

2015 Iowa Income Tax Information

This tax booklet will explain most tax filing questions. Additional Online Expanded Instructions are available at <https://tax.iowa.gov/>.

FILE ELECTRONICALLY FOR A FASTER REFUND

Due date: Iowa income tax returns are due May 2, 2016.

Farmers and commercial fishers: If at least 2/3 of your income is from farming or commercial fishing, you may avoid penalty for underpayment of estimated tax in one of the following ways: (1) Pay the estimated tax in one payment on or before January 15, 2016, and file the Iowa income tax return by May 2, 2016, or (2) file the Iowa income tax return and pay the tax due in full on or before March 1, 2016.

Who must file? You must file an Iowa Income Tax return if you meet any of the following requirements.

NOTE: In meeting the filing requirements below, income from all sources for the taxpayer (and spouse, if applicable) must be included, and any pension/retirement income exclusion (line 21 of the IA 1040) and any Reportable Social Security benefit amount from step 4 of the IA 1040 must be added back.

- a. You had a net income (line 26 of the IA 1040) of more than \$9,000 and your filing status is single. **(\$24,000 if 65 or older on 12/31/15)**
- b. You had a net income (line 26 of the IA 1040) of more than \$13,500 and your filing status is other than single. **(\$32,000 if you or your spouse is 65 or older on 12/31/15)**
- c. You were claimed as a dependent on another person's Iowa return and had a net income (line 26 of the IA 1040) of \$5,000 or more.
- d. You were in the military service with Iowa shown as your legal residence even though stationed outside of Iowa.
- e. You were subject to Iowa lump-sum tax.
- f. You were a nonresident or part-year resident and your net income from Iowa sources (line 26 of the IA 126) was \$1,000 or more, unless below the income thresholds above.
- g. You were a nonresident or part-year resident and subject to Iowa lump-sum tax or Iowa alternative minimum tax (even if line 26 of IA 126 is less than \$1,000).

Nonresidents and part-year residents: If you are a nonresident or a part-year resident with income from Iowa sources, you must complete both the IA 1040 and the IA 126. See instructions, page 8.

Iowa and Illinois reciprocal agreement: Any wages or salaries earned by an Iowa resident working in Illinois are taxable only to Iowa and not to Illinois. Any wages or salaries earned by an Illinois resident working in Iowa are taxable only to Illinois and not to Iowa.

An Iowa resident working for wages or salary in Illinois should complete and file Illinois form IL-W-5-NR "Employee's Statement of Nonresidence in Illinois" with the employer so that the employer will withhold Iowa income tax.

NEW FOR 2015:

At the time of publication, Iowa had not adopted federal Internal Revenue Code changes regarding the determination of income that occurred after January 1, 2015.

Line 23: The IA 100 Capital Gain Deduction form must be completed and included with the return if any deduction is reported on this line.

Line 24: Contributions to the Iowa 529 Plan can be claimed as a deduction for the most recently completed tax year, if they are made on or before the Iowa income tax return filing deadline (April 30), excluding extensions.

Line 24: Income a nonresident earns for performing emergency response work or training for an electric utility in Iowa is excluded from Iowa individual income tax under a mutual aid agreement between states.

Line 50: The out-of-state credit has been moved from Step 10 to Step 9.

Line 60: Iowa child and dependent care credit is based solely on income level, even if the federal credit was limited.

Line 65: The taxpayers trust fund tax credit is \$0 for 2015.

Reminders:

Step 4: Social Security benefits are not taxable, but are still reported in Step 4 and must be considered for low income exemption and alternate tax purposes.

Line 9: Do not include military retirement pay on line 9 since it is not subject to Iowa income tax. There is no age restriction on the exclusion for military retirement benefits.

An Illinois resident working for wages or salaries in Iowa should complete and file the IA 44-016 "Employee's Statement of Nonresidence in Iowa" with the employer so that the employer will withhold Illinois income tax. Iowa will tax any Iowa-source income received by an Illinois resident that is not from wages or salaries. Illinois will tax any Illinois-source income received by an Iowa resident that is not from wages or salaries. Examples: gambling winnings and unemployment compensation.

If Illinois income tax has been mistakenly withheld from the wages or salary of an Iowa resident, the Iowa resident must file an Illinois income tax return to get a refund.

Illinois residents who had Iowa income tax withheld in error from their wages and have no other Iowa-source income must file an Iowa income tax return requesting a refund. They should complete Steps 1, 2, and 3 of the IA 1040, show "0" on line 1 of Step 5, line 26 of Step 6, and line 55 of Step 9, write "Illinois resident tax withheld in error" on the face of the return. On the back of the IA 1040 on lines 66, 68, 69, 70, and 71, enter the Iowa tax withheld, sign the return, and include copies of W-2s with the return. Copies of federal and Illinois returns must be enclosed.

Extension requests: Iowa does not have an extension form to obtain additional time to file. To avoid the late-filing penalty, at least 90% of your total tax liability must be paid by May 2, 2016; you will automatically have until October 31, 2016, to file your return. You may, however, owe a 2210 penalty for failure to make estimate payments. You will owe interest on any tax due after May 2, 2016. If you need to make a tax payment to meet the 90% requirement, see payment options available on the Department website.

Military personnel: Information is available in the Online Expanded Instructions.

Injured spouse: The federal "injured spouse" form is not recognized by the State of Iowa when using filing status 2 or 3. If your spouse's refund will be used to pay a federal, state, county, or city debt, we suggest each spouse file an IA 1040, filing status 4 to prevent your refund from being applied to your spouse's debt.

Federal return: Including a copy of your federal return with your Iowa return may help with processing your Iowa return.

Consumer's Use Tax: If you purchased products for use in Iowa from a business located outside Iowa and the seller does not charge you Iowa sales tax, you may owe 6% consumer's use tax on the purchase. This includes items purchased from catalogs and the Internet. See Online Expanded Instructions on the Department's website for more information on paying consumers use tax.

2015 IA 1040 INSTRUCTIONS

STEP 1 NAME/ADDRESS/SOCIAL SECURITY NUMBER

NAME AND ADDRESS: Enter your information on the form. If using a foreign mailing address, in place of the domestic state, and ZIP, include the foreign country and ZIP or postal code. Please provide the Department with your updated address if you move after your return is filed.

NOTE: The e-mail address entered will be used by the Department to provide updates on new electronic filing opportunities. It will **NOT** be used to request or provide confidential information.

IF YOU OR YOUR SPOUSE IS 65 OR OLDER ON 12/31/15:
Check the box.

ENTER YOUR/SPOUSE'S SOCIAL SECURITY NUMBER.

DEPENDENT CHILD HEALTH CARE COVERAGE: You are required to indicate the number of dependent children claimed in Step 3 who do and do not have health care coverage. Note: Dependent children covered under the Medicaid or *hawk-i* programs are considered to have health care coverage.

COUNTY: Enter the number of the county in which you lived on December 31, 2015. Visit the Department website for a list of Iowa county numbers.

Nonresidents and part-year residents who moved out of Iowa before December 31, 2015: Enter "00."

Part-year residents who moved into Iowa: Enter the number of the Iowa County in which you lived on December 31, 2015.

Military personnel: Enter the county number of your Iowa residence, even if you were not physically present in Iowa on the last day of the tax year.

SCHOOL DISTRICT NUMBER: Select the district in which you lived on December 31, 2015. This is not necessarily the district where your children attended school. Visit the Department website for a list of Iowa school district numbers.

Nonresidents: If you did not live in Iowa at all during 2015, enter "0000."

Part-year residents who moved into Iowa: Enter the Iowa school district in which you lived on the last day of 2015. **If you moved out of Iowa** before December 31, 2015, enter "9999."

Military personnel: Enter the school district number of your Iowa residence, even if you were not physically present in Iowa on the last day of the tax year.

STEP 2 FILING STATUS

Married taxpayers may reduce their tax liability by using filing status 3 or 4.

STATUS 1. Use if you were unmarried, divorced, or legally separated on December 31, 2015, and you do not qualify for any other filing status.

STATUS 2.

(a) Use if you were married on December 31, 2015, or

(b) Use if your spouse died during 2015 and had income, you can file either filing status 2, 3, or 4.

STATUS 3. Use if you are married and want to file separately on one form.

STATUS 4. Use if you and your spouse file separately on two separate forms.

STATUS 5. Use if you are filing as head of household for federal income tax purposes.

STATUS 6. Use if you meet the requirements for qualifying widow(er) for federal income tax purposes.

STEP 3 EXEMPTIONS

Dependents filing their own returns should claim a \$40 personal exemption credit even though they are claimed as a dependent on another person's Iowa return.

STEP 4 REPORTABLE SOCIAL SECURITY BENEFITS

While social security benefits are excluded from income when computing tax, some social security benefits are included as income in determining whether a taxpayer has sufficient income to file an Iowa return, and are included as income for purposes of computing the alternate tax on line 39. The reportable social security benefit is calculated using the worksheet below and entered on Step 4 of the IA 1040.

1. Enter the amount from box 5 of form(s) SSA-1099. If you filed a joint federal return, enter the totals for both spouses. Do not include Railroad Retirement benefits from form RRB-1099 here. 1. _____
2. Enter one-half of line 1 amount. 2. _____
3. Add amounts from the federal 1040 on lines 7, 8a, 9a, 10 through 14, 15b, 16b, 17 through 19, and 21, plus one-half of any Railroad Retirement Social Security benefits from RRB-1099.* If filing federal 1040A, use lines 7, 8a, 9a, 10, 11b, 12b, and 13, plus one-half of any Railroad Retirement Social Security benefits from RRB-1099. Include any bonus depreciation and section 179 adjustment from line 14 of the Iowa 1040 to compute correct amount.... 3. _____
4. Enter the amount from line 8b of your federal 1040 or 1040A..... 4. _____
5. Add lines 2, 3, and 4..... 5. _____
6. Enter total adjustments from federal 1040, lines 23 through 32, plus any write-in adjustments you entered on the dotted line next to line 36. If filing federal 1040A, use the total of lines 16 and 17. 6. _____
7. Subtract line 6 from line 5. 7. _____
8. Enter one of the following amounts based on the federal filing status used on form 1040 or 1040A.
 - Single, head of household, qualifying widow(er): enter \$25,000.
 - Married filing joint: enter \$32,000.
 - Married filing separate: enter -0- if you lived with your spouse at any time in 2015 or \$25,000 if you did not live with your spouse at any time in 2015..... 8. _____
9. Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, stop here. None of the Social Security benefits are reportable. If line 9 is more than zero go to line 10..... 9. _____
10. Enter one-half of line 9..... 10. _____
11. Iowa Reportable Social Security benefits: Enter the smaller of line 2 or line 10 and then enter on step 4 of the IA 1040..... 11. _____

*Include the following incomes or adjustments to income on line 3 if applicable (these were excluded from federal AGI): Foreign earned income, income excluded by residents of Puerto Rico, American Samoa, and proceeds from savings bonds used for higher education and employer-provided adoption benefits. Although Railroad Retirement benefits are not taxable, one-half of the benefits received must be used to determine the amount of Social Security benefits that are reportable to Iowa. For purposes of determining reportable Social Security benefits, you must also include interest from federal securities.

MARRIED SEPARATE FILERS:

- a. If both spouses received Social Security benefits, the reportable amount is allocated between the spouses in the ratio of the benefits received by each spouse to the total benefits received.
- b. If only one spouse received benefits, that spouse should claim the reportable portion of the benefits.

STEP 5 GROSS INCOME

If you use filing status 3 (married filing separately on combined return), complete both columns A and B of the IA 1040. All other filing statuses complete only column A. ALL taxpayers, including nonresidents and part-year residents, report income from ALL SOURCES in this section. Nonresidents and part-year residents also report Iowa-source income on Schedule IA 126, where a CREDIT is calculated.

LINE 1. Wages, Salaries, Tips, Etc. Report the same W-2 income as shown on your federal income tax return, including military income. See Online Expanded Instructions, line 24, for allowable military adjustments.

MARRIED SEPARATE FILERS: W-2 income is reported by the spouse earning the income.

LINE 2. Taxable Interest Income. Include the same amounts of interest income reported on your federal return with the following modifications:

- a. Add interest from state and municipal securities unless specifically exempt from Iowa tax. The following securities are exempt: Aviation Authority Bonds, IA Code sec. 330A.16; Beginning Farmer Loan Program Bonds, IA Code sec. 16.64; Community College Bond Program Bonds, IA Code sec. 260C.71(6); Community College Residence Halls and Dormitories Bonds, IA Code sec. 260C.61; County Health Center Bonds, IA Code sec. 331.441(2)C(7); E911 Emergency Telephone Service Program Bonds, IA Code sec. 34A.20(6); Interstate Bridges Bonds, IA Code sec. 313A.36; IA Board of Regents Bonds for buildings and facilities, IA Code chapters 262.41, 262.51, 262.60, and 262A.8; IA Higher Education Loan Authority, IA Code sec. 261A.27; IA Municipality Urban Renewal Bonds, IA Code sec. 403.9(2); IA Rural Water District Revenue Bonds and Notes, IA Code sec. 357A.15; Low Income Housing Bonds, IA Code sec. 403A.12; Prison Infrastructure Revenue Bonds, IA Code sec. 16.177(8); Regents Institutions Medical and Hospital Buildings at University of IA Bonds, IA Code sec. 263A.6; Soil Conservation Districts Revenue Bonds, IA Code sec. 161A.22; Quad Cities Interstate Metropolitan Authority Bonds, IA Code sec. 28A.24; Sewage Treatment Works Revenue Bonds, IA Code sec. 16.131(5); Underground Storage Tank Fund Revenue Bonds, IA Code sec. 455G.6(14); Vision IA Program, IA Code sec. 12.71; IA Utilities Board and Consumer Advocate Building Bonds, IA Code sec. 12.91(9); Honey Creek Premier Destination Park Bonds, IA Code sec. 463C.12(8); School Infrastructure Program Bonds, IA Code sec. 12.81(8); Appropriation Bonds, IA Code sec. 12.87(8).
- b. Deduct interest received from federal securities (for example, U.S. Savings Bonds, U.S. Treasury Notes). Do not subtract interest from repurchase agreements of U.S. Government securities. The following are taxable: Government National Mortgage Assoc. (Ginnie Mae) Securities; Federal National Mortgage Assoc. (Fannie Mae) Securities; Federal Home Loan Mortgage Assoc. (Freddie Mac) Securities; Federal Agricultural Mortgage Corporation (Farmer Mac).

MARRIED SEPARATE FILERS: Divide interest income based on ownership of the account or certificate.

1. Jointly held: Divide equally between spouses.
2. Held in the name of only one spouse: Allocate interest wholly to that spouse.

LINE 3. Ordinary Dividend Income. Report the same dividends as you reported on your federal return with the following modifications:

- a. Add all dividends from mutual funds, investment trusts, or regulated investment companies investing in state and municipal bonds.
- b. Deduct that portion of any net dividends from a mutual fund, investment trust, or regulated investment company that is attributable to federal securities.

MARRIED SEPARATE FILERS: Divide dividends based on registered ownership of stock.

- a. Jointly held: Divide equally between spouses.
- b. Held in the name of only one spouse: Allocate dividends wholly to that spouse.

LINE 4. Alimony Received. Include the same alimony as is shown on your federal return.

MARRIED SEPARATE FILERS: Reported by the spouse who received the alimony.

LINE 5. Business Income/Loss. Report the net business income or loss from federal Schedule C or C-EZ. Include a copy of the federal form. Need a sales tax permit? Check <https://tax.iowa.gov/>

MARRIED SEPARATE FILERS: Reported by the spouse deriving the income or loss.

LINE 6. Capital Gain/Loss. Enter 100% of any capital gain or loss as reported on line 13 of your federal 1040. Do not subtract any Iowa capital gain deduction on this line. See line 23. Include a copy of your federal Schedule D and form 8949.

MARRIED SEPARATE FILERS: Taxpayers who filed separate federal returns should report capital gain or loss as reported for federal tax purposes. If a joint federal return was filed, each spouse must report capital gain on the basis of ownership of the property sold or exchanged. The combined net capital gain or loss must be the same as reported on the joint federal return.

LINE 7. Other Gains/Losses. If you sold or exchanged assets used in a trade or business and completed federal form 4797, enter 100% of the gain or loss. Include a copy of federal form 4797.

MARRIED SEPARATE FILERS: Divide gains or losses based on ownership of the asset sold or exchanged.

LINE 8. Taxable IRA Distributions. Enter the amount of taxable IRA distributions as shown on your federal return.

MARRIED SEPARATE FILERS: Taxable IRA distributions should be reported by the spouse whose name is on the account.

LINE 9. Taxable Pensions and Annuities. The same amounts of pensions and annuities are taxable for Iowa as are taxable on your federal return, except Railroad Retirement benefits paid by the Railroad Retirement Board and military retirement pay. These are not taxable on the Iowa return. Do not subtract any Iowa pension exclusion on this line. See line 21.

MARRIED SEPARATE FILERS: The taxable portion of pensions and annuities is reported by the spouse who received the income.

LINE 10. Rents, Royalties, Partnerships, Estates, Etc. Report the income or loss from federal Schedule E and include a copy.

MARRIED SEPARATE FILERS: Divide income or loss from Schedule E based on ownership of the asset-producing income, partnership interest or individual named as beneficiary.

LINE 11. Farm Income/Loss. Enter the income or loss from federal Schedule F and include a copy.

MARRIED SEPARATE FILERS: Farm income must be reported by the spouse who claims it for self-employment tax purposes on the federal Schedule SE.

LINE 12. Unemployment Compensation. Enter the amount of unemployment compensation benefits that was taxable on your federal return, except for unemployment compensation and sickness insurance benefits paid by the Railroad Retirement Board.

MARRIED SEPARATE FILERS: If both spouses received unemployment benefits, each of the spouses should report the benefits received as shown on the 1099-G for each spouse.

LINE 13. Gambling Winnings: You must report the full amount of gambling winnings. Report any Iowa tax withheld on line 66 of the IA 1040. Gambling losses may be reported as an itemized deduction on Schedule A, but you cannot deduct more than the winnings you report.

MARRIED SEPARATE FILERS: The spouse to whom the income was paid must report that income.

LINE 14. Other Income, Bonus Depreciation, and Section 179 Adjustment. Enter taxable income not reported on lines 1-13. Write an explanation of the type of income. Examples of income to be reported include:

- a. Baby-sitting income not reported on federal Schedule C or C-EZ.
- b. Bonus depreciation and section 179 adjustment from the IA 4562A; include the IA 4562A with your return.
- c. Capital gain from installment sales in 2015: Accrual-method taxpayers may use the installment method for reporting capital gain on their Iowa returns.
- d. College Savings Iowa or Iowa Advisor 529 Plan: Income received from the cancellation of a participation agreement to the extent the amount was previously deducted on line 24 of the IA 1040.

- e. Director's fees
- f. Drilling: Intangible drilling costs that were reported on federal form 6251.
- g. Executor's fees
- h. Reserved for future use
- i. Partnership income and/or S corporation income: Modifications that increased the income.
- j. Refundable Iowa credits received in 2015 which were included as income on the federal 1040 must also be added back.
- k. Refunds: State income tax refunds other than Iowa to the extent that the tax refunded in 2015 was deducted on a prior Iowa return.
- l. Wells: Percentage depletion from an oil, gas or geothermal well that was reported on federal form 6251.
- m. Other income as reported on line 21 of the federal 1040.
- n. Net Premium Tax Credit: See Online Expanded Instructions.

MARRIED SEPARATE FILERS: The spouse to whom the income was paid must report that income.

STEP 6 ADJUSTMENTS TO INCOME

All taxpayers report adjustments from all sources in this section.

NONRESIDENTS AND PART-YEAR RESIDENTS also report Iowa-source adjustments to income on the Schedule IA 126.

LINE 16. Payments to an IRA, Keogh, or SEP. Enter the amount claimed on your federal tax return for payments made to your IRA, Keogh Plan, SEP, SIMPLE, or Qualified Plans. Payments to a Roth IRA are not deductible.

MARRIED SEPARATE FILERS:

- a. If only one spouse has earned income, that individual can contribute up to \$5,500 per year (\$6,500 if 50 or older) to an IRA of the nonworking spouse and up to \$5,500 per year (\$6,500 if 50 or older) to an IRA of the individual.
- b. If both spouses earned income and made contributions to an IRA, each spouse must claim his or her own contribution, not to exceed \$5,500 per spouse (\$6,500 if 50 or older).
- c. If both spouses made contributions to an IRA but only a portion of the contribution is deductible on the federal return, the amount of the IRA deduction that is allowed for federal income tax purposes must be allocated between the spouses in the ratio of the IRA contribution made by each spouse to the total IRA contribution made by both spouses.
- d. For Keogh Plans, SEPs, SIMPLE, or Qualified Plans, each spouse must claim his or her individual contributions.

LINE 17: Deductible Part of Self-employment Tax. Enter the amount of self-employment tax that was deductible on line 27 of your federal 1040 in computing federal adjusted gross income.

MARRIED SEPARATE FILERS: The deduction is allocated in the ratio of self-employment tax paid by each spouse to the total self-employment tax paid.

LINE 18: Health Insurance Deduction. Enter 100% of the amount paid for health and dental insurance premiums paid with post-tax funds. This includes all supplemental health insurance, such as Medicare B supplemental medical insurance and Medicare D voluntary prescription drug insurance program (**not** "Medicare tax withheld" on your W-2), and long-term nursing home coverage. The deduction must be reduced by the amount of any premium reimbursement from Health Reimbursement Arrangements (HRAs). Schedule A may not contain any health insurance premiums which were used as a deduction on line 18.

Note:

- Excess Advance Premium Tax Credit Repayment see Online Expanded Instructions.
- No deduction is available to any individual who paid health insurance premiums on a pretax basis. Health insurance premiums are typically deducted from wages on a pretax basis.

MARRIED SEPARATE FILERS: If both spouses have self-employment income, the deduction for self-employed health insurance must be allocated between the spouses in the ratio of each spouse's self-employment income to the total self-employment income of both spouses. If health insurance premiums are paid directly by one spouse, that spouse will claim the entire deduction.

If both spouses paid through a joint checking account, the deduction is allocated between the spouses in the ratio of each spouse's net income to the total net income of both spouses. For this net income calculation, do not include line 18, the health insurance deduction. If one spouse is employed and has post-tax health insurance premiums paid through wages, that spouse will claim the entire deduction. If both spouses pay post-tax health insurance premiums through their wages, each spouse will claim what each spouse paid.

LINE 19: Penalty on Early Withdrawal of Savings. Enter the amount of any penalty you were charged because you withdrew funds from your time savings deposit before its maturity.

MARRIED SEPARATE FILERS: Divide the penalty amount between spouses based upon registered ownership of the time deposit.

LINE 20: Alimony Paid. Enter the amount of alimony payments or separate maintenance payments that were deductible on your federal tax return.

MARRIED SEPARATE FILERS: Only the spouse liable for these payments can deduct the alimony paid.

LINE 21. Pension/Retirement Income Exclusion. If you or your spouse receive a pension, annuity, self-employed retirement plan, deferred compensation, IRA distribution, or other retirement plan benefits, you may be eligible to exclude from Iowa income part or all of the retirement income that is taxable on your federal return. Social Security benefits and military retirement pay are *not* included. The exclusion can be up to \$6,000 for individuals who file status 1, 5, or 6 and up to \$12,000 for married taxpayers who file status 2, 3, or 4. To take this exclusion the income recipient must meet one of the following conditions:

- a. 55 years of age or older on December 31, 2015, or
- b. disabled, or
- c. a surviving spouse or a survivor having an insurable interest in an individual who would have qualified for the exclusion in 2015 on the basis of age or disability.

MARRIED SEPARATE FILERS: If both spouses have pension income, and both meet the eligibility requirements, the exclusion of up to \$12,000 is prorated between them in the ratio that each spouse's pension relates to the total pension received by both spouses. If only one spouse has pension income and meets the eligibility requirements, that spouse takes the entire exclusion of up to \$12,000. The spouse who has no pension income receives no exclusion.

LINE 22. Moving Expense Deduction. Enter the deduction for moving expenses incurred in 2015. Include a copy of federal form 3903.

MARRIED SEPARATE FILERS: This deduction must be divided between spouses based on earned income received after their move. If one spouse can show that the move was made for that spouse, that spouse is entitled to the entire deduction.

LINE 23. Iowa Capital Gain Deduction - for certain business/farm assets ONLY. You must complete and include the IA 100 with your return to claim the Iowa Capital Gain Deduction. Gains on the sale of stocks or bonds **do not generally qualify** for the capital gain deduction. Capital gains from the sale of investment property **do not qualify** for the capital gain deduction, even if sold to lineal descendants of the owners of the property. Non-farm rental property may qualify. In addition to the instructions and guidance found in the IA 100, flowcharts to assist in determining if a gain qualifies are found in the Online Expanded Instructions.

MARRIED SEPARATE FILERS: Divide the capital gain deduction based on ownership of the asset.

- a. Jointly held: Divide equally between spouses.
- b. If other than jointly held: Divide between spouses based on percentage of ownership.

LINE 24. Other Adjustments. Enter the total of other allowable adjustments as listed below. Include an explanation for each adjustment.

- a. Accrual method
- b. Active Duty Military Pay included in line 15 Gross Income (see Online Expanded Instructions)
- c. Alternative motor vehicle deduction of \$2,000 for those completing federal form 8910 (Alternative Motor Vehicle Credit)
- d. Capital gain from installment sales reported on the 2001 Iowa return using the accrual method.
- e. Capital or ordinary gain from involuntary conversion related to eminent domain
- f. Claim of Right Deduction may be taken on line 24, or you can calculate the tax reduction as a credit claimed on line 62, but not both
- g. College Savings Iowa or Iowa Advisor 529 Plan, up to \$3,163 per beneficiary
- h. Disability income exclusion, include IA 2440
- i. Domestic production activities deduction, see federal return
- j. Reserved for future use
- k. Employer Social Security credit from federal return
- l. Federal alcohol and cellulosic biofuel fuels credit from federal return
- m. Foreign-earned income exclusion and/or foreign housing deduction from federal return
- n. Gains or losses from distressed sale transactions
- o. Health savings account deduction from federal return
- p. Injured veterans program, contributions to (do not put on IA Sch. A)
- q. Injured veterans program, (only grants from)
- r. In-home health care
- s. Iowa Veterans Trust Fund
- t. Military exemptions, not already excluded (see Online Expanded Instructions)
- u. Net operating loss, Iowa
- v. Organ transplant expenses
- w. Partnership income and/or S corporation income: Modifications that decreased the income
- x. Segal Americorps Education Award Payments
- y. Speculative shell buildings
- z. Student loan interest deduction from federal 1040, line 33, or from federal 1040A, line 18
- aa. Victim compensation awards
- bb. Wages paid to certain individuals
- cc. Work Opportunity Credit from federal return
- dd. Other federal adjustments prior to the calculation of federal 1040 line 38 (federal AGI) not already taken on the IA 1040
- ee. Reserved for future use
- ff. Reserved for future use
- gg. Nonresident Electric Utility Worker Training and Emergency Response Work Reciprocity (see Online Expanded Instructions).

MARRIED SEPARATE FILERS: When the adjustment is attributable to a specific spouse, it is taken by that spouse. When the adjustment is not attributable to any one spouse, it must be prorated based on the net income amounts on line 26. Calculate through line 26 as if the adjustment in question were excluded. If the adjustment is attributable to a dependent, such as the student loan interest deduction, it is prorated based on net income before the adjustment in question.

LINE 26. Net Income.

The following income must be included when determining if you are eligible for an exemption from tax:

- a. The incomes of both spouses must be combined to determine if you meet this exemption from tax.
- b. The amount of any pension exclusion that is taken on IA 1040, line 21.
- c. Any Reportable Social Security amount from IA 1040, step 4.
- d. Any amount of lump-sum distribution separately taxed on federal form 4972.
- e. Any net operating loss carryover.

FILING STATUS 1, SINGLE: If you are using filing status 1 (single), you are exempt from Iowa tax if you meet either of the following conditions:

- a. Your net income from all sources, line 26, is \$9,000 or less and you are not claimed as a dependent on another person's Iowa return. (\$24,000 if you are 65 or older on 12/31/15)
- b. Your net income from all sources, line 26, is less than \$5,000 and you are claimed as a dependent on another person's Iowa return.

ALL OTHER FILING STATUSES: If you are filing jointly, separate on a combined return, head of household, or qualifying widow(er), you are exempt from Iowa tax if your net income from all sources, line 26, is \$13,500 or less and you are not claimed as a dependent on another person's Iowa return. (\$32,000 if you or your spouse is 65 or older on 12/31/15)

QUALIFICATIONS FOR EXEMPTION FROM TAX: If you qualify for the low income exemption as explained above, enter the words "low income exemption" in the area to the left of your net income figure on line 26. Enter zero on line 55 and complete the remainder of the return.

MARRIED SEPARATE FILERS: Married taxpayers filing separate combined or separate returns must use the combined income of both spouses in determining eligibility for exemption from tax. If either spouse has a net operating loss that is carried back or forward, then the other spouse cannot use the low income exemption. If the spouse with the net operating loss chooses not to carry the loss back or forward, then the other can claim the low income exemption. A statement must be attached to the return saying that the spouse with the net operating loss will not carry it back or forward.

Nonresidents and Part-year Residents: In addition to the exemption provisions above, if you were a nonresident or part-year resident and had net income from Iowa sources of less than \$1,000 (see note below) you are exempt from Iowa tax. To review instructions for "Iowa-source income," see the instructions for lines 1-26 of the IA 126. If you had Iowa tax withheld and are requesting a refund, or choose to file an Iowa return even though you aren't required to do so, you must complete the entire IA 1040 and the entire IA 126.

NOTE: If you were a nonresident or part-year resident and subject to Iowa lump-sum tax or Iowa alternative minimum tax (even if Iowa-source income is less than \$1,000), you are required to file an Iowa return reporting the lump-sum and/or alternative minimum tax even if you have no regular Iowa income tax liability.

STEP 7 FEDERAL TAX ADDITION AND DEDUCTION

LINE 27. Federal Income Tax Refund/Overpayment Received in 2015. Any federal income tax refund received during 2015 must be reported on this line. To find out the amount of your federal refund, you must contact the IRS at 1-800-829-1040 or www.irs.gov. If you chose to have any part of an overpayment of federal income tax credited to estimated tax payments for 2015, the amount should be claimed as 2015 estimated tax paid on line 32. The total overpayment must be reported on line 27. Any portion of the federal refund received due to the fuel tax credit must be reported on the Iowa return.

Do not include the federal refund in the following situations (See Online Expanded Instructions):

- Do not include any part of the refund received from earned income tax credit, additional child tax credit, first-time homebuyer credit, existing homebuyer credit, refundable education credit, or net premium tax credit.
- You are filing an Iowa return for 2015 for the first time because you moved into Iowa during the year. A refund of federal tax received in 2015 is not reported if the tax was not deducted from Iowa income in a prior year.
- The refund you received was from a year in which you did not take a deduction for the payment of federal tax because your income was less than the minimum amount for paying Iowa tax or your tax for that year was calculated using the alternate tax computation.
- You were a nonresident for the tax year of the refund and were not required to file an Iowa return for that year.

MARRIED SEPARATE FILERS: If the refund received in 2015 was from a jointly-filed federal return, it must be divided between the spouses in the ratio of the spouses' Iowa net incomes in the year for which the refund was issued.

LINE 28. Self-employment/Household Employment Taxes. If any part of the federal tax payments on lines 31, 32, or 33 include self-employment tax, federal household employment taxes, or other additional federal taxes, then those federal taxes must be added back on line 28. Please see the Online Expanded Instructions.

MARRIED SEPARATE FILERS: Each spouse must claim only one's own self-employment tax. Household employment taxes are divided between spouses in the ratio of their respective net incomes.

LINE 31. Federal Tax Withheld. Enter the amount listed in the box labeled "federal income tax withheld" on the W-2 or 1099 form(s) that you received.

MARRIED SEPARATE FILERS: Each spouse may claim only one's own federal income tax withheld from wages.

LINE 32. Federal Estimated Tax Payments Made in 2015. Enter the federal estimated income tax payments made in 2015. Include any credit applied from your 2014 federal income tax overpayment. Federal tax includes the net investment income tax on Federal Form 8960. Federal tax does not include the additional Medicare tax on Federal Form 8959 and does not include the Shared Responsibility Payment reported on line 61 of the federal 1040 return.

MARRIED SEPARATE FILERS: All federal estimated tax payments made in 2015 are divided between spouses in the same ratio as their incomes not subject to federal withholding for the 2015 tax year.

LINE 33. Additional Federal Tax Paid in 2015.
 a. Enter the amount of additional federal income tax paid during 2015 for tax year 2014 and any other years before 2015. The amount of additional federal income tax paid is deductible only if Iowa income tax returns were required to be filed for the year for which the additional federal income tax was paid. Include only the actual federal tax payments made in 2015, but do not include penalties and interest.

MARRIED SEPARATE FILERS: The additional federal tax paid must be divided between the spouses in the ratio of the spouses' Iowa net incomes for the prior years for which they paid additional federal income tax.

b. FICA payments in excess of \$7,347.00 for Social Security tax for each person and the fuel tax credit from the 2015 federal return can be deducted as a federal tax payment on line 33.

STEP 8 ITEMIZED OR STANDARD DEDUCTION

You may itemize deductions or claim the Iowa standard deduction, whichever is larger. You may itemize deductions on your Iowa return even if you did not itemize deductions on your federal return. You must complete the Iowa Schedule A to itemize deductions on the Iowa return.

MARRIED SEPARATE FILERS: If one spouse uses the itemized deduction, then both spouses must use the itemized deduction, even if separate Iowa returns are filed. Itemized deductions must be divided between spouses in the ratio of their respective net incomes.

LINE 37. Itemized or Standard Deduction: Mark the correct box to show the deduction method used.

STANDARD: Tax year 2015, standard deduction is:

Filing Status 1:	\$1,950
Filing Status 3 or 4:	\$1,950 for each spouse
Filing Status 2, 5, or 6:	\$4,810

Itemized Deductions:

- Taxpayers with the **mortgage interest credit deduction** can claim on their Iowa return a deduction on line 9b of Schedule A for all home mortgage interest paid in the tax year and not just the home mortgage interest that was deducted on the federal Schedule A.
- **School Tuition Organization, Charitable Conservation Tax Credit Contributions, and Endow Iowa Tax Credit:** Do not include as an itemized deduction any contributions for which a credit is claimed on line 52 of the IA 1040.
- **Injured Veterans Program Contributions:** These contributions do not qualify as itemized deductions but can be taken on line 24.
- **Health Insurance Premiums:** Do not include as an itemized deduction any health insurance premiums shown on line 18 of the IA 1040.
- **Vehicle Registration Fee Deduction.** If you itemize deductions, a portion of the annual automobile registration fee you paid in 2015 may be deducted as personal property tax on your Iowa Schedule A, line 6.

This deduction is for annual registration fees paid based on the value of qualifying automobiles and multipurpose vehicles. Multipurpose vehicles are defined as motor vehicles designed to carry not more than 10 people, and constructed either on a truck chassis or with special features for occasional off-road operation [Iowa Code section 321.1(44)]. Annual registration fees on the following vehicles are **not** deductible: pickups (model year 2009 or older), motor trucks, work vans, ambulances, hearses, non-passenger-carrying vans, campers, motorcycles, or motor bikes. See 2015 Online Expanded Instructions for additional details, including information about model year 2010 and newer pickups.

Newer Vehicles: Use the following worksheet to calculate the deductible amount of registration fees paid in 2015 for qualifying automobiles (model year 2005 or newer) and multipurpose vehicles (model year 1993 or newer).

Line 37 Vehicle Registration Deduction Worksheet

1. Enter the actual annual registration fee paid 1. _____
2. Take the weight of your vehicle and divide it by 250. The weight is found on your registration. 2. _____
3. Subtract line 2 from line 1. This is the deductible amount for line 37. 3. _____

Older Vehicles: For qualifying automobiles (model year 2004 or older) and multipurpose vehicles (model year 1992 or older) the deductible amount is 60% of the registration fees paid in 2015.

Iowa Itemized Deduction Worksheet form IA 104 must be used if your federal AGI is more than \$309,900 for married filers (\$154,950 for married taxpayers filing separate returns) or qualified widow(er), \$284,050 for head of household filers and \$258,250 for single filers.

Other Deductions (line 27 of IA Schedule A)

a. Expenses Incurred for Care of a Disabled Relative: Expenses, not to exceed \$5,000, incurred in caring for a disabled relative in your home may be deducted. The expenses must be for the care of a person who is your grandchild, child, parent, or grandparent. The disabled person must be unable, by reason of physical or mental disability, to live independently and must be receiving or be eligible to receive medical assistance benefits under Title 19 of the U.S. Social Security Act. Only expenses that are not reimbursed can be claimed. An itemized list of expenses must be included with the return. Items may include food, clothing, medical expenses not otherwise deductible, and transportation. The following expenses cannot be included: rent, mortgage payments, interest, utilities, house insurance, and taxes. A statement from a qualified physician certifying that the person with the disability is unable to live independently must be submitted with the return the first year the deduction is taken and every third year thereafter.

MARRIED SEPARATE FILERS: The total deduction claimed by both spouses for each relative with a disability may not exceed \$5,000.

b. Adoption Expenses: If you adopted a child during the tax year, you may be eligible to deduct a portion of the adoption expenses you paid in 2015. This deduction is taken in the year you paid the expenses even if the child is not placed in your home that year. Costs relating to the child's birth, any necessary fees, and all other costs connected with the adoption procedure are allowed. Include a list of expenses with your return.

Subtract 3% of your total Iowa net income entered on line 26 from the total of qualifying adoption expense. If married, 3% of the combined net income must be subtracted. Only the amount which exceeds 3% of your total Iowa net income may be deducted.

NOTE: Taxpayer claiming adoption expenses on line 27 of the Schedule A must exclude those expenses eligible for the Adoption Tax Credit in calculating the deduction.

c. Mileage Deduction for Charitable Purposes: Iowa allows you an additional deduction for automobile mileage driven for charitable organizations. Calculate the deduction as follows:

1. Number of miles x 39¢/mile 1. _____
2. Less charitable mileage deduction already included as part of line 26, Iowa Schedule A 2. _____
3. Equals additional mileage deduction for charitable purposes. 3. _____

STEP 9 TAX CALCULATION

LINE 39. Tax from Tables or Alternate Tax.

Tax from Tables: Visit the Department website for the tax tables.

Alternate Tax Calculation: For filing statuses 2, 3, 4, 5, and 6. If the combination of your net income from line 26 PLUS any pension exclusion taken on line 21 and reportable social security benefits from step 4 of the IA 1040 exceeds \$13,500 (\$32,000 if you or your spouse is 65 or older on 12/31/15), you are required to file a return but you may owe less tax by completing the worksheet below to compute your tax liability. Enter this alternate tax on line 39 if it is less than the tax from the tax table. This is not available to status 1 filers.

If you are married filing separately and one spouse has a net operating loss that will be carried back or forward, then you cannot use the alternate tax computation. If the spouse with the net operating loss elects not to carry the net operating loss back or forward, then you can use the alternate tax computation. A statement must be included with the return saying that the spouse with the net operating loss will not carry it back or forward.

1. Enter the total of net income from line 26, pension exclusion from line 21 of the IA 1040 and reportable social security benefits from step 4 of the IA 1040. Filing statuses 3 or 4: Enter combined totals of both spouses. 1. _____
2. Enter \$13,500. (\$32,000 if you or your spouse is 65 or older on 12/31/15.) 2. _____
3. Income subject to alternate tax. Subtract line 2 from line 1. 3. _____
4. Multiply line 3 by 8.98% (.0898). 4. _____
5. Using the tax tables, determine the tax on the taxable income from line 38 of the IA 1040. Status 3 and 4 filers: Calculate tax separately and combine the amounts 5. _____
6. Compare the amounts on line 4 and line 5. Enter the smaller amount here and on line 39, IA 1040. 6. _____

LINE 40. Iowa Lump-sum Tax. Enter 25% of federal tax from form 4972.

LINE 41. Iowa Alternative Minimum Tax. The Iowa alternative minimum tax is imposed, for the most part, on the same tax preference items and adjustments on which federal alternative minimum tax is imposed. However, you may be subject to Iowa alternative minimum tax even if you have no liability for federal alternative minimum tax. If you had tax preference items and adjustments in 2015, see form IA 6251 for further information.

Nonresidents and Part-year Residents: If you have Iowa-source tax preferences or adjustments, you may be subject to Iowa alternative minimum tax. See form IA 6251.

LINE 44. Tuition and Textbook Credit. Taxpayers who have one or more dependents attending Kindergarten through 12th grade in an accredited Iowa school may take a credit for each dependent for amounts paid for tuition and textbooks. Dependents must have attended a school in Iowa that is accredited under section 256.11, not operated for a profit, and adheres to the provisions of the U.S. Civil Rights Act of 1964.

The credit amount is 25% of the first \$1,000 paid for each dependent for tuition and textbooks. In the case of divorced or separated parents, only the spouse claiming the dependent can claim the amounts paid by that spouse for tuition and textbooks for that dependent. Expenses for textbooks or other items for home schooling, tutoring, or schooling outside an accredited school do not qualify for the credit.

"Tuition" means any charges for the expense of personnel, buildings, equipment, and materials other than textbooks, and other expenses that relate to the teaching of only those subjects legally and commonly taught in Iowa's public elementary and secondary schools.

"Textbooks" means books and other instructional materials used in teaching those same subjects. This includes fees, books, and materials for extracurricular activities. Examples of extracurricular activities: sporting events, speech activities, musical or dramatic events, driver's education (if paid to a school), awards banquets, homecoming, prom (purchase of clothing does not qualify), and other school related social events.

For lists of items eligible and not eligible for the credit, see Online Expanded Instructions. (Credit can be claimed only for dependents listed on the return.) Calculate the proper amount of expenses per dependent and multiply the amount – not to exceed \$1,000 – by 25% (.25).

MARRIED SEPARATE FILERS (including status 4): Use the combined net incomes of both spouses to compute the alternate tax. (If you are status 4 and do not provide the other spouse's income in Step 2 of the IA 1040, you will not be allowed the alternate tax calculation.) Divide the alternate tax between spouses in the ratio of the net income of each spouse to the combined net income of both spouses. "Net income" for purposes of this proration is the amount from line 26, plus any pension exclusion from line 21 and reportable social security benefits from step 4 of the IA 1040.

Example: Students Patty and Mark have qualifying expenses of \$1,400 and \$700 respectively. Their parents can take a credit of \$250 (25% of \$1,000 maximum) for Patty and \$175 (25% of \$700) for Mark, for a total credit of \$425.

MARRIED SEPARATE FILERS: This credit must be taken by the spouse claiming the dependent. Any unused part of this credit cannot be used by the other spouse.

LINE 45. Volunteer Firefighter/Volunteer Emergency Medical Services (EMS) Personnel/Reserve Peace Officer Tax Credit. A tax credit of up to \$100 is available for volunteer firefighters, volunteer EMS personnel, or state certified reserve peace officers. A volunteer firefighter must be an active member of an organized volunteer fire department in Iowa who has met minimum training standards. Volunteer EMS personnel must be individuals trained to provide emergency medical care, who are certified as first responders, and have been issued certificates by the Iowa Department of Public Health. A reserve peace officer must meet the minimum state training standards established by the Iowa Law Enforcement Academy. The tax credit equals \$100 if the volunteer served for all of 2015. If the volunteer did not serve during all of 2015, the \$100 credit is prorated based on the number of months the volunteer served, rounded to the nearest dollar. If an individual serves in more than one capacity, the credit is limited to \$100 in total.

LINE 48. Credit for Nonresident or Part-year Resident. Enter the amount of your nonresident/part-year resident tax credit from Schedule IA 126, line 33. IA 126 instructions begin on page 8.

Examples are available in the Online Expanded Instructions. You may owe less tax by using filing status 3 or 4. A copy of Schedule IA 126 and a copy of your federal return must be included.

LINE 50. Out-of-state Tax Credit. All income an Iowa resident earns is taxable to Iowa to the same extent that it is taxable on the federal return even if the income was earned in another state or foreign country. If another state or foreign country taxes that same income, then the Iowa resident may be able to claim the Out-of-state Tax Credit by completing the IA 130 schedule. See examples on page 10.

LINE 52. Other Nonrefundable Iowa Credits. Enter the total of the credits from Part I of the IA 148 Tax Credits Schedule. See the IA 148 Instructions for the list of credits. You must include the IA 148 with the IA 1040.

LINE 54. School District Surtax/EMS Surtax. Multiply the amount on line 53 by the surtax rate and enter the result. The applicable school district is the one in which you resided on the last day of the tax year, not necessarily the district where your children attend school. Taxpayers without children, or without children in public school, are still subject to this tax. Surtax rates are listed on the Department website. The name of your school district may be found on your voter registration card.

LINE 57. Contributions. Enter your voluntary contributions to any of the checkoffs in boxes 57a, 57b, 57c, and 57d. Please note that you may contribute to any of the checkoffs regardless of whether you are entitled to a refund or owe additional taxes, but your contribution will reduce your refund or add to the amount you owe. Your contribution this year will qualify as a charitable contribution on next year's return if the return is filed during the calendar year. If you file an amended return, you cannot change your contribution.

MARRIED SEPARATE FILERS: Married couples filing separately on a combined return (filing status 3) must enter their combined checkoff amounts in the appropriate box(es) if both choose to contribute.

STEP 10 CREDITS

LINE 59. Iowa Fuel Tax Credit. Enter the amount of Iowa Fuel Tax Credit from Schedule IA 4136. The federal Schedule 4136 cannot be used. The Iowa credit does **not** apply to fuel used in on-road vehicles or pleasure boats. If you have an Iowa Fuel Tax Refund Permit Number and have claimed any refunds during the tax year, do **not** claim any credit on this line.

LINE 60. Child and Dependent Care Credit OR Early Childhood Development Credit. Only one of these credits may be taken. Only taxpayers with a net income of less than \$45,000 are eligible to take one of these credits. If you are married, your net income and the net income of your spouse must be combined to determine if you qualify, even if your spouse does not file an Iowa return.

If you are choosing the Child and Dependent Care Credit, use the following worksheet to calculate the credit.

- Enter the amount from line 9 of federal form 2441. 1. _____
- If total of line 26 of the IA 1040, columns A and B, is:

	allowable %		allowable %
Less than \$10,000	75%	\$25,000 - \$34,999	50%
\$10,000 - \$19,999	65%	\$35,000 - \$39,999	40%
\$20,000 - \$24,999	55%	\$40,000 - \$44,999	30%
		\$45,000 and over:	0%

Enter % here2. _____

- Credit. Multiply line 1 by the percentage on line 2. Enter result here. Also enter on IA 1040, line 60.....3. _____

Nonresidents and Part-year Residents: The Child and Dependent Care Credit must be adjusted using the following formula:

$$\frac{\text{Iowa net income (line 26, IA 126)}}{\text{All-source net income of you and spouse (line 26, IA 1040)}} \times \text{Line 3 credit above} = \text{Credit on line 60}$$

The ratio cannot exceed 100%

Or

If you are choosing the Early Childhood Development Credit, you may take the credit equal to 25% of the first \$1,000 of qualifying expenses paid in 2015 for each dependent from the ages of three through five.

Expenses that qualify include the following:

- Services provided by a preschool, as defined in IA Code section 237A.1
- Books that improve child development, such as textbooks, music and art books, teacher's editions, and reading books
- Instructional materials required to be used in a lesson activity, such as paper, notebooks, pencils, and art supplies
- Lesson plans and curricula
- Child development and educational activities outside the home, such as drama, art, music and museum activities, and the entrance fees for such activities

Early childhood development expenses that do not qualify include:

- Food, lodging, or membership fees relating to child development and educational activities outside the home
- Services, materials, or activities for the teaching of religious tenets, doctrines, or worship, if the purpose of these expenses is to instill those tenets, doctrines, or worship

MARRIED SEPARATE FILERS: In computing the credit, the combined net income of both spouses must be used. The credit must be divided between spouses in the ratio of each spouse's net income to their combined net income.

LINE 61. Iowa Earned Income Tax Credit (EITC). Enter 15.0% (0.15) of the federal EITC claimed on your federal return.

Nonresidents and Part-year Residents: The Iowa EITC must be adjusted using the following formula:

$$\frac{\text{Iowa net income (line 26, IA 126)}}{\text{All-source net income of you and spouse (line 26, IA 1040)}} \times \text{Iowa EITC} = \text{Credit on line 61}$$

The ratio cannot exceed 100%

MARRIED SEPARATE FILERS: The Iowa EITC must be divided between spouses in the ratio of each spouse's earned income to total earned income. Earned income includes wages, salaries, tips, or other compensation, and net earnings from self-employment.

LINE 62. Other Refundable Credits. Enter the total of other credits from Part II, IA 148 Tax Credits Schedule. See the IA 148 Instructions for a list of credits. Include the IA 148 with the IA 1040.

LINE 65. Taxpayers Trust Fund Tax Credit. The taxpayers trust fund tax credit for 2015 is \$0. This line is reserved for future years.

LINE 66. Iowa Income Tax Withheld. Enter the total amount of income tax withheld for Iowa on your W-2s, W-2Gs, and/or 1099s.

LINE 67. Estimated and Voucher Payments. Enter the total amount of 2015 Iowa estimated tax payments. This includes any fourth quarter payment made in January 2016 and any payments made with the IA 1040V Payment Voucher for 2015. Also include any amount applied to your 2015 Iowa estimated tax from line 71 of your 2014 Iowa income tax return.

STEP 11 REFUND OR AMOUNT DUE

LINE 74. Penalty for Underpayment of Estimated Tax:

If you are required to make estimated tax payments but fail to make the payments, you are subject to a penalty in addition to any tax you may owe. The penalty is determined in the same way as for federal purposes. Consequently, you must include your Iowa income, lump-sum, and Iowa alternative minimum taxes when calculating the penalty for underpayment of estimated tax.

If you are subject to this penalty, complete IA 2210 or IA 2210S (IA 2210F for farmers and fishers), enter the penalty on this line, and include a copy with your return. If you choose to use the annualized method of computing the penalty, include a copy of the IA 2210 Schedule AI with your tax return.

If you are due a refund, subtract the penalty amount from the overpayment you show on line 71 or line 72.

Line 75. Penalty and Interest.

Iowa does not follow the federal extension guidelines.

75a Note: Penalties can only be waived under limited circumstances, as described in Iowa Code section 421.27.

Failure to Timely File a Return: A penalty of 10% will be added to the tax due for failure to timely file a return if the return is filed after the original due date of the return and if at least 90% of the correct amount of tax is not paid by the original due date of the return.

Failure to Timely Pay the Tax Due or Penalty for Audit Deficiency: A penalty of 5% will be added to the tax due if the return is filed by the original due date and at least 90% of the correct amount of tax is not paid by the original due date of the return.

When the failure to file penalty and the failure to pay penalty are both applicable, only the failure to file penalty will apply.

Penalty for Willful Failure to File: A penalty of 75% will be added to the tax due for willful failure to file a return or for filing with intent to evade tax.

75b. Interest must be added to delinquent tax. Interest is added at a rate of 0.4% per month beginning on the day after the due date of the return and accrues each month until paid in full.

LINE 76. You have four options to pay the amount due.

- Direct debit payment with the income tax return,
- ePay (direct debit) at <https://tax.iowa.gov/>,
- Credit/debit card, or
- Mail a check/money order with an IA 1040V Payment Voucher from our website, payable to Treasurer, State of Iowa.

Do not make payments of less than one dollar. See the Online Expanded Instructions for more information.

STEP 12 POLITICAL CHECKOFF

Contributions to this checkoff do not reduce your refund or increase your amount due. Contributing to this checkoff is not required. You may assign \$1.50 to a specific political party or to the Iowa Election Campaign Fund for distribution to qualifying parties. Each spouse may assign \$1.50 to the party of choice regardless of the filing status of the return.

STEP 13 SIGNATURE

Returns are not processed and refunds are not issued if returns are not signed. If you and your spouse file a joint or combined return, both of you must sign. **Deceased Taxpayer:** If your spouse died and you are filing a joint or combined return, write on the deceased's signature line "Filing as a surviving spouse," check the box, and enter the date of death. Also, enclose any forms required to be filed with your federal return, such as federal form 1310 or a copy of the court certificate showing your appointment as a personal representative of the decedent.

2015 INSTRUCTIONS FOR SCHEDULE IA 126

You will need to complete the IA 1040 lines 1-47 before you can complete the IA 126. The IA 1040 must be completed using **all-source income**. Nonresidents and part-year residents of Iowa will use the IA 126 to figure their **Iowa-source income**. The credit from this form is used to reduce total tax on the IA 1040. Include copy of federal return. Note: The Iowa income percentage is rounded to the nearest tenth of a percent.

For part-year Iowa residents, Iowa net income includes all income received while living in Iowa plus any Iowa-source income received while a nonresident.

For nonresidents, Iowa net income will include all income from Iowa sources. Complete lines 1-26 of the IA 126 using only income from Iowa sources. Enter the amount of credit from line 33, IA 126, on line 48, IA 1040.

If you used filing status 3 (married filing separately on the combined return) on your IA 1040, you will divide your Iowa income between spouses using the instructions given for the corresponding line on the IA 1040 for married separate filers.

1. WAGES, SALARIES, TIPS, ETC.

Part-year residents: Include all W-2 income earned while an Iowa resident, even if it was earned in another state, and any income for services performed in Iowa while a nonresident of the state. If it was earned in another state, you may also need to fill out the IA 130 if you pay tax to the other state. You will need to check with that state for their filing requirements.

Nonresidents: Report only Iowa-source income. If the portion of employee compensation earned in Iowa by a nonresident is not reported separately, allocate the compensation based upon the number of days worked in Iowa to total work days.

2. TAXABLE INTEREST INCOME.

Part-year residents: Report all interest shown on the IA 1040 which accrued while an Iowa resident and any interest received while a nonresident which was derived from a trade, business, or profession carried on within Iowa.

Nonresidents: Report only the interest derived from an Iowa trade, business, or profession.

3. DIVIDEND INCOME.

Part-year residents: Report all dividends received while an Iowa resident and any dividends derived from an Iowa trade, business, or profession while a nonresident.

Nonresidents: Report the dividends derived from an Iowa trade, business, or profession.

4. ALIMONY RECEIVED.

Part-year residents: Report all alimony or separate maintenance payments received while an Iowa resident.

Nonresidents: Do not enter anything on this line.

5. BUSINESS INCOME OR (LOSS).

Part-year residents: Report all federal Schedule C or C-EZ income earned while an Iowa resident and any portion of business income or loss earned while a nonresident attributable to a business conducted in Iowa.

Nonresidents: Report the portion of business income or loss attributable to business conducted in Iowa. Include a supporting schedule showing Iowa gross receipts divided by total gross receipts; multiply this ratio times the total net income from federal Schedule C or C-EZ. A sale is considered an Iowa sale if goods are delivered or shipped to a point within the state regardless of Freight on Board (F.O.B.) point.

6. CAPITAL GAIN OR (LOSS).

Part-year residents: Include 100% of the capital gain or loss from assets sold while an Iowa resident. In addition, capital gain or loss from assets sold while a nonresident of Iowa should be reported on the basis of the instructions for nonresidents that follow.

Nonresidents: Include in Iowa income 100% of capital gain or loss from the following:

- a. Sales of real or tangible personal property if the property was located in Iowa at the time of the sale; or
- b. Sales of intangible personal property if the taxpayer's commercial domicile is in Iowa.

NOTE: You may have a gain here even if you have a net loss on the IA 1040.

7. OTHER GAINS OR (LOSSES).

Part-year residents: Report 100% of gains or losses from assets sold or exchanged while an Iowa resident and any gains or losses from federal form 4797 while a nonresident if the property was located in Iowa at the time of sale or exchange.

Nonresidents: Report any gains or losses from federal form 4797 if the property was located in Iowa.

NOTE: You may have a gain here even if you have a net loss on the IA 1040.

8. TAXABLE IRA DISTRIBUTIONS.

Part-year residents: Report any taxable IRA distributions received while an Iowa resident.

Nonresidents: Do not enter anything on this line.

9. TAXABLE PENSIONS AND ANNUITIES.

Pension is taxable to the state you live in when you receive it.

Part-year residents: Report any pension and annuity income reported on line 9 of the IA 1040 which was received while an Iowa resident.

Nonresidents: Do not enter anything on this line.

10. RENTS, ROYALTIES, PARTNERSHIPS, ESTATES, TRUSTS, ETC.

Part-year residents: Report all income shown on federal Schedule E which was earned or received while an Iowa resident and all rents and royalties from Iowa sources and partnerships or S corporation income earned or received while a nonresident.

Nonresidents: Report all rents and royalties from Iowa sources and all Iowa partnership or S corporation income. See line 5 of this section for instructions.

11. FARM INCOME OR (LOSS).

Part-year residents: Report all net farm income earned or received while an Iowa resident. Also report all net income from Iowa farm activities while a nonresident using the instructions for nonresidents given below.

Nonresidents: Report the total net income from Iowa farm activities. If farm activities were conducted both within and without Iowa, provide a separate schedule showing allocation of the income and expenses to Iowa.

12. UNEMPLOYMENT COMPENSATION.

Part-year residents: Report all unemployment benefits received while an Iowa resident and those benefits received the rest of the year that relate to past employment in Iowa.

Nonresidents: Report the unemployment benefits that relate to employment in Iowa. If the unemployment benefits relate to employment in Iowa and employment in another state, report the benefits to Iowa in the ratio of Iowa salaries and wages to total salaries and wages.

13. GAMBLING WINNINGS.

Part-year residents: Report any gambling winnings on line 13 of IA 1040 which was received while an Iowa resident or income from Iowa sources while a nonresident.

Nonresidents: Report all gambling winnings from Iowa sources.

14. OTHER INCOME.

Part-year residents: Report any income on line 14 of IA 1040 which was received while an Iowa resident or income from Iowa sources while a nonresident. This includes the bonus depreciation and section 179 adjustment attributable to Iowa from the IA 4562A.

Nonresidents: Report all other income from Iowa sources.

16. PAYMENTS TO AN IRA, KEOGH, OR SEP.

Part-year residents: Deduct payments made to an IRA, Keogh, or SEP plan while an Iowa resident.

Nonresidents: Deduct payments made to an IRA, Keogh, or SEP plan in the ratio of Iowa earned income to total earned income.

17. DEDUCTIBLE PART OF SELF-EMPLOYMENT TAX.

Part-year residents: Deduct the portion of the self-employment tax that is attributable to the self-employment income earned while an Iowa resident.

Nonresidents: Deduct the portion of the amount allowed on your federal return in the ratio of your Iowa self-employment income to your total self-employment income.

18. HEALTH INSURANCE DEDUCTION.

Part-year residents:

a. Self-employed. Enter 100% of the health insurance premiums paid by a self-employed individual while an Iowa resident.

b. Deducted through wages. Enter 100% of the health insurance premiums that were not withheld from your wages on a pretax basis while an Iowa resident.

c. Paid direct by taxpayer. Enter 100% of the health insurance premiums that you paid while an Iowa resident.

Nonresidents:

a. Self-employed. Enter 100% of the health insurance premiums paid by a self-employed individual in the ratio of Iowa self-employment income to total self-employment income.

b. Deducted through wages. Enter 100% of the health insurance premiums that were not withheld from your wages on a pretax basis in the ratio of Iowa wages to total wages.

c. Paid direct by taxpayer. Multiply the health insurance premiums that you paid by the ratio of your Iowa-source net income on line 26 of the IA 126 to total net income on line 26 of the IA 1040. For this net income calculation, do not include line 18, the health insurance deduction in the above-referenced net income amounts.

19. PENALTY ON EARLY WITHDRAWAL OF SAVINGS.

Part-year residents: Deduct the amount of any penalty you were charged because you withdrew funds from your time savings deposit before its maturity while an Iowa resident or what was derived from an Iowa trade, business, or profession.

Nonresidents: Deduct the amount of any penalty you were charged because you withdrew funds from your time savings deposit before its maturity that was derived from an Iowa trade, business, or profession.

20. ALIMONY PAID.

Part-year residents: Deduct alimony paid while an Iowa resident.

Nonresidents: Deduct alimony paid in the ratio of Iowa gross income to total gross income.

21. PENSION/RETIREMENT INCOME EXCLUSION.

Part-year residents: If you qualify for this exclusion on the IA 1040, you may exclude the amount of taxable retirement income received while an Iowa resident, up to a maximum of \$6,000 (if filing status 1, 5, or 6) or \$12,000 (if filing status 2, 3, or 4).

Nonresidents: Iowa-source retirement income received by a nonresident is not taxable to Iowa. Therefore, you do not qualify to take this exclusion. Do not enter anything on this line.

22. MOVING EXPENSES.

Part-year residents who moved into Iowa can enter any unreimbursed moving expenses from line 22 of the IA 1040 that relate to the move to Iowa. Part-year residents moving out of Iowa cannot take any deduction on this line.

Nonresidents: Do not enter anything on this line.

23. IOWA CAPITAL GAIN DEDUCTION.

Enter 100% of qualifying capital gains attributable to Iowa sources.

24. OTHER ADJUSTMENTS.

Deduct miscellaneous adjustments to income in the same ratio as the income to which the adjustment relates was allocated to Iowa.

26. IOWA NET INCOME.

Subtract line 25 from line 15 and enter the difference on this line. If line 26 is \$1,000 or more **or** you are subject to Iowa lump-sum or alternative minimum tax, complete lines 27 through 33. If line 26 is less than \$1,000 **and** you are not subject to Iowa lump-sum or alternative minimum tax, you are not required to file an Iowa income tax return. Married taxpayers must combine their Iowa income amounts for purposes of the \$1,000 filing threshold. However, if you had Iowa tax withheld and are requesting a refund, or choose to file an Iowa return even if you aren't required to do so, put 100% on line 29, complete the remainder of the schedule, and put the credit amount on line 48 of the IA 1040.

Nonresident Example 1:

Austin is a resident of Nebraska and works in Iowa. His income includes wages earned in Iowa and interest income from a Nebraska bank. Austin will report the wages and interest on the IA 1040 as all-source income. He will list his wages only on the IA 126 as his Iowa-source income.

Nonresident Example 2:

Rachael lived in Illinois the entire tax year. She earned \$25,000 in wages from Iowa and won \$5,000 at an Iowa casino. She will report all of her income on the IA 1040 as all-source income. Only the gambling winnings will be reported on the IA 126 as her Iowa-source income.

Iowa has a reciprocal agreement with Illinois, which means that wages and salaries are taxed by the individual's state of residence. All income received from gambling in Iowa is taxable to Iowa regardless of the person's state of residence.

Part-year Resident Example:

Lindsay lived and worked in Iowa the first six months of the tax year. In addition to her wages, she received interest income from an Iowa bank. Lindsay then moved to Missouri, where she was employed for the rest of the year. She continued to receive interest income from the Iowa bank. Lindsay will report all of her income from both states on the IA 1040 as all-source income. On the IA 126, she will report only the wages and interest income earned while an Iowa resident as Iowa-source income. The interest income earned the last half of the year is not considered Iowa-source income since Lindsay was no longer an Iowa resident.

**IOWA SCHEDULE IA 130
Out-of-State Tax Credit**

Schedule IA 130, the Iowa Out-of-State Credit Computation, is only for residents or part-year residents of Iowa who earned income while an Iowa resident which was taxed by another state or foreign country. Note: The Iowa income percentage is rounded to the nearest tenth of a percent.

Example 1 - Full-Year Iowa Residents Only

Katie lived in Iowa all year but worked in both Iowa and Nebraska. She earned \$10,000 in Iowa. She also earned \$15,000 in Nebraska that was taxed by Nebraska. Katie will report \$25,000 on line 15 of the IA 1040 as gross income. Line 49 of the IA 1040 is \$1,050. On the Nebraska state return the tax imposed* on her income was \$450.

	Column A You or Joint
1. Amount of gross income you received that was taxed by Iowa and taxed by the other state/foreign country.	\$15,000
2. Gross taxable income for residents from line 15, IA 126.	25,000
3. Divide line 1 by line 2 and enter the percentage (not to exceed 100.0%)	60%
4. Tax from line 49, IA 1040 (less lump-sum tax and alternative minimum tax)	1,050
5. Multiply line 4 by percentage on line 3	630
6. Enter the tax imposed* by the other state or foreign country	450
7. Enter the smaller of line 5 or 6. This is your Out-of-State Tax Credit. Enter this amount on line 50, IA 1040	450

* "Tax imposed" is the tax calculated from the tax formula/tables on the other state/foreign country's tax return, less any non-refundable credits. Do not reduce this figure by the tax withheld or estimated tax payment made to the other state/foreign country.

Example 2 - Part-Year Iowa Residents Only

Emily lived in Iowa until the end of June. July 1 she moved to Missouri. She worked all year in the state of Missouri. Emily earned a salary of \$30,000 for the year, \$15,000 while she lived in Iowa and \$15,000 while she lived in Missouri. Emily also earned \$10,000 farm rental income from farmland located in Iowa. Line 49 of the IA 1040 is \$1,292. On the Missouri state return, the tax imposed* on her income was \$1,000.

	Column A You or Joint
1. Amount of gross income you received that was taxed by Iowa and taxed by the other state/foreign country.	\$15,000
2. Gross taxable income for residents from line 15, IA 126.	25,000
3. Divide line 1 by line 2 and enter the percentage (not to exceed 100.0%)	60%
4. Tax from line 49, IA 1040 (less lump-sum tax and alternative minimum tax)	1,292
5. Multiply line 4 by percentage on line 3	775
6. Enter the tax imposed* by the other state or foreign country	1,000
7. Enter the total amount of gross income taxed by the other state/foreign country.	30,000
8. Divide line 1 by line 7 and enter the percentage (not to exceed 100.0%)	50%
9. Multiply line 6 by the percentage on line 8.	500
10. Enter the smaller of line 5 or 9. This is your Out-of-State Tax Credit. Enter this amount on line 50, IA 1040	500

Online Expanded Instructions are at <https://tax.iowa.gov/>