

What's New for Tax Year 2023

- Partnerships may make a Pass-Through Entity Tax (PTET) election to be subject to tax at the entity level. See the instructions below for Part 5 for more information.
- Partnerships that make a PTET election for a tax year beginning after May 10, 2023, are subject to the requirement to make estimated payments.
- In December 2024, the Department modified the PTET election deadline for the 2023 tax year (or 2024 short tax year). A PTET election must be made by the date which is six months after the original due date for filing the IA 1065.
- Partnerships are provided a limited period of time to make a PTET election after the deadline for the 2023 tax year (or 2024 short tax year) if they meet the following criteria:
 - The partnership's PTET election deadline expired before January 1, 2025.
 - The partnership filed its IA 1065 return by the PTET election deadline, but did not make a PTET election.
 - The partnership makes a PTET election on an amended IA 1065 return file by April 30, 2025. See the PTET guidance page on the Department's website for more information.
- A new Schedule C has been added to report payments made by the partnership for the tax year.
- The Business Activity Ratio (BAR) schedule has been re-lettered as Schedule E. All partnerships are required to complete Schedule E, even if all of its business is conducted in Iowa. Several new lines (1a-1h) have been added to Schedule E. These new lines break out, by income type, the gross receipts line that appeared on this schedule in prior years.
- Taxpayers now have the ability on this return to authorize an individual to receive information about this return. See the instructions below for Third Party Disclosure Designee for more information.
- The person who signs this return on behalf of the taxpayer must now attest that they have authority to act on behalf of the taxpayer in tax matters. This attestation will give the signer full authority to interact with the Department on behalf of the taxpayer without the need to file an additional Representative Certification form. For more information, see the instructions below.
 - Due to legislative changes that took effect January 1, 2023, several adjustments that were

previously required or allowed on Schedule A have been repealed. These lines have been removed from the schedule and reserved for future use. See the instructions below for Schedule A for more information. Repealed adjustments include:

- Percentage depletion for oil, gas, and geothermal wells
- TIP credit from federal form 8846
- Safe harbor lease adjustments
- Iowa tax expense/refund
- Work opportunity credit wage reduction
- Alcohol and cellulosic biofuel credit from federal form 6478

Who Must File

Every partnership 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 Partnership Return of Income, IA 1065. The Iowa Partnership Return of Income form must also be used by syndicates, pools, joint ventures, limited liability companies, and other similar entities required to report activities on a federal partnership return.

Note: Only partnerships with activity (income or loss) from Iowa sources as described above, or which have a commercial domicile in Iowa, are required to file. A partnership should not file if its only connection to Iowa is because one or more partners are Iowa residents.

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 Partnership Return of Income (IA 1065) including all required schedules and attachments.
- An IA 1065 Schedule K-1 for each person who was a partner at any time during the taxable year.
- A copy of the federal partnership 1065 return and all supporting schedules, not including federal Schedules K-1.

Time and Place for Filing

The Iowa partnership return must be filed on or before the last day of the fourth month following the close of the partnership's tax year. For calendar year filers, the due date is April 30, 2024. If the partnership 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 partnership that owes no Iowa 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 partnership is making a PTET election, a 6-month automatic extension to file a return will be granted only if at least 90% of the 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 7, line 39 below.

Mandatory Electronic Filing

For tax years ending on or after December 31, 2022, a partnership 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 partnership has \$250,000 or more in total gross receipts.
- The partnership is required to provide 10 or more IA 1065 Schedules K-1 to partners.
- The partnership is reporting \$25,000 or more in Iowa tax credits on Schedule B of its Iowa partnership return.

See Iowa Administrative Code rule 701—8.7 for definitions and other important information about the electronic filing requirement.

All partnerships are encouraged to file electronically. If a partnership 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:

Income Tax Return Processing
Iowa Department of Revenue
PO Box 9187, Des Moines Iowa 50306-9187

OTHER IMPORTANT INFORMATION

Distribution of Partnership Income

Generally, a partnership is not a taxable entity in Iowa, but the partners of a partnership are taxed on their distributive shares whether actually distributed to them or not. This pass-through income is reportable on the partner's Iowa tax return. For tax years beginning on or after January 1, 2022, partnerships may elect to be subject to Iowa tax at the entity level. See the instructions below for Part 5 for more 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 partnerships for tax years beginning on or after January 1, 2022. A partnership with nonresident partners is required to file an IA PTE-C Iowa Composite Return and remit Iowa income or franchise tax on behalf of its nonresident partners, unless the partnership makes a timely PTET election for the same tax year or satisfies one of the composite return filing exemptions described in Iowa Administrative Code rule 701—405.5(1). A nonresident partner is any partner 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. 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 partnership tax year that begins on or after January 1, 2022.

Disregarded Entities

A partnership 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 partnership return, and must include an IA Schedule DE Iowa Disregarded Entity Schedule with its return.

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 a partnership to another state, local jurisdiction, or foreign country on income also subject to tax in Iowa only if the resident partner receives a qualifying supplemental schedule from the partnership reporting certain information.

If the partnership 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 partner's income also subject to tax in Iowa, the partnership 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 partner's pro-rata share of the income, tax liability, and tax paid in that jurisdiction. A partner will not be permitted to claim an Out-of-State Tax Credit on the IA 130 for that income tax unless the partner receives that qualifying supplemental schedule from the partnership and submits a copy with the IA 1040.

If the partnership 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 partnership receives a qualifying supplemental schedule from that pass-through entity, the partnership may in turn report that income tax to its partners on a qualifying supplemental schedule with the partner's IA Schedule K-1. When reporting this other pass-through entity's income tax to its partners, the partnership must reduce the income tax by the amount of any credit available from that other jurisdiction to the partnership related to the income tax payment. The partnership may not report this tax to its partners as described above if the partnership does not receive the qualifying supplemental schedule from the other pass-through entity.

The partnership should keep the schedule it received from the other pass-through entity because the Department may request it of the resident partner in order to prove the credit claimed on the IA 130.

The resident partner 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 Partnership Y, and provides a schedule to Partnership 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. Partnership Y does not receive a credit in State A for its share of the tax paid by Partnership X. Partnership Y is owned 50% by individual Z, a resident of Iowa. Partnership 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

Partnerships 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 1065 and are then allocated to partners on the IA Schedule K-1. Partners cannot claim these allocated tax credits until the Partnership has filed a partnership return that properly reports the available tax credits on Schedule B. For more information, see the instructions for Schedule B below.

Partnerships may also receive composite credits from another pass-through entity for Iowa income tax paid on behalf of the partnership, or PTET credits for entity-level Iowa income tax paid by the pass-through entity. These composite credits and PTET credits are not reported on Schedule B and allocated to partners, but instead must be claimed by the partnership on Part 7, line 34 of this return, or on the IA PTE-C.

Amended Returns

If an amended federal return or a federal administrative adjustment request was filed, or if other errors are discovered on the Iowa return, the taxpayer must file an amended Iowa Partnership Return of Income, IA 1065, check the "Amended Return" box and include the IA 102 Amended Return Schedule, as well as the other required supporting documentation. If the partnership was required to file its original return electronically, the partnership's amended Iowa return for the same tax year must be filed electronically.

Federal Centralized Partnership Audit Regime

Prior to tax year 2018, federal partnership audit adjustments and tax collection was generally administered at the partner level. 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 a partnership under this regime is audited by the IRS resulting in adjustments that affect Iowa tax liability, the partnership and its direct and indirect partners must follow certain procedures and

timelines for reporting the adjustments to Iowa and paying the resulting Iowa tax, even if the partnership or partners 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 Iowa Code section 422.25A.

Iowa Pass-Through Entity Audits

For tax year 2020 and forward, any audit of a partnership by the Department will be conducted solely at the partnership level through the entity's Iowa pass-through representative. If a partnership is audited by the Department resulting in adjustments to Iowa tax liability, the partnership 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.

COMPLETING THE RETURN

Calendar Year or Fiscal Year

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

Part 1: Partnership Name and Address

- If the partnership has a Federal Employer Identification Number (FEIN), it must be entered here. If the partnership 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 IRS at 800-829-4933.
- Enter the county number of the main Iowa location. Partnerships without a physical location in Iowa should enter 00. A list of county numbers can be found on the Department website.

- Enter the North American Industry Classification System (NAICS) Code for the specific industry group corresponding to the partnership's primary business activity.
- Enter a one or two word description of the partnership's principal activity.
- Enter the total number of partners, total number of Iowa resident partners, and total number of Iowa nonresident partners. A resident partner is any partner who is a resident individual; an estate or trust with a situs in Iowa; or a corporation, partnership, or other business entity with a commercial domicile in Iowa. Include a corresponding IA Schedule K-1 for each person who was a partner at any time during the tax year.

Part 2: Pass-Through Representative (PTR)

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

A partnership is required to have an Iowa PTR for each tax year. There can be only one Iowa PTR for each tax year. A partnership's Iowa PTR for a tax year is the partnership's federal partnership representative unless the partnership appoints a different person as its Iowa PTR on the Iowa partnership return.

A partnership may appoint any qualifying person, including itself or a different entity, to be its Iowa PTR. If the partnership appoints itself or another entity as its Iowa PTR, the partnership 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 partnership for the purpose of Iowa amended income tax returns, audits, examinations, and appeals. The partnership and its partners are bound by the actions of the Iowa PTR.

If the partnership 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 partnership return.

Part 3: Partnership Information

Check the type of entity that is filing this return: Partnership, Limited Liability Company (LLC), Limited Liability Partnership (LLP), or other.

Partnership Activities—Answer the three questions about the partnership's activities. If the

answer is “No” to all three questions, the partnership is not required to file an IA 1065, unless its commercial domicile is in Iowa. If the answer is “Yes” to any question or if its commercial domicile is in Iowa, the partnership must file an IA 1065, including the IA 1065 Schedules K-1.

If the partnership answered “No” to all three questions and is only filing an Iowa return because its commercial domicile is in Iowa, the amount in each row of column (b) of a nonresident individual’s Schedule K-1 should be zero.

Composite Return Requirement

Answer the five questions about the partnership’s nonresident partners. If the answer is “No” to questions “i” through “iv”, the partnership is not required to file an IA PTE-C Iowa Composite Return. If the answer is “Yes” to any of questions “i” through “iv”, the partnership is required to file an IA PTE-C and pay any composite tax due on behalf of its nonresident partners, unless the partnership is a publicly traded partnership, is making a PTET election for the same tax year, or satisfies one of the composite return filing exemptions described in Iowa Administrative Code rule 701–405.5(1).

If the answer is “Yes” to question “v”, the partnership’s composite credit may be claimed on either the IA PTE-C return, or on this IA 1065 partnership return. See the IA PTE-C for further information.

Part 4: Partnership Distributive Items for Iowa Tax Purposes

Lines 1-13: For each line, enter the amount from the corresponding line of the partnership’s federal 1065 return.

Line 15: Enter the separately stated section 179 deduction from the partnership’s federal 1065, Schedule K.

Line 16: Enter the sum of the other separately stated deductions from the partnership’s federal 1065 return, Schedule K, line 13. However, do not include any excess business interest expense allocated to partners because those amounts are currently deductible by the partnership, see the IA 163 Interest Expense Adjustments. Also, do not include any amount that is only informational and not available as a current-year deduction to the partner.

Line 19: Additions to partnership income may be required under Iowa law. Enter the total Additions

from IA 1065, Schedule A, line 16.

Line 20: Reductions to partnership income may be allowed under Iowa law. Enter the total Reductions from IA 1065, Schedule A, line 16.

Line 23: If the partnership has nonbusiness income, complete Schedule D. Enter the amount from Schedule D, line 17, on this line.

Line 25: Enter the partnership’s Business Activity Ratio (BAR) from the IA 1065, Schedule E, line 13.

Line 27: Enter the partnership’s nonbusiness income allocated to Iowa from the Schedule D, line 8.

Part 5: PTET Election

If you are electing or have already elected to be subject to the entity level tax for this tax year pursuant to Iowa Code section 422.16C, check the box. This election is irrevocable and must be made by the date which is six months after the original due date for filing your return. The election is valid only for this tax year. A PTET election may be made by the election deadline even if your income tax return and payment will be late, but you may be subject to late file and late pay penalties. See Part 7 instructions.

Line 29: Multiply the amount on Part 4, line 28 by 6% (.06). However, if you are using this return to make a PTET election for a short tax year that began in 2024, multiply the amount on Part 4, line 28 by 5.7% (.057).

Line 30: A financial institution subject to the Iowa franchise tax that is organized as a pass-through entity is eligible to claim a franchise tax credit against the Iowa PTET. Enter the amount from your 2023 IA 1120F, line 14. If zero or less, enter zero. The entity must file and pay its franchise tax liability in order to claim this franchise tax credit against its Iowa PTET.

Line 31: Subtract line 30 from line 29. If zero or less, enter zero. This is the partnership’s net Iowa PTET due.

Note about Iowa PTET credits. The partnership’s net Iowa PTET calculated on this line 31 is used to determine the total refundable Iowa PTET credits available to partners, but the amount must be reduced by the applicable percentage before it is reported to partners on the Iowa Schedules K-1. The total available Iowa PTET credits equal the partnership’s net Iowa PTET from line 31 x 94% (.94). However, if you are using this return to make a PTET election for a short tax year that began in 2024, the total

available PTET credits equal the partnership's net Iowa PTET from line 31 x 94.3% (.943). This total available PTET credit amount is reported on Schedule K, line 22, column (d), and then allocated to each partner on the Schedule K-1 in the same ratio that the partnership's taxable income is allocated to the partner.

Part 6: Audit Election to Pay

Line 32: If you are 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 partners, check the box above line 32 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 partners' behalf is made, do not issue amended IA 1065 schedules K-1 to your partners, but instead notify the partner of all of the following in a separate letter or schedule: (1) identify the partner's distributive share of the audit adjustments, (2) notify the partner that you have elected to pay the resulting Iowa tax, penalty, and interest on their behalf, and (3) notify the partner that the partner shall not claim any deduction, credit, or refund for the amount paid by the partnership, and the partner may not include the amount paid on the partner's Iowa return in any manner.

Partnerships may also make estimated payments of expected Iowa tax resulting from a pending Internal Revenue Service (IRS) audit. A federal audit estimate payment must be made through GovConnect.iowa.gov.

Part 7: Total Tax, Penalty, and Interest Due

Line 34: Enter the amount of composite and PTET credits received. Do not enter any credits that have or will be claimed on an IA PTE-C. Include the IA Schedule CC with your return.

Line 35: Enter the amount of payments from Schedule C, line 4.

Line 37: 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 38: Enter your late payment penalties

associated with the unpaid tax due. Pursuant to Iowa law under the audit election to pay, penalties on the amount due by the partnership will be computed from the due date of the partnership's original return without extension, and shall be imposed as if the partnership was required to pay tax or show tax due on the original return. Partnerships who make the PTET election may be subject to the failure to timely pay penalty. The partnership 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 by 5% (.05) and enter that amount on line 38. This penalty is in addition to any penalty for failure to timely file, as described below on line 39.

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 the penalty described above, but is in addition to any penalty for failure to timely file described below on line 39.

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 39: If PTET Election is Made:

If the partnership files its IA 1065 after the original due date of the return and owes net Iowa PTET on Part 5, line 31, it may be subject to the following penalties:

Failure to Timely File a Return: If the IA 1065 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 by 5% (.05) and enter that amount on line 39. 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.

If PTET Election is Not Made: If the partnership files its IA 1065 after the original due date of the return, including extensions, it is subject to a late filing penalty on its imputed Iowa tax liability. Use the worksheet below to compute your imputed tax liability late filing penalty. Enter the result from line 6 of the worksheet on line 39.

For more information, see Iowa Code section 421.27(1)(b) and Iowa Administrative Code rule 701—10.6(2).

Imputed late filing penalty worksheet

1. Iowa-source partnership distributive items from Part 4, line 28..... 1. _____
2. Imputed Iowa tax for penalty purposes (multiply line 1 by 6% (.06)) 2. _____
3. Iowa tax credits from Schedule B 3. _____
4. Imputed Iowa tax liability for penalty purposes. Subtract line 3 from line 2. If less than \$0, enter \$0 4. _____
5. Multiply line 4 by 5% (.05). Enter the lesser of that amount or \$25,000..... 5. _____
6. Late filing penalty. Enter the greater of line 5 or \$200 6. _____

Line 40: Partnerships who make a PTET election in Part 5 for a tax year that starts after May 10, 2023, are required to make estimated tax payments. Partnerships that underpay estimated tax for the total tax shown on IA 1065, line 31 may be subject to a penalty for this underpayment. The underpayment penalty is in addition to the penalties on IA 1065, lines 38 and 39. The underpayment penalty is computed on IA 2220 and the total from that form is entered on IA 1065, line 40. IA 2220 must be included with the return.

Line 41: Payment options include payment through Modernized eFile (MeF), GovConnect.iowa.gov, or 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 43: 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 44: If you would like your refund directly deposited, complete lines 44a, 44b, and 44c, otherwise a paper check will be issued. Do not input your direct deposit information if you have an amount due on line 41.

44a—Input your financial institution’s routing number. The routing number for a checking account must be nine digits.

44b—Check either checking or savings to indicate which type of account the refund will be deposited into.

44c—Input your account number. The account number for a checking 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 – Additions and Reductions

Schedule A is used to document those modifications or adjustments to net federal Schedule K income/loss (IA 1065, Part 4, line 18) that are required by Iowa Code section 422.7 and Iowa Administrative Code 701—Chapter 302 to the extent applicable to partnerships. Additions to Iowa income are reported in the “Additions” column, and reductions to Iowa income are reported in the “Reductions” column. All entries on Schedule A must be reported as positive amounts.

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 a Reduction any qualifying Iowa COVID-19 grant meeting the requirements of Iowa Administrative Code rule 701—302.86, to the extent such grant was included in the partnership’s total federal Schedule K income reported on Part 4, line 14 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 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 rules 701—302.32, 302.52.

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

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 a partnership earns certain Iowa tax credits for making a charitable contribution, Iowa law prohibits a tax deduction related to that charitable contribution. Add as an Addition any charitable contribution made by the partnership and reported to its partners 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 partnership is also a member of another pass-through entity (PTE) such as a partnership, estate, or trust, report the partnership’s distributive share of all-source Iowa modifications furnished to the partnership on its Iowa K-1. Report the Iowa modification as an Addition or a 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:

- A Reduction for wages paid to new employees who qualify as persons with disabilities or as offenders. (Iowa Code section 422.7(6), (7); Iowa

Administrative Code rule 701—302.21)

- To the extent included in the partnership’s net federal Schedule K income, subtract as a 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 partnership’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—302.87). If you need to provide information to your partners about this individual partner-level adjustment, do so on a supplemental schedule with the Iowa Schedule K-1.

Schedule B – Iowa Tax Credits Reported to Partners

Enter on Schedule B all the Iowa tax credits earned or received by the partnership in the current tax year that are being reported to the partners on the 2023 IA 1065 Schedules K-1. Do not include composite credits, PTET 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 partners on the IA Schedules K-1, Part IV. Report tax credits earned by the partnership separately from tax credits received by the partnership 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)

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- **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)
- **30** Employer Child Care Tax Credit (include certificate number and IA 8882 with return)
- **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)
- **4136** Iowa Fuel Tax Credit (include IA 4136 with return)

Schedule C – Payments

Line 1(a): Enter the total amount applied to your 2023 Iowa partnership tax from your previous IA 1065 Iowa Partnership Return of Income.

Line 1(b)-(f): Enter the total amount of estimated or other voucher payments made for tax year 2023 prior to the original due date of the IA 1065 return. Partnerships that owe more than \$1,000 of net Iowa PTET (line 31) are required to pay estimated tax. Estimated tax payments are not required for tax due pursuant to an election to pay on line 32. Visit GovConnect.iowa.gov to make estimated or other payments or to print payment vouchers.

Note: Partnerships that make the PTET election for a tax year beginning on or before May 10, 2023, are not required to make estimated payments on the PTET due.

Schedule E - Business Activity Ratio (BAR)

Complete all applicable lines, even if 100% of the partnership'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 partnership'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 the nearest ten-thousandth of a percent. For example, 0.1234505 becomes 12.3451%.

Line 1a: Gross receipts from sale of tangible personal property – Include all gross receipts after returns and allowances as reported on the federal form 1065 from the sale of tangible personal property. See Iowa Administrative Code rule 701—503.5 for more information on sourcing receipts from the manufacture or sale of tangible personal property.

Line 1b: Gross receipts from performance of services – Include all gross receipts after returns and allowances as reported on the federal form 1065 from the performance of services. See Iowa Administrative Code rules 701—503.6(1), 701—503.6(2), and 701—503.6(4) for more information on sourcing receipts from performance of services.

Line 1c: Gross receipts from railroad, trucking, aviation, or other aviation activities – Include all gross receipts after returns and allowances as reported on the federal form 1065 from the performance of railroad operations, transportations operations of an airline, truck and bus line companies, water transportation companies, freight car and equipment, oil, gasoline, gas or other pipeline operations. See Iowa Administrative Code rules 701—503.7(1), 701—503.7(2), and 701—503.7(3) for more information on sourcing receipts from performance of transportation activities.

Line 1d: Gross receipts from telecommunication services – Include all gross receipts after returns and allowances as reported on the federal form 1065 from telecommunication operations. See Iowa Administrative Code rule 701—503.7(4) for more information on sourcing receipts from telecommunication services.

Line 1e: Gross receipts from radio and television broadcasts – Include all gross receipts after returns and allowances as reported on the federal form 1065 from radio and television broadcasting operations. See Iowa Code section 422.33(2)(e) and Iowa Administrative Code rule 701—503.7(5) for more information on sourcing receipts from broadcasting operations.

Line 1f: Gross receipts from printed and electronic media – Include all gross receipts after returns and allowances as reported on the federal form 1065 from printed and electronic media. See Iowa Administrative Code rule 701—503.7(6) for more information on sourcing receipts from printed and electronic media.

Line 1g: Gross receipts from utilities services – Include all gross receipts after returns and allowances as reported on the federal form 1065 from utilities services. See Iowa Administrative Code rule 701—503.7(7) and 701—503.7(8) for more information on sourcing receipts from utilities services.

Line 1h: Gross receipts from financial activities – Include all gross receipts after returns and allowances as reported on the federal form 1065

from financial activities. See Iowa Administrative Code rule 701—503.6(3) for more information on sourcing receipts from financial activities.

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.

Apportionment guidelines: For more information about allocation and apportionment of Iowa income, see Iowa Code section 422.33(2) and Iowa Administrative Code 701—Chapter 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 a partnership 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 partners' shares of the partnership'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 partners with the partnership's IA PTE-C Iowa Composite Return or the Iowa PTET credits reportable to partners.

Column (a) Federal/All-source amount: In Column (a), lines 1-17 enter the amount from the corresponding line of the partnership's federal 1065 Schedule K. In Column (a), line 18 "Other deductions", enter the sum of the other separately stated deductions from the federal Schedule K, line 13e. However, do not include any excess business interest expense allocated to partners because those amounts are currently deductible by the partnership, see the IA 163 Interest Expense Adjustments. Also, do not include any amount that is only informational and not available as a current-year deduction to the partner.

For Column (a), line 19 "Iowa modifications", enter the total net Iowa modifications reported on Part 4, line 21 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 partnership 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 24 of this return.

Column (c) BAR: In Column (c), enter the partnership's BAR from Schedule E, line 13.

Column (d) Iowa apportioned amount: In Column (d), lines 1-19, multiply the amount in Column (b) by the BAR in Column (c). This is the partnership's income apportioned to Iowa. Enter on Column (d), line 20 the Iowa nonbusiness income from Part 4, line 27 of this return. Finally, enter on Column (d), line 21 the total Iowa composite tax paid for the nonresident partners as reported on the partnership's 2023 IA PTE-C, line 1, or enter on Column (d), line 22 the Iowa PTET credits reported to partners. The Iowa PTET credits reported to partners equals the partnership's net Iowa PTET from Part 5, line 31 x 94% (.94). However, if you are using this return to make a PTET election for a short tax year that began in 2024, the Iowa PTET credits reported to partners equal the partnership's net Iowa PTET from Part 5, line 31 x 94.3% (.943).

Third Party Disclosure Designee: If the taxpayer would like to designate an individual to discuss this return with the Department, complete this section with that individual's information.

An individual listed in this section will be able to discuss and receive information from the Department about this return. This authorization is specific to the partnership income tax return for this tax year. If the taxpayer wishes to have this individual represent the taxpayer on other matters, or for other tax years, the taxpayer must submit an IA 8821 Tax Information Disclosure Designation or IA 2848 Power of Attorney.

This authorization is limited to the ability to discuss the return and receive return information from the Department. It does not authorize the individual to act on behalf of the taxpayer or to appoint another person as Power of Attorney for the taxpayer.

Authorized Signer: By signing this form, you attest that you are authorized to act on behalf of the partnership in tax matters. The Department will consider the person who signs this form to have full authority to interact with the Department on behalf of the taxpayer without the need to file an additional Representative Certification form.

This includes the ability to discuss the return and other tax matters with the Department, act on behalf of the taxpayer, and to appoint a Power of Attorney to represent the taxpayer before the Department.

Signature – The return must be signed and dated by a partner or member. 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 1065 SCHEDULE K-1

IA Schedule K-1 shows each partner’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 partner in an acceptable format must be provided. The IA 1065 and IA Schedule K-1 are provided on our website.

Part I: General Information

Partnership/Limited Liability Company (LLC) Information

Enter the name and Federal Employer Identification Number (FEIN) of the partnership on each IA Schedule K-1. If this is an amended IA Schedule K-1, check the “Amended K-1” box. If the partnership 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 partnership will need to send a letter to the partner as described on the instructions above for the IA 1065, line 32.

Partner Information

- Enter name, Social Security Number (SSN) or FEIN, and address of partner. In the case of a disregarded entity, enter the applicable information of the beneficial owner.
- Check either the resident partner or nonresident partner box. A nonresident partner includes any individual who is not a resident of Iowa, any estate or trust without a situs in Iowa, or any business entity (corporation, partnership, LLC, other) without a commercial domicile in Iowa. Any partner whose state or residence, situs, or commercial domicile, as applicable, is not known by the partnership shall be considered a nonresident partner.
- Check the appropriate box for the partner’s entity type. If you checked “other”, include a brief description of the entity type in the space provided.
- Enter the partner’s percentage of ownership in

the partnership.

- Enter the partner’s share of the partnership’s Iowa receipts reported on the IA 1065, Schedule E, column A, line 12.
- Enter the partner’s share of the partnership’s everywhere receipts reported on the IA 1065, Schedule E, column B, line 12.
- Enter the partner’s share of the partnership’s total nonbusiness income from Iowa Schedule D, line 17.
- Enter the partnership’s BAR from the IA 1065, Schedule E, line 13.
- Answer yes or no to the question of whether the partnership is including additional attachments with the K-1.
- Answer yes or no to the question of whether the partnership made a PTET election for the tax year.

Part II: Partner’s Pro Rata Share Items

Column (a) federal/all-source amounts: Enter the partner’s pro rata share of the federal/all-source partnership items from the corresponding lines of the IA 1065, Iowa Schedule K, Column (a). The allocation of partnership items among partners should be consistent with the allocations made on the federal Schedules K-1. Alternative allocations of partnership items among partners for Iowa tax purposes are not permitted.

Column (b) amounts attributable to Iowa: On lines 1-19 of Column (b) enter the partner’s pro rata share of the Iowa apportioned amount from the corresponding lines of the IA 1065, Iowa Schedule K, Column (d). On line 20 of Column (b), enter the partner’s pro rata share of the Iowa allocated income from the IA 1065, Iowa Schedule K, Column (d), line 20.

Provide a supplemental schedule to partners with the IA Schedule K-1 describing the type and amount of each Iowa modification or Iowa allocated income reported on lines 19 or 20, if any.

Part III: Composite and PTET Credits

On line 1 enter the nonresident partner's share of the Iowa composite tax paid by the partnership from the total reported on the IA 1065, Iowa Schedule K, column (d), line 21.

On line 2, enter the partner's share of the Iowa PTET credit from the total reported on the IA 1065, Iowa Schedule K, column (d), line 22. PTET credits must be allocated to partners in the same ratio that the partnership's taxable income is allocated to the partner.

Part IV: Partner's portion of Iowa credits

Enter the partner's pro rata share of each Iowa tax credit included by the partnership on the IA 1065, 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 partner.

Tax credits must be allocated to partners in the ratio of each partner's share of the earnings of the partnership to the partnership's total earnings, unless Iowa law explicitly provides for a different method of allocation.

Information for partners on reporting the IA 1065 Schedule K-1.

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

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

Business-entity partners: Any partner 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 partner's all-source Iowa modifications from IA Schedule K-1, Column (a), line 19 are reported on Schedule A of the IA 1065, IA 1120, IA 1120S, or IA 1120F. The partner's share of the partnership's Iowa Receipts and Receipts Everywhere from the IA Schedule K-1, Part 1, 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 partners: Resident and nonresident individual partners must report all partnership

income that is reportable on the partner's federal individual income tax return when completing the IA 1040 Iowa Individual Income Tax Return. The partner's all-source Iowa modifications from IA Schedule K-1, Column (a), line 19 are reported as "Other Income" on the IA 1040, Schedule 1, line 11, column (A) if positive or as "Other Adjustments" on the IA 1040, Schedule 1, line 19, column (B) if negative, to the extent they affect Iowa taxable income. In addition, nonresident or part-year resident individual partners 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 partnership 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 19 and 20 are reportable on the IA 126, line 12 (if positive) or line 23 (if negative).

Estate/trust partners: Resident and nonresident estate/trust partners must report all partnership income that is reportable on the partner's federal income tax return when completing the IA 1041. The partner's all-source modifications from IA Schedule K-1, Column (a), line 19 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 partnership 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 19 and 20 are reportable on the IA 1041, Schedule C, Column B, line 18, to the extent they affect Iowa taxable income.