


New for Tax Year 2002!

◆ **The IA 1040A Short Form is NO LONGER PRINTED.** You are encouraged to use the 1040 Long Form if you must file on paper. We no longer mail the IA 1040A in a booklet or separately. However, you will find the IA 1040A and limited instructions available at the department's Web site: www.state.ia.us/tax

◆ **The instructions have been simplified.** Detailed instruction used by a limited number of filers have been removed. These instructions are available on our Web site. In this book, lines where expanded instructions are available are marked by the symbol: 

2002 General Information

Due date

Iowa income tax returns are due April 30, 2003.

Who must file?

You must file an Iowa return if you were a resident, part-year resident of Iowa in 2002 and meet any of the following requirements. Nonresidents, see items f. and g.

NOTE: In meeting the filing requirements below, both incomes of husband and wife must be included, and any "pension/retirement income exclusion" (line 21 of the IA1040) must be added back.

- You had a net income (line 26 of the IA1040) of more than \$9,000 and your filing status is single.
- You had a net income (line 26 of the IA1040) of more than \$13,500 and your filing status is other than single.
- You were claimed as a dependent on another person's Iowa return and had a net income (line 26 of the IA1040) of \$5,000 or more.
- You were in the military service with Iowa shown as your legal residence even though stationed outside of Iowa.
- You were subject to either Iowa lump-sum tax or Iowa minimum tax.
- You were a nonresident or part-year resident and your net income from Iowa sources (line 26 of the IA126) was \$1,000 or more.
- You were a nonresident or part-year resident and subject to Iowa lump-sum tax or Iowa minimum tax (even if Iowa source income 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 IA1040 and the IA126.

Iowa and Illinois reciprocal agreement

Any wages or salary made by an Iowa resident working in Illinois is taxable only to Iowa and not to Illinois. Any wages made by an Illinois resident working in Iowa is taxable only to Illinois and not to Iowa. Not covered under the agreement are Iowa gambling winnings and unemployment compensation for employment in Iowa. Illinois residents who have Iowa income tax withheld in error should see our Web site for instructions.

Schedule B

Schedule B is required if interest and/or dividends exceed \$1,500. In prior years this was \$400.

Extension requests

Our agency does not have an extension form to obtain additional time to file. If at least 90% of your total tax liability is paid by April 30, you will automatically have until October 31, 2003, to file your return. You will not be charged a penalty. However, you will pay interest on any tax still due after April 30. If you need to make a tax payment to meet the 90% requirement, you may now do so online at www.state.ia.us/tax or by using the IA 1040V payment voucher form included in this booklet.

Injured spouse

"Injured spouse" is not recognized by the State of Iowa when using "married filing a joint return," filing status 2. If your spouse's refund will be used to pay a Federal, state, county or city debt, you must use the IA 1040 Long Form, filing status 4, married filing separate returns. This will prevent your refund from being applied to your spouse's debt.

Federal bonus depreciation

The State of Iowa did not couple with the Federal Bonus Depreciation enacted in 2002. Form IA 4562A should be used to compute Iowa depreciation on items where Federal bonus depreciation was claimed. The total adjustment for decoupling as calculated on line 5 of the 4562A should be entered on line 14 of the IA 1040 as other income. This amount may need to be added back on several lines or schedules. Read expanded instructions for additional information.

Net operating losses

The Federal return allows for a 5-year carryback of net operating losses incurred in 2001 and 2002. Iowa has its own net operating loss provisions for a 2-year carryback, and Iowa law will not be changed based on the passage of the Federal bill. Therefore, for net operating losses incurred in 2001 and 2002, the loss carryback for Iowa purposes will remain at 2 years.

Deduction for teacher supplies

The Federal return provides for a deduction for the 2002 and 2003 tax years of up to \$250 for teachers for their out of pocket expenses in providing classroom supplies. Although the 2003 Legislature did not couple with the provision of the Federal Tax Code, we anticipate the Legislature will allow the deduction retroactively to this year's tax return. Eligible taxpayers may take the deduction as an "other adjustment" on line 24 of the IA 1040. Should authorizing legislation not pass, an amended return will need to be filed subtracting the adjustment.



2002 IA1040 INSTRUCTIONS

Note: The IA 1040A short form is available only on our Web site: www.state.ia.us/tax

STEP 1 NAME AND ADDRESS

ENTER YOUR/SPOUSE'S SOCIAL SECURITY NUMBER, NAME AND MAILING ADDRESS.

If your name or mailing address is incorrect, make the corrections directly on the return.

COUNTY.

The list of Iowa counties and their numbers starts on page 20. If the number on the return is incorrect, enter the number of the county you lived in as of December 31, 2002.

Nonresidents and part-year residents who moved out of Iowa before December 31, 2002, should enter "00" as your county number. Part-year residents who moved into Iowa should enter the number of the Iowa county in which you lived on December 31, 2002. Military personnel should enter "00" unless you actually lived in Iowa on December 31, 2002.

SCHOOL DISTRICT NUMBER.

The list of school district names, numbers and rates is at the end of the booklet. The district to choose is the one in which you lived on December 31, 2002. This is not necessarily the district where your children attended school. If the number on the return is not correct, make the correction directly on the label. **Nonresidents:** Those who did not live in Iowa at all during 2002 should enter "0000" for the school district number. **Part-year residents** who moved into Iowa should enter the Iowa school district in which you lived on the last day of 2002. If you moved out of Iowa before December 31, 2002, enter "9999." Military personnel should enter "1111" unless you actually lived in Iowa on December 31, 2002.

STEP 2 FILING STATUS AND STEP 3 EXEMPTION CREDITS

STATUS 1. Use if you were unmarried, divorced, or legally separated on December 31, 2002, and you do not meet the requirements for any other filing status.

STATUS 2.

- You were husband and wife on December 31, 2002, or
- Your spouse died during 2002 and you did not remarry during the year. If your spouse died during 2002 and had income, you can also file status 3 or 4.

STATUS 3. If you are married and want to file separately on one return.

STATUS 4. If you and your spouse file separate returns.

STATUS 5. If you are filing as head of household for Federal income tax purposes.

STATUS 6. If you meet the requirements for qualifying widow(er) for Federal income tax purposes.

Married Taxpayers may reduce their tax liability by using filing status 3.

STEP 4 GROSS INCOME

If you use filing status 3 (married filing separately on combined return), complete both columns A and B of the IA1040. All other filing statuses need to complete only column A. ALL taxpayers including nonresidents report income from ALL SOURCES in this section. NONRESIDENTS and PART-YEAR RESIDENTS also report Iowa-source income on Schedule IA126.

LINE 1. Report the same W-2 income as shown on your Federal income tax return.

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

LINE 2. Include the same amounts of interest income reported on your Federal return with the following modifications:

- Add interest from state and municipal securities unless specifically exempt from Iowa tax.
- Deduct interest received from Federal securities (for example U.S. Savings Bonds, U.S. Treasury Notes).

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

- Jointly held: divide equally between spouses.
- Held in the name of only one spouse: allocate interest wholly to that spouse.

LINE 3. Report the same dividends as you reported on your Federal return with the following modifications:

- Add all dividends from mutual funds, investment trusts, or regulated investment companies investing in state and municipal bonds.
- 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.

- Jointly held: divide equally between spouses.
- Held in the name of only one spouse: allocate dividends wholly to that spouse.

LINE 4. Include the same alimony as is shown on your Federal return.

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

LINE 5. Report the net business income or loss from Federal Schedule C or C-EZ. Attach a copy of the Federal form.

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

LINE 6. 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. Attach a copy of your Federal Schedule D.

MARRIED SEPARATE FILERS: Taxpayers who filed separate Federal returns should report capital gains or losses as reported for Federal tax purposes. If a joint Federal return was filed, each spouse must report capital gains 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. If you sold or exchanged assets used in a trade or business and completed Federal form 4797, enter 100% of the gain or loss. Attach a copy of Federal form 4797.

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

LINE 8. 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. The same amounts of pensions and annuities are taxable for Iowa as are taxable on your Federal return. Railroad Retirement benefits paid by the Railroad Retirement Board are not taxable on the Iowa return.

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

LINE 10. Report the income or loss from Federal Schedule E and attach a copy.

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

LINE 11. Enter the income or loss from Federal Schedule F. Attach a copy to your Iowa return.

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. 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. Iowa does not tax Social Security benefits in the same manner as the Internal Revenue Service. To compute the amount of Social Security benefits that are taxable to Iowa, complete the worksheet below.

LINE 14. Enter taxable income not reported on lines 1-13. Write an explanation of the type of income. Include gambling income and Bonus Depreciation Adjustment from the IA 4562A. Attach the IA 4562A to your return.

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

Social Security Worksheet

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, 9, 10, 11, 12, 13, 14, 15b, 16b, 17, 18, 19, and 21, plus one-half of any Railroad Retirement Social Security benefits from RRB-1099.* If filing Federal 1040A, use lines 7, 8a, 9, 10, 11b, 12b and 13, plus one-half of any Railroad Retirement Social Security benefits from RRB-1099. Include any bonus depreciation 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, line 34 less lines 25 and 26. If filing Federal 1040A, use line 20 less lines 18 and 19. 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. 8. _____
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 anytime in 2002 or \$25,000 if you did not live with your spouse at any time in 2002.
9. Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, none of the Social Security benefits are taxable. 9. _____
10. Enter one-half of line 9. 10. _____
11. Taxable Social Security benefits: Enter the smaller of line 2 or line 10 here and on line 13 of form IA1040. 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 taxable to Iowa. For purposes of determining taxable Social Security benefits, you must also include interest from Federal securities.

MARRIED SEPARATE FILERS:

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

STEP 5 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. 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. Only if one spouse has earned income, that individual can contribute up to \$3,000 per year (\$3,500 if 50 or older) to an IRA account of the nonworking spouse and up to \$3,000 per year (\$3,500 if 50 or older) to an IRA account of the individual.
- b. If both spouses earned income and made contributions to an IRA account, each spouse must claim his or her own contribution, not to exceed \$3,000 per spouse (\$3,500 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. Enter the amount of self-employment tax that was deductible on line 29 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. Enter 100% of the amount paid for health and dental insurance premiums. This includes all supplemental health insurance, such as Medicare B supplemental medical insurance and long-term nursing home coverage. Schedule A may not contain any health insurance premiums which were used as a deduction on line 18. Note that no deduction is available to any individual who paid health insurance premiums on a pretax basis.

LINE 19. 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. 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. If you or your spouse receive a pension, an annuity, a self-employed retirement plan deferred compensation, IRA distribution or other retirement plan benefits, you may be eligible to exclude from Iowa income tax part or all of the retirement income that is taxable on your Federal return. Social Security benefits 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 you or your

- spouse must meet one of the following conditions:
- a. 55 years of age or older on December 31, 2002, 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 2002 on the basis of age or disability.

MARRIED SEPARATE FILERS: If both spouses have pension income, whether both or only one 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, that spouse would take the entire exclusion of up to \$12,000. The spouse who has no pension income would receive no exclusion, even if that spouse is the one who meets the eligibility requirements.

LINE 22. Enter the deduction for moving expenses incurred in 2002. Attach 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. This is a 100% deduction of qualifying net capital gains realized in 2002. For more information, see our Web site.

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. Enter the total of other allowable adjustments as described below. Attach an explanation for each adjustment.

- a. Accrual method
- b. Beneficiaries, exemption of payments to
- c. Capital gains from installment sales
- d. Claim of Right deduction
- e. Disability income exclusion, attach IA 2440
- f. Employer Social Security credit
- g. Federal alcohol fuel credit
- h. Foreign-earned income exclusion and/or foreign housing deduction
- i. Gains or losses from distressed sale transactions
- j. Hybrid auto deduction
- k. In-home health care
- l. Iowa Educational Savings Plan Trust
- m. Medical savings account deduction
- n. Net operating loss, Iowa
- o. Partnership income and/or S corporation income
- p. Retirement plans for military, exemption of withdrawals
- q. Speculative shell buildings
- r. Student Loan Interest Deduction
- s. Teacher expenses, out of pocket, Federal 1040, line 23
- t. Tuition and fees deduction, Federal 1040, line 26
- u. Wages paid to certain individuals
- v. Work Opportunity Credit
- w. Other Adjustments allowed on Federal 1040, line 34

QUALIFICATIONS FOR EXEMPTION FROM TAX:

If you qualify for the low income exemption as explained below, enter the words "low income exemption" in the area to the left of your net income figure on line 26. Enter zero on line 58 and complete the remainder of the return.

The following income must be included when determining if you are eligible for the \$9,000 exemption or the \$13,500 exemption.

- a. The incomes of both husband and wife must be combined to determine if you meet this exemption from tax.
- b. The amount of any pension exclusion that is taken on line 21 of the IA1040.
- c. Any amount of lump-sum distribution separately taxed on Federal form 4972.
- d. 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 any of the following three 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.
- 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.

- c. You were a nonresident or part-year resident and had net income from Iowa sources of less than \$1,000. To understand "Iowa-source income," see the instructions for lines 1-26 of the IA126. If Iowa tax was withheld you must complete the IA1040 and the IA126 in order to receive a refund of the tax.

ALL OTHER FILING STATUSES: If you are filing jointly, separate combined, head of household, or qualifying widow(er), you are exempt from Iowa tax if you meet either of the following conditions:

- a. 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.
- b. You were a nonresident or part-year resident and had net income from Iowa sources of less than \$1,000. To understand "Iowa-source income," see the instructions for lines 1-26 of the IA126, pages 13-14. You must complete the IA1040 and the IA126 in order to receive any refund.

STEP 6 FEDERAL TAX ADDITION AND DEDUCTION

 **LINE 27.** Any Federal income tax refund received during 2002 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.**

If you chose to have any part of an overpayment of Federal income tax credited to estimated tax payments for 2002, the amount should be claimed as 2002 estimated tax paid on line 32. The total overpayment must be reported on line 27.

MARRIED SEPARATE FILERS: If the refund received in 2002 was from a jointly filed Federal return, it must be divided between the spouses in the ratio of the spouses' net incomes in the year for which the refund was issued.

LINE 28.

- a. If any part of the Federal tax payments on lines 31, 32 or 33 include self-employment tax, then the self-employment tax must be added back on line 28.
- b. If any part of the Federal tax payments on lines 31, 32 or 33 include Federal Household Employment taxes, then Federal Household Employment taxes must be added back on line 28.

MARRIED SEPARATE FILERS: Each spouse must claim his or her own self-employment tax. Household Employment taxes are divided between husband and wife in the ratio of their respective net incomes.

LINE 31. 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 his or her own Federal income tax withheld from wages.

LINE 32. Enter the Federal estimated income tax payments made in 2002. Include any credit applied from your 2001 Federal income tax overpayment.

MARRIED SEPARATE FILERS: All Federal estimated tax payments made in 2002 are divided between spouses in the same ratio as their incomes not subject to Federal withholding for the 2002 tax year.

LINE 33.

- a. Enter the amount of additional Federal income tax paid during 2002. **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 \$5,263.80 for Social Security tax for each person and Federal gas tax credit can be deducted as a Federal tax payment on line 33.



STEP 7 ITEMIZED OR STANDARD DEDUCTION

See our Web site for complete instruction on completing the itemized deduction worksheet. 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.

MARRIED SEPARATE FILERS: If one spouse uses the standard deduction, then both spouses must use the standard deduction, even if separate Iowa returns are filed.

LINE 37. Taxpayers that have Federal Bonus Depreciation must complete the Iowa Schedule A.

LINE 38. If your total itemized deductions on line 37 includes Iowa income tax, enter the amount of Iowa income tax, also deduction the Bonus Depreciation Adjustment from the IA 4562A if applicable.

MARRIED SEPARATE FILERS: Iowa income tax deduction must be divided between husband and wife in the ratio of their respective net incomes.

LINE 40. Other deductions include the following:

- a. Expenses Incurred for Care of a Disabled Relative
- b. Adoption Expenses
- c. Multi-purpose vehicle.
- d. Mileage Deduction for mileage for Charitable Purposes

MARRIED SEPARATE FILERS: The total deduction claimed by both spouses for each relative with a disability may not exceed \$5,000. This deduction must be divided between husband and wife in the ratio of their respective net incomes.

LINE 41. Mark the correct box to show the deduction method used.

STANDARD: Tax year 2002, standard deduction is:

Filing Status 1: \$1,540
Filing Status 3 & 4: \$1,540 for each spouse
Filing Status 2, 5 or 6: \$3,780

STEP 8 TAX CALCULATION

LINE 43. The tax tables are at the end of the booklet. The alternate tax calculation found in the expanded instructions may give you a lower tax amount. Single taxpayers do not qualify for this option. The department will automatically calculate and adjust the return to the lower tax amount, but this could delay processing of the return.

LINE 44. Enter 25% of Federal tax from form 4972

LINE 45. The Iowa Minimum Tax is imposed, for the most part, on the same tax preference items and adjustments on which Federal minimum tax is imposed. You may be subject to Iowa Minimum Tax even if you have no liability for Federal minimum tax. If you had tax preference items and adjustments in 2002, 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 Minimum Tax. See form IA 6251.

LINE 48. Enter 6.5% of the Federal Earned Income Credit that you claimed on your Federal return.

MARRIED SEPARATE FILERS: Divided between husband and wife in the ratio of each spouse's earned income to the total earned income of both spouses. Earned income includes wages, salaries, tips or other compensation and net earnings from self-employment. Any unused part of this credit cannot be used by the other spouse.

LINE 49. Taxpayers who have one or more dependents attending grade kindergarten through twelve in an Iowa school may take a credit for each dependent for amounts paid for tuition and textbooks. The credit percentage is 25% of the first \$1,000 paid for each dependent 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. Expenses for textbooks or other items for home schooling, tutoring, or schooling outside an accredited school do not qualify for the credit. 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.

LINE 52. Enter the amount of your nonresident/part-year resident tax credit from Schedule IA126, line 33. A copy of Schedule IA126 and a copy of your Federal return must be attached. See instructions for IA126 beginning on page 13. You may owe less tax by using filing status 3 or 4.

LINE 54. Enter the total of the credits listed:


- a. Franchise Tax Credit
- b. S Corp Credit
- c. New Jobs Credit
- d. Minimum Tax Carry Forward Credit
- e. Other Business Credits


LINE 56. Multiply the amount on line 55 by the surtax rate and enter the result. Surtax rates are listed at the end of this booklet.

STEP 9 CREDITS

LINE 61. Enter the total amount of income tax withheld for Iowa on your W-2s, W-2Gs, and/or 1099s.

LINE 62. Enter the total amount of 2002 Iowa estimated tax payments. This includes any fourth quarter payment made in January 2003 and any payments made with the IA 1040-V Payment Voucher. Also include any overpayment from your 2001 income tax return that you applied to your estimated tax for 2002.

 **LINE 63.** 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 on this line. Use form IA 130 to compute your Out-Of-State Tax Credit.

 **LINE 64.** Enter the amount of Motor Fuel Tax Credit from Schedule IA 4136. The Federal Schedule 4136 cannot be used. The Iowa credit does not apply to fuel used in automobiles or pleasure boats. If you have an Iowa Motor Fuel Tax Refund Permit number and have claimed any refunds during the tax year, NO Motor Fuel Tax Credit can be allowed on the Iowa income tax return.

LINE 65. Only taxpayers with a net income of less than \$40,000 are eligible for this credit. 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.

Use the following worksheet and percentage table to calculate the Child and Dependent Care Credit.

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

CHILD AND DEPENDENT CARE CREDIT WORKSHEET

1. Enter the amount from line 9 of Federal form 2441 or line 9 of Schedule 2 of Federal form 1040A. Note: Use the Child Care Credit prior to any Federal Alternative Minimum Tax calculation. **1.** _____


2. If total of line 26 of the IA1040, 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 and over: 0%

Enter % here **2.** _____

3. Multiply line 1 by percentage on line 2. Enter the result here and on line 65 of the IA1040. **3.** _____

NONRESIDENTS AND PART-YEAR RESIDENTS - This credit must be adjusted using the following formula:

$$\frac{\text{Iowa net income (line 26, IA126)}}{\text{All-source net income of you and spouse (line 26, IA1040)}} \times \text{credit calculated above} = \text{credit on line 65}$$

 **LINE 66.** Enter the total of other refundable credits.
a. Research Activities Credit
b. Assistive Device Tax Credit
c. Property Rehabilitation Tax Credit
d. Claim of Right Credit


STEP 10 REFUND OR AMOUNT YOU OWE

LINE 74.

74a. 10% Penalty for Failure to Timely File a Return: If you do not file your return by the due date and at least 90% of the correct tax is not paid, you owe an additional 10% of the unpaid tax.

5% Penalty for Failure to Timely Pay the Tax Due: If you file your return on time but do not pay at least 90% of the correct tax due, you owe an additional 5% of the unpaid tax.

74b. Interest must be added to delinquent tax. Interest is added at a rate of 0.6% per month beginning on the due date of the return and accrues each month until paid in full.

 **LINE 75. You have these options to pay the amount due:**

Bank Account Debit Online at www.state.ia.us/tax

Type in your bank account information and the date to take out the payment. We will send you a reminder e-mail before the transaction and a confirmation e-mail after.

Credit Card Online at www.state.ia.us/tax with a link to Official Payments Corp.

Type in your credit card information and the type of payment. **2.5% Service Fee applies.** Cards accepted: Visa, Master Card, American Express, Discover.

Credit Card by phone via Official Payments Corp. at 1-800-2PAY-TAX (800-272-9829)

Call the toll-free number and give your credit card information and the type of payment.
2.5% Service Fee applies. Cards accepted: Visa, Master Card, American Express, Discover.

Mail a check or money order.....

with a IA 1040-V Payment Voucher payable to: Treasurer, State of Iowa. Payments must be at least \$1. Write your Social Security Number on the check or money order. Do not send in any payment of less than one dollar.

MAILING ADDRESSES:

Receiving Refund/No Tax Due	Paying Additional Tax
Iowa Income Tax Refund Processing	Iowa Income Tax Document Processing
Hoover State Office Building	PO Box 9187
Des Moines IA 50319-0120	Des Moines IA 50306-9187

STEP 13: COW/CALF REFUND. Form IA 132 and expanded instructions are on our Web site.

STEP 14: 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.

DUE DATE

Iowa Income Tax Returns are due April 30.