

## Income/Franchise:

### Iowa DOR Addresses New Composite Return Filing Requirements on Behalf of Nonresident Members

*Iowa Composite Returns for Tax Year 2022 and Later*, Iowa Dept. of Rev. (2/22). The Iowa Department of Revenue (Department) issued guidance pursuant to legislation enacted in 2021 [see S.F. 608 (2021) for more details on these law changes] that, for tax years beginning on or after January 1, 2022, requires some pass-through entities (including some tiered pass-through entities) to file an Iowa composite return on behalf of all nonresident members, reporting and paying applicable Iowa income or franchise tax at the maximum state income or franchise tax rate applicable to the respective members on their distributive shares of income from such pass-through entities. Specifically, the Department explains that this “composite return tax will be computed by multiplying each nonresident member’s Iowa-source income from the pass-through entity by the top Iowa tax rate applicable to that nonresident member,” and that for tax year 2022, the rate is 8.53% for individuals and pass-through entities, 9.8% for C corporations, and 5% for financial institutions.

URL: <https://tax.iowa.gov/iowa-composite-returns-2022>

URL: <https://www.legis.iowa.gov/legislation/BillBook?ba=SF608&ga=89>

Furthermore, the Department explains that i) a nonresident member that has been included on such filed composite returns “will receive a refundable credit for the Iowa income or franchise tax paid on the nonresident member’s behalf by the pass-through entity on the composite return,” and ii) this refundable composite tax credit will be reported to the nonresident member by the pass-through entity and may be claimed on the nonresident member’s Iowa income, franchise, or composite tax return. According to the Department, relevant Iowa tax forms and administrative rules will be updated “in the near future” to implement these new composite return changes. Note that pass-through entities in Iowa still may, but are not required to, make quarterly estimated composite tax payments. Please contact us with any questions.

— Axel Candelaria Rivera (Milwaukee)  
Senior Manager  
Deloitte Tax LLP  
[acandelariarivera@deloitte.com](mailto:acandelariarivera@deloitte.com)

Steven Kelly (Chicago)  
Manager  
Deloitte Tax LLP  
[stkelly@deloitte.com](mailto:stkelly@deloitte.com)

Olivia Schulte (Washington, DC)  
Manager  
Deloitte Tax LLP  
[oschulte@deloitte.com](mailto:oschulte@deloitte.com)

This document contains general information only and Deloitte is not, by means of this document, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This document is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this document.

**About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.