \$500 of income identified on the schedule is also reported on individual Z's IA 1040 return and is taxed by Iowa.

### **Tax Credits**

S corporations may earn various tax credits or receive tax credits passed through to them from another pass-through entity. These tax credits must be reported on Schedule B of the IA 1120S and are then allocated to shareholders on the IA Schedule K-1. For more information, see the instructions for Schedule B below.

S corporations may also receive composite credits from another pass-through entity for income tax paid on behalf of the S corporation. These composite credits are not reported on Schedule B or claimed on this S corporation return, but instead must be claimed by the S corporation on the IA PTE-C.

### **Amended Returns**

If an amended federal return was filed, or if other errors are discovered on the Iowa return, the taxpayer must file an amended Iowa S corporation return, IA 1120S, check the "Amended Return" box and include the IA 102 Amended Return Schedule, as well as the other required supporting documentation. If the S corporation was required to file its original return electronically, the S corporation's amended Iowa return for the same tax year must be filed electronically.

### **Federal Centralized Partnership Audit Regime**

For tax years 2018 and forward, the IRS makes audit adjustments and generally collects taxes at the partnership level for partnerships subject to the federal centralized partnership audit regime. If the S corporation was a direct or indirect partner in a partnership that is audited by the IRS resulting in adjustments that affect Iowa tax liability, the S corporation must follow certain procedures and timelines for reporting those adjustments to Iowa, even if the S corporation or shareholders were not responsible for filing a federal amended return or paying additional federal tax. Similar procedures and timelines also apply to an affected partnership and its direct and indirect partners for amendments to returns requested on a centralized administrative adjustment request (AAR). For more information, see [tax.iowa.gov/reporting-federal-income-tax-changes-iowa](http://tax.iowa.gov/reporting-federal-income-tax-changes-iowa) and Iowa Code section 422.25A.

### **Iowa Pass-Through Entity Audits**

For tax year 2020 and forward, any audit of an S corporation by the Department will be conducted solely at the S corporation level through the entity's Iowa pass-through representative. If an S corporation is audited by the Department resulting in adjustments to Iowa tax liability, the S corporation and its owners must follow certain procedures and timelines for reporting the adjustments to Iowa and paying any resulting Iowa tax. For more information, see Iowa Code sections 422.25B and 422.25C. These provisions may be applied to a tax year prior to 2020 if the Department, the pass-through entity, and the pass-through entity owners agree.

### **For Additional Information**

Contact Taxpayer Services at 515-281-3114 or 800-367-3388 8 a.m. - 4:30 p.m. CT or email [idr@iowa.gov](mailto:idr@iowa.gov)

### **COMPLETING THE RETURN**

#### **Calendar Year or Fiscal Year**

Enter tax period beginning and ending dates as MM/DD/YYYY. The Iowa S corporation return must be made on the same period basis as the S corporation accounts are required to be kept for federal tax purposes, even if shareholders report their income on a different year basis.

### Part 1: Corporation Name and Address

- If the S corporation has a Federal Employer Identification Number (FEIN), it must be entered here. If the S corporation has applied for but not yet received a number, enter “applied” and inform the Department of the number once it is obtained. For information on obtaining an FEIN, contact the Internal Revenue Service (IRS) at 800-829-4933.
- Enter the county number of the main Iowa location. S corporations without a physical location in Iowa should enter 00. A list of county numbers can be found on the Department website (tax.iowa.gov).
- Enter the North American Industry Classification System (NAICS) Code for the specific industry group corresponding to the S corporation’s primary business activity.
- Enter a one or two word description of the S corporation’s principal activity.
- Enter the total number of shareholders, total number of Iowa resident shareholders, and total number of Iowa nonresident shareholders. A resident shareholder is any shareholder who is a resident individual; an estate or trust with a situs in Iowa; or a business entity with a commercial domicile in Iowa. Include a corresponding IA Schedule K-1 for each person who was a shareholder at any time during the tax year.

### Part 2: Pass-Through Representative (PTR)

Enter the required information about the person the S corporation is appointing as its Iowa pass-through representative (PTR) for the tax year.

An S corporation is required to have an Iowa PTR for each tax year. There can be only one Iowa PTR for each tax year.

An S corporation may appoint any qualifying person, including itself or a different entity, to be its Iowa PTR. If the S corporation appoints itself or another entity as its Iowa PTR, the S corporation is required to appoint a designated individual as the sole individual to act on behalf of the entity PTR.

An Iowa PTR has the sole authority to act on behalf of the S corporation for the purpose of Iowa amended income tax returns, audits, examinations, and appeals. The S corporation and its shareholders are bound by the actions of the Iowa PTR.

If the S corporation desires to change its Iowa PTR for the tax year at a later date, it must use the IA 8979 Iowa Pass-through Representative Appointment form, not an amended Iowa S corporation return.

### Part 3: Corporation Information

Check the type of return and type of entity that is filing this return.

**Corporation Activities**—Answer the five questions about the corporation’s activities.

**Composite Return Requirement**—Answer the three questions about the S corporation’s nonresident shareholders. If the answer is “No” to all three questions, the S corporation is not required to file an IA PTE-C Iowa Composite Return in addition to the IA 1120S. If the answer is “Yes” to questions “i” or “ii”, the S corporation is required to file an IA PTE-C and pay any composite tax due on behalf of its nonresident shareholders, unless the S corporation is prohibited under federal or state law from making distributions to members, or is an out-of-state business in Iowa solely to perform disaster or emergency related work pursuant to Iowa Code section 29C.24. If the answer is “Yes” to question “iii”, the S corporation’s composite credit must be claimed on the IA PTE-C return, not on this IA 1120S return. See the IA PTE-C for further information.

### Part 4: S Corporation Distributive Items for Iowa Tax Purposes.

**Lines 1-12:** For each line, enter the amount from the corresponding line of the S corporation’s federal 1120-S return.

**Line 14.** Enter the separately stated section 179 deduction from the S corporation’s federal 1120-S, Schedule K.

**Line 15:** Enter the sum of the other separately stated deductions from the S corporation’s federal 1120-S return, Schedule K, line 12. However, do not include any amount that is only informational and not available as a current-year deduction to the shareholder.

**Line 18:** Additions to S corporation income may be required under Iowa law. Enter the total Other Additions from IA 1120S, Schedule A, line 16.

**Line 19:** Reductions to S corporation income may be allowed under Iowa law. Enter the total Other Reductions from IA 1120S, Schedule A, line 16.



**Line 22:** If the S corporation has nonbusiness income, complete Schedule D. Enter the amount from Schedule D, line 17, on this line.

**Line 24:** Enter the S corporation's Business Activity Ratio (BAR) from the IA 1120S, Schedule C, line 13.

**Line 26:** Enter the S corporation's nonbusiness income allocated to Iowa from the Schedule D, line 8.

### Part 5: Built-In Gains or Passive Investment Income

S corporations that are subject to federal tax on built-in gains under Internal Revenue Code (IRC) section 1374 or passive investment income under IRC section 1375 are subject to Iowa corporation income tax on this income to the extent received from business carried on in this state or from sources in this state.

**Line 28:** The starting point for computing the Iowa tax on built-in gains income is the amount of built-in gains income (including built-in gain carryforward amounts) calculated for federal tax purposes after considering the federal income limitation. Enter the S corporation's net recognized built-in gains from its federal 1120-S return, Schedule D.

Iowa is conformed to the federal 5-year recognition period for determining the Iowa built-in gains tax, except for certain installment sales made during tax years 2016-2018 when Iowa used a 10-year recognition period. For more information on these installment sales, see <https://tax.iowa.gov/builtin-gains-tax-on-s-corp>.

**Line 29:** The starting point for computing the Iowa tax on passive investment income is the amount of excess net passive income calculated for federal tax purposes after considering the federal income limitation. Enter the S corporation's excess net passive income from its federal 1120-S return, line 22a.

**Line 33:** Any remaining Iowa net operating loss (NOL) carryforward arising from a tax year for which the corporation was a C corporation is allowed as a deduction against the built-in gains and excess passive investment income to the extent the Iowa NOL carryforward period has not expired. Enter any remaining Iowa NOL carryforward amount on this line, and include a schedule documenting the corporation's

entitlement to such Iowa NOL.

For purposes of determining the amount of any remaining NOL which may be carried forward to any future tax years, the amount of the net recognized built-in gain or excess net passive investment income is treated as taxable income.

**Line 34.** Subtract line 33 from line 32. If the result is less than zero, enter zero. This is the corporation's built-in gains and passive investment income subject to Iowa tax.

### Part 6: Tax, Penalty, and Interest Due

**Line 35:** The amount of Iowa taxable built-in gains and passive investment income computed on line 34 is subject to Iowa tax at the same rates as C corporation income (5.5%, 9%, 9.8%).

\$100,000 or less, multiply by 5.5%.

\$100,001 to \$250,000, multiply by 9% and subtract \$3,500.

Over \$250,000, multiply by 9.8% and subtract \$5,500.

**Line 36:** Any Iowa tax credit carryforward under Iowa Code section 422.33 arising in a taxable year for which the corporation was a C corporation is allowed against the gross tax on Iowa built-in gain and passive investment income computed on line 35, to the extent the Iowa tax credit's carryforward period has not expired. Enter any remaining Iowa tax credit carryforward on this line, and include a schedule documenting the corporation's entitlement to such Iowa tax credit.

**Line 37:** Subtract line 36 from line 35. If the result is less than zero, enter zero. This is the corporation's net Iowa tax on Iowa built-in gain and passive investment income.

**Line 38:** If the corporation is filing an amended return to report changes from a federal centralized partnership audit or an Iowa pass-through entity audit, and you are making an irrevocable election to pay the tax, penalty, and interest resulting from that audit on behalf of your shareholders, check the box above line 35 and complete the IA 103 Pass-Through Audit Election to Pay Schedule. Report the tax from the IA 103, line 26, on this line. Include the IA 103 with your amended return. When an election to pay on your shareholders' behalf is made, do not issue amended IA 1120S Schedule K-1s to your shareholders, but instead notify the shareholder

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of all of the following in a separate letter or schedule: (1) identify the shareholder's distributive share of the audit adjustments, (2) notify the shareholder that you have elected to pay the resulting Iowa tax, penalty, and interest on their behalf, and (3) notify the shareholder that the shareholder shall not claim any deduction, credit, or refund for the amount paid by the S corporation, and the shareholder may not include the amount paid on the shareholder's Iowa return in any manner.

**Line 40:** Enter the total amount applied to your 2022 Iowa S corporation tax from your previous IA 1120S Iowa Income Tax Return of S Corporation. This should be zero for 2022.

**Line 41:** Enter the total amount of estimated or other voucher payments made for tax year 2022 prior to the original due date of the IA 1120S return. S corporations that owe more than \$1,000 of net Iowa tax on built-in gains and passive investment income (line 37) are required to pay estimated tax. Estimated tax payments are not required for tax due pursuant to an election to pay on line 38. Visit [GovConnect.iowa.gov](http://GovConnect.iowa.gov) to make estimated or other payments or to print payment vouchers.

**Line 43:** Enter your late payment penalties associated with the tax due. Pursuant to Iowa law, penalties on the amount due by the S corporation pursuant to an election to pay will be computed from the due date of the S corporation's original return without extension, and shall be imposed as if the S corporation was required to pay tax or show tax due on the original return. The S corporation may be subject to the following penalties:

**Failure to Timely Pay the Tax Due:** A penalty of 5% must be added to the unpaid tax if less than 90% of the correct amount of tax was paid by the original due date of the return. Multiply the unpaid tax due from line 42 by 5% (.05) and enter that amount on line 43. This penalty is in addition to any penalty for failure to timely file, as described below on lines 49 and 50.

**Audit or Examination Deficiency:** A penalty of 5% will be added to the unpaid tax if the Department discovers an underpayment during an audit or examination. This penalty is in lieu of the failure to timely pay penalty described above, but is in addition to any penalty for failure to timely file described below on lines 49 and 50.

**Fraud:** A penalty of 75% will be added to the unpaid tax for fraudulent claims or willful failure to file a return.

**Waivers:** Penalties can be waived under limited circumstances, as described in Iowa Code section 421.27. Complete and submit a Penalty Waiver Request form (78-629) to request a penalty be waived.

**Line 45:** Enter the total amount of estimated or other voucher payments made for tax year 2022 after the original due date of the IA 1120S Iowa Income Tax Return of S Corporation. S corporations may also make estimated payments of Iowa tax expected to result from a pending IRS audit. A federal audit estimate payment must be made through [GovConnect.iowa.gov](http://GovConnect.iowa.gov).

**Line 47:** If payment is received after the payment due date, interest accrues on the unpaid tax at a rate prescribed by law from the payment due date until payment is received. Any portion of a month is considered a full month in calculating interest due on unpaid tax.

**Line 48:** If the S corporation owes Iowa tax on built-in gains or passive investment income, use the IA 2220 to determine if the correct amount of estimated tax was paid by the due date. Enter any underpayment of estimated tax penalty on this line, and include the IA 2220 with the return.

**Line 49:** If the S corporation files its IA 1120S return after the due date, including extensions, and owes Iowa tax on built-in gains or passive investment income on line 35, it may be subject to the following penalties:

**Failure to Timely File a Return:** If the IA 1120S return is filed after the original due date of the return and less than 90% of the correct amount of Iowa tax was paid by the original due date, multiply the unpaid Iowa tax from line 42 by 5% (.05) and enter that amount on line 49. This penalty is in addition to any penalty for failure to timely pay the tax due.

**Fraud:** A penalty of 75% will be added to the unpaid tax for fraudulent claims or willful failure to file a return.

**Waivers:** Penalties can be waived under limited circumstances, as described in Iowa Code section 421.27. Complete and submit a Penalty Waiver Request form (78-629) to request a penalty be waived.

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**Line 50:** S corporations that do not owe Iowa tax on built-in gains or passive investment income on line 35 but that file their IA 1120S return after the due date, including extensions, are subject to a late filing penalty. For more information, see Iowa Code section 421.27(1)(b) and Iowa Administrative Code rule 701—10.6(2). If you are filing your return late and do not owe Iowa tax on built-in gains or passive investment income (line 35), complete the late filing penalty calculation in Part 7, lines 55-60, and enter the amount from line 60 on this line.

**Line 51:** Payment options include payment through Modernized eFile (MeF), GovConnect.iowa.gov, or payment by check. Go to the Department's website for electronic payment options. Do not send cash. Submit a voucher if making a payment by check. Vouchers are available on GovConnect.iowa.gov

**Line 53:** Enter the amount of overpayment to be credited to the next tax period. This credit can only be changed after the due date of the return if the change is requested by the last day of the next tax year.

**Line 54:** If you would like your refund directly deposited complete lines 54a, 54b, and 54c, otherwise a paper check will be issued. Do not input your direct deposit information if you have an amount due on line 51.

54a—Input your financial institution's routing number. The routing number for an account must be nine digits.

54b—Check either checking or savings to indicate which type of account the refund will be deposited into.

54c—Input your account number. The account number for an account may have up to 17 digits. The entire refund amount will be deposited into this one account. The account the refund will be issued to must be located in the United States.

### Schedule A – Other Additions and Reductions

Schedule A is used to document those modifications or adjustments to net federal Schedule K income/loss (IA 1120S, Part 4, line 17) that are required by Iowa Code section 422.35 and Iowa Administrative Code chapter 701—502 to the extent applicable to S corporations. Additions to Iowa income are reported in the "Other Additions" column, and reductions to Iowa income are reported in the

"Other Reductions" column. All entries on Schedule A must be reported as positive amounts.

**Line 1: Percentage depletion** – Add as an Other Addition the amount of IRC section 613 percentage depletion of an oil, gas, or geothermal well that exceeds the cost depletion amount determined under IRC section 611 as claimed on the federal return.

**Line 2: TIP credit from federal form 8846** – Subtract as an Other Reduction the amount of Social Security taxes for tips not subtracted from the federal S corporation return due to the tip credit, federal form 8846.

**Line 3: Safe harbor lease adjustments** – Enter adjustments relating to sale-leaseback safe harbor leases for property placed into service prior to January 1, 1986. Include a schedule detailing the adjustments included on this line. Amounts reported as Other Additions include interest expense and depreciation expense for the lessor and rent expense for the lessee.

Amounts reported as Other Reductions include rent income for the lessor and interest income and depreciation expense for the lessee.

**Line 4: Interest expense adjustments from IA 163** – Enter any addition or reduction to income from the interest expense adjustment from IA 163, line 6. Include the IA 163 with your return.

**Line 5: Qualifying Iowa COVID-19 grants** – Subtract as an Other Reduction any qualifying Iowa COVID-19 grant meeting the requirements of Iowa Administrative Code rule 701—502.30, to the extent such grant was included in the S corporation's total federal Schedule K income reported on Part 4, line 13 of this return.

**Line 6: Expensing/depreciation adjustments from IA 4562A/B** – IRC section 179 expensing and depreciation allowed on the Iowa return may differ from amounts allowed on the federal return. Enter any addition or reduction to income from the IA 4562A and IA 4562B. Include the IA 4562A and IA 4562B with your return.

**Line 7: Tax exempt interest and dividends** – Add as an Other Addition the amount of interest and dividends from foreign securities and from securities of state and other political subdivisions that are exempt from federal income tax but not exempt from Iowa income tax. Exclude interest



received from certain Iowa bonds, which are listed in Iowa Administrative Code rule 701—302.3. See also Iowa Administrative Code rule 701—502.6.

**Line 8: Iowa tax expense/refund** – Enter adjustments related to Iowa income tax deducted on the federal return. Add as an Other Addition any Iowa income tax deducted on the federal S corporation return, and subtract as an Other Reduction any Iowa income tax refund included in income on the federal S corporation return. Do not include Iowa tax refunds from Iowa refundable tax credits. Include a breakdown of the taxes and licenses shown on the federal S corporation return.

**Line 9: Work opportunity wage reduction from federal form 5884** – Subtract as an Other Reduction the amount of federal work opportunity tax credit, federal form 5884, to the extent the credit increased federal S corporation income.

**Line 10: Alcohol & cellulosic biofuel credit from federal form 6478** – Subtract as an Other Reduction the S corporation's alcohol and cellulosic biofuel tax credit from federal form 6478, to the extent the credit increased federal S corporation income.

**Line 11: Federal securities interest and dividends** – Subtract as an Other Reduction the total interest received from federal securities such as U.S. Treasury bonds, notes, bills, and savings bonds included in federal S corporation income. Do not include interest on federal refunds. See Iowa Administrative Code rules 701—302.2, 502.5.

**Line 12: Nonconformity adjustments from IA 101** – Certain current-year adjustments may be required because of Iowa's nonconformity with federal law in tax years 2018 and 2019. Enter any addition or reduction to income from the IA 101. Include the IA 101 with your return.

**Line 13: Charitable contribution adjustment from Iowa credit** – When an S corporation earns certain Iowa tax credits for making a charitable contribution, Iowa law prohibits a tax deduction related to that charitable contribution. Add as an Other Addition any charitable contribution made by the S corporation and reported to its shareholders to the extent the charitable contribution relates to any of the following Iowa tax credits: the Iowa School Tuition Organization

Tax Credit; the Iowa Charitable Conservation Contribution Tax Credit; the Endow Iowa Tax Credit; the Iowa Hoover Presidential Library Tax Credit; the Iowa Farm to Food Donation Tax Credit.

**Line 14: All-source PTE modifications from Iowa K-1s** – If the S corporation is also a member of another pass-through entity (PTE) such as a partnership, estate, or trust, report the S corporation's distributive share of all-source Iowa modifications furnished to the S corporation on its Iowa K-1. Report the Iowa modification as an Other Addition or an Other Reduction, as appropriate.

**Line 15: Other** – Report any other adjustment to net federal Schedule K income/loss required under Iowa law. A detailed schedule describing the type and amount must be included. Adjustments entered on this line may include, but are not limited to, the following:

- An Other Reduction for wages paid to new employees who qualify as persons with disabilities or as ex-offenders. Iowa Code section 422.35(6), (6A); Iowa Administrative Code rule 701—502.11.
- To the extent included in the S corporation's net federal schedule K income, subtract as an Other Reduction the amount of a federal, state, or local grant provided to a communications service provider during the tax year, if the grant was used to install broadband service in targeted service areas at or above the download and upload speeds.
- Adjustments to the S corporation's net federal Schedule K income/loss made by the Iowa Department of Revenue during an Iowa pass-through audit, to the extent they are not accounted for elsewhere on the Schedule A. If more than one adjustment is required, report each adjustment separately.

Do not include on line 15 any adjustment related to the individual Iowa capital gain deduction (see Iowa Administrative Code rule 701—302.38). If you need to provide information to your shareholders about this individual shareholder-level adjustment, do so on a supplemental schedule with the Iowa Schedule K-1.



**Schedule B – Iowa Tax Credits Reported to Shareholders**

Enter on Schedule B all the Iowa tax credits earned or received by the S corporation in the current tax year that are being reported to the shareholders on the 2022 IA 1120S Schedules K-1. Do not include composite credits or credits for prior payments. The total amount of each Iowa tax credit reported on Schedule B must equal the aggregate amounts reported to your shareholders on the IA Schedules K-1, Part IV. Report tax credits earned by the S corporation separately from tax credits received by the S corporation from another pass-through entity. Include the tax credit certificate number if applicable. Use the following Iowa tax credit codes:

- **03** Endow Iowa Tax Credit (include certificate number)
- **05** Nonrefundable Historic Preservation Tax Credit (include certificate number)
- **06** Housing Investment Tax Credit (include certificate number)
- **07** Investment Tax Credit (include certificate number)
- **08** New Jobs Tax Credit (include certificate number) (include IA 133 with return)
- **10** Renewable Energy Tax Credit (include certificate number)
- **12** School Tuition Organization Tax Credit (include certificate number)
- **13** Venture Capital – Fund of Funds Tax Credit (include certificate number)
- **14** Angel Investor Tax Credit FKA Venture Capital – Qualifying Business (include certificate number) (for amounts reported to taxpayers other than individuals, estates, or trusts)
- **16** Wind Energy Production Tax Credit (include certificate number)
- **17** Agricultural Assets Transfer Tax Credit (include certificate number)
- **17** Beginning Farmer Tax Credit (include certificate number)
- **20** Charitable Conservation Contribution Tax Credit (include federal form 8283 with return)
- **21** Redevelopment Tax Credit (include certificate number)
- **22** Solar Energy System Tax Credit (include certificate number)
- **25** Innovation Fund Tax Credit (include certificate number)
- **26** Farm to Food Donation Tax Credit (include IA 178 with return)
- **27** Workforce Housing Investment Tax Credit (include certificate number)
- **29** Hoover Presidential Library Tax Credit (include certificate number)
- **46** Nonrefundable Third Party Developer Tax Credit (include certificate number)
- **47** Nonrefundable Third Party Developer Tax Credit for racks, shelving, and conveyor equipment (include certificate number)
- **52** Biodiesel Blended Fuel Tax Credit (include IA 8864 with return)
- **55** E85 Gasoline Promotion Tax Credit (include IA 135 with return)
- **56** Refundable Historic Preservation Tax Credit (include certificate number)
- **58** Research Activities Tax Credit (include IA 128 or IA 128S with return)
- **59** Supplemental Research Activities Tax Credit (include certificate number) (include IA 128 or IA 128S with return)
- **62** Refundable Third Party Developer Tax Credit (include certificate number)
- **64** Ethanol Promotion Tax Credit (only amounts received from a fiscal-year pass-through entity from tax year 2020)
- **65** E15 Plus Gasoline Promotion Tax Credit (Include IA 138 with return)
- **67** Refundable Redevelopment Tax Credit (include certificate number)
- **68** Angel Investor Tax Credit FKA Venture Capital – Qualifying Business (include certificate number) (for amounts reported to individuals, estates, or trusts)
- **69** Renewable Chemical Production Tax Credit (include certificate number)
- **97** Refundable Third Party Developer Tax Credit for racks, shelving, and conveyor equipment (include certificate number)
- **IAFuelTax** Iowa Fuel Tax Credit (include IA 4136 with return)

**Special rule for certain IA 1040C tax credit carryforward amounts from tax year 2021–** Pursuant to 2022 Iowa Acts chapter 1061 (House File 2552), if an S corporation has an unclaimed nonrefundable income tax credit carryforward amount attributable to the S corporation's IA

1040C Composite Individual Income Tax Return for Nonresidents at the close of the S corporation's 2021 tax year, the S corporation may allocate those unclaimed income tax credit carryforward amounts to shareholders during the S corporation's 2022 tax year, in amounts designated by the S corporation. Report these tax credit allocations on this Schedule B and on the shareholders' 2022 IA Schedules K-1. The tax credits may be claimed by the shareholders for any remaining carryforward period that the S corporation could have claimed them on an IA 1040C, notwithstanding the fact that the IA 1040C has been repealed for tax year 2022 or later.

*Example:* S corporation X, a calendar-year filer, files a 2021 IA 1040C on behalf of its nonresident individual shareholders to report income from the S corporation's 2021 tax year. The 2021 IA 1040C reported an unclaimed High Quality Jobs Investment Tax Credit of \$100 on the IA 148 Iowa Tax Credits Schedule, Column H, with a remaining carryforward period of 4 years. On S corporation X's 2022 IA 1120S and 2022 IA Schedules K-1 it may allocate that \$100 of Iowa tax credit to shareholders, and each shareholder may claim their allocated share within the remaining 4-year carryforward period.

**Schedule C – Business Activity Ratio (BAR)**

Complete all applicable lines, even if 100% of the S corporation's business is conducted in Iowa. All figures are net of amounts reported on Iowa Schedule D.

Business income means income which arises from the S corporation's trade or business, a part of which is conducted within Iowa. Business income must be apportioned to Iowa by means of the BAR.

The BAR must be computed to six decimal places (i.e. 4 digits to the right of the decimal point). For example, 0.1234505 becomes 12.3451%.

**Line 1: Gross receipts** – Include all gross receipts after returns and allowances as reported on the federal S corporation 1120-S return in Column B (denominator). Include the amount from sales in Iowa in Column A (numerator). See Iowa Administrative Code rule 701—503.5 for more information. If the S corporation's gross receipts are derived from sources other than the sale of tangible personal property, see Special Apportionment Guidelines below.

**Line 10: Partnership gross receipts** – When reporting gross receipts from another partnership, include a schedule detailing the partnership name, partnership FEIN, share of partnership Iowa receipts (Column A), and share of partnership everywhere receipts (Column B) for each partnership reported on this line.

**Line 11: Other** – Include a schedule detailing the type and amount of other income included on this line.

**Special apportionment guidelines:** Some businesses are required to use an alternate calculation of the BAR (i.e. service companies, transportation, broadcasting). See Iowa Code section 422.33(2); Iowa Administrative Code chapter 701—503.

**Investment business income:** All investment income that is business income, including capital gains or losses, must be included in the computation of the BAR if the investment income is derived from intangible property that has become an integral part of some business activity occurring regularly in or outside of Iowa. The investment income must be included in Column A (numerator) to the extent the intangible property which produced that income is an integral part of some business activity occurring regularly in Iowa.

All other investment income that is business income may, at the taxpayer's election, be included in the computation of the BAR. On the return, the taxpayer elects whether to include investment income which is determined to be business income in the computation of the BAR for that year and all subsequent years. If elected to be included, then for that year and for subsequent years total investment income which is determined to be business income will be included in the numerator as follows (see Iowa Administrative Code rule 701—503.2(3) for clarification):

- Accounts receivable interest is to be included in Column A (numerator) to the extent allocable to Iowa.
- Capital and ordinary gains or losses, or rent and royalties from tangible property or real property must be included in Column A (numerator) for property located in Iowa.

- Other investment income including interest, dividends, capital and ordinary gains, and royalties from intangibles must be included in Column A (numerator) if the commercial domicile is in Iowa.

For an S corporation first doing business in Iowa, the election to include or exclude eligible investment income determined to be business income in the BAR of that year's initial return is binding on all subsequent years' returns. The election to include or exclude business investment income in the BAR can later be changed only with permission of the Director of the Iowa Department of Revenue. See Iowa Administrative Code rule 701—503.2 for additional information about the election and the apportionment of investment income.

### **Iowa Schedule K – Distributive Share Items**

The Iowa Schedule K is a summary schedule of all the shareholders' shares of the S corporation's income, deductions, and Iowa adjustments, and how those amounts are allocated and apportioned within and without Iowa. The Iowa Schedule K also provides a summary of the Iowa composite tax paid for nonresident shareholders with the S corporation's IA PTE-C Iowa Composite Return.

**Column (a) Federal/All-source amount:** In Column (a), lines 1-14 enter the amount from the corresponding line of the S corporation's federal 1120-S Schedule K. In Column (a), line 15 "Other deductions", enter the sum of the other separately stated deductions from the federal Schedule K, line 12d. However, do not include any amount that is only informational and not available as a current-year deduction to the shareholder.

For Column (a), line 16 "Iowa modifications", enter the total net Iowa modifications reported on Part 4, line 20 of this return.

**Column (b) Amount subject to apportionment:** For each line in Column (b), enter the amount from Column (a) that is subject to apportionment. This is determined by reducing each amount in Column (a) by any portion of that income, loss, deduction, or modification that was reported as nonbusiness income on Iowa Schedule D. If the S corporation did not complete an Iowa Schedule D for the year, column (b) must equal column (a). The sum of the amounts reported in Column (b) should equal the income subject to

apportionment reported on Part 4, line 23 of this return.

**Column (c) BAR:** In Column (c), enter the S corporation's BAR from Schedule C, line 13.

**Column (d) Iowa apportioned amount:** In Column (d), lines 1-16, multiply the amount in Column (b) by the BAR in Column (c). This is the S corporation's income apportioned to Iowa. Enter on Column (d), line 17 the Iowa nonbusiness income from Part 4, line 26 of this return. Finally, enter on Column (d), line 18 the total Iowa composite tax paid for the nonresident shareholders as reported on the S corporation's 2022 IA PTE-C, line 1.

### **Signature**

The return must be signed and dated by the president or other duly authorized officer. An amended return must be signed and dated by the Iowa pass-through representative for the tax year. The return will not be considered valid unless this requirement is met. Also include the signer's title and daytime phone number.

### **Preparer Information**

If the return was prepared by someone other than the taxpayer, all lines for preparer information must be completed. Enter the Preparer Tax Identification Number (PTIN) issued by the IRS for the preparer's identification. A Tax Return Preparer as defined by Iowa Code section 421.62 may be subject to penalty for failure to include their PTIN.



## Instructions for preparing the IA 1120S Schedule K-1

IA Schedule K-1 shows each shareholder's share of all-source income and deductions, Iowa modifications, Iowa allocated and apportioned amounts, Iowa tax credits, and other important information. Complete information for each shareholder in an acceptable format must be provided. The IA 1120S and IA Schedule K-1 are provided on our website.

### Part I: General Information Corporation information

Enter the name and Federal Employer Identification Number (FEIN) of the S corporation on each IA Schedule K-1.

If this is an amended IA Schedule K-1, check the "Amended K-1" box. If the S corporation is amending for a federal centralized partnership audit change or an Iowa pass-through entity audit change and is electing to pay with an IA 103, do not issue amended Schedules K-1. Instead, the S corporation will need to send a letter to the shareholder as described on the instructions above for the IA 1120S, line 38.

### Shareholder Information

- Enter name, Social Security Number (SSN) or FEIN, and address of shareholder. In the case of a disregarded entity, enter the applicable information of the beneficial owner.
- Check either the resident shareholder or nonresident shareholder box. A nonresident shareholder includes any individual who is not a resident of Iowa, any estate or trust without a situs in Iowa, or any business entity without a commercial domicile in Iowa. Any shareholder whose state or residence, situs, or commercial domicile, as applicable, is not known by the S corporation shall be considered a nonresident shareholder.
- Check the appropriate box for the shareholder's entity type.
- Enter shareholder's percentage of ownership in the S corporation.
- Enter the shareholder's share of the S corporation's Iowa receipts reported on the IA 1120S, Schedule C, column A, line 12.
- Enter the shareholder's share of the S corporation's everywhere receipts reported on the IA 1120S, Schedule C, column B, line 12.

- Enter the shareholder's share of the S corporation's total nonbusiness income from Iowa Schedule D, line 17.
- Enter the S corporation's BAR from the IA 1120S, Schedule C, line 13.
- Answer yes or no to the question of whether the S corporation is including additional attachments with the K-1.

### Part II: Shareholder's Pro Rata Share Items:

**Column (a) federal/all-source amounts:** Enter the shareholder's pro rata share of the federal/all-source S corporation items from the corresponding lines of the IA 1120S, Iowa Schedule K, column (a). The allocation of shareholder items among shareholders should be consistent with the allocations made on the federal Schedules K-1. Alternative allocations of S corporation items among shareholders for Iowa tax purposes are not permitted.

**Column (b) amounts attributable to Iowa:** On lines 1-16 of column (b) enter the shareholder's pro rata share of the Iowa apportioned amount from the corresponding lines of the IA 1120S, Iowa Schedule K, column (d). On line 17 of column (b), enter the shareholder's pro rata share of the Iowa allocated income from the IA 1120S, Iowa Schedule K, column (d), line 17.

Provide a supplemental schedule to shareholders with the IA Schedule K-1 describing the type and amount of each Iowa modification or Iowa allocated income reported on lines 16 or 17, if any.

### Part III: Iowa composite tax paid on behalf of shareholder on 2022 IA PTE-C:

Enter the nonresident shareholder's share of the Iowa composite tax paid by the S corporation from the total reported on the IA 1120S, Iowa Schedule K, column (d), line 18.

### Part IV: Shareholder's portion of IA credits:

Enter the shareholder's pro rata share of each Iowa tax credit included by the S corporation on the IA 1120S, Schedule B. For each tax credit claim provide the tax credit code, tax credit certificate number (if applicable), and current year amount allocated to the shareholder. Tax credits must be allocated to shareholder in the ratio of each shareholder's share of the earnings of the S corporation to the S corporation's total earnings, unless Iowa law explicitly provides for a different method of allocation.

**Franchise Tax Credit**

If you are a financial institution and the shareholder is eligible to claim the Franchise Tax Credit, you must include the following information on a separate supplemental schedule with the IA Schedule K-1 to allow shareholders to complete an IA 147:

- The financial institution's total net income from Part 4, Line 21 of the 1120S.
- The financial institution's total franchise tax liability from line 13 of the 1120F.
- The financial institution's total franchise tax credit claims from line 14 of the 1120F.
- The shareholder's ownership percentage.

**Part V: Shareholder's pro rata share of AMT items**

Complete this section only for shareholders who are individuals, estates, or trusts. If the S corporation had tax preference or alternative minimum tax (AMT) adjustment items, they will be allocated to the shareholders in the same ratio as net income from the S corporation is allocated. Individuals, estates, and trusts may be subject to the Iowa AMT on the items of tax preference or adjustments allocated to them. Report in column (a) the individual, estate, or trust shareholder's pro rata share of the federal AMT items from federal Schedule K, line 15, and report in column (b) the amount from the corresponding line in column (a) that is allocated or apportioned to Iowa. Include a schedule showing the name and amount for each AMT item reported in row "F".

**Information for shareholders on reporting the IA 1120S Schedule K-1**

Any shareholder can have nexus with Iowa for income or franchise tax purposes and an Iowa tax return filing requirement by having an ownership interest in an S corporation doing business in Iowa.

If the tax year of a shareholder is different than that of the S corporation, the distributive share of S corporation items is to be included on the shareholder's Iowa return for the tax year during which the tax year of the S corporation ends.

**Business-entity shareholders:** Any shareholder that is a business entity (corporation, partnership, LLC, etc.) must use the appropriate amounts from the Iowa Schedule K-1 to complete their Iowa tax return. When reporting business income, the shareholder's all-source Iowa modifications from

IA Schedule K-1, column (a), line 16 are reported on Schedule A of the IA 1065, IA 1120, or IA 1120S, or on Schedules A or D of the IA 1120F. The shareholder's share of the S corporation's Iowa Receipts and Receipts Everywhere from the IA Schedule K-1, Part I, are reported on the BAR of the IA 1065, IA 1120, IA 1120S, or on the IA Franchise Schedule 59F of the IA 1120F.

**Individual shareholders:** Resident and nonresident individual shareholders must report all S corporation income that is reportable on the shareholder's federal individual income tax return when completing the IA 1040 Iowa Individual Income Tax Return. The shareholder's all-source Iowa modifications from IA Schedule K-1, column (a), line 16 are reported as "other income" on the IA 1040, line 14 if positive, or as "other adjustments" on the IA 1040, line 24 if negative, to the extent they affect Iowa net income. In addition, nonresident or part-year resident individual shareholders report the IA Schedule K-1, column (b) amounts attributable to Iowa on the IA 126, Iowa Nonresident and Part-Year Resident Credit. Report the Iowa-source amount of each S corporation item on the appropriate line of the IA 126, to the extent it affects Iowa net income. Iowa modifications and Iowa allocated income from the IA Schedule K-1, column (b), lines 16 and 17 are reportable on the IA 126, line 14 (if positive) or line 24 (if negative).

**Estate/trust shareholders:** Resident and nonresident estate/trust shareholders must report all S corporation income that is reportable on the shareholder's federal income tax return when completing the IA 1041. The shareholder's all-source modifications from IA Schedule K-1, column (a), line 16 are reported on the IA 1041, Schedule A, Part I, line 4 (if positive) or Part II, line 6 (if negative). In addition, nonresident or part-year resident estates/trusts report the IA Schedule K-1, column (b) amounts attributable to Iowa on the IA 1041, Schedule C Computation of Nonresident/Part-year Resident Tax Credit. Report the Iowa-source amount of each S corporation item on the appropriate line of the IA 1041, Schedule C to the extent it affects Iowa taxable income. Iowa modifications and Iowa allocated income from the IA Schedule K-1, column (b), lines 16 and 17 are reportable on the IA 1041, Schedule C, Column B, line 18, to the extent they affect Iowa taxable income.