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Title: I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 04-28, Iowa State Income Tax Withholding

Date: September 23, 2004

To: Holders of TAXES (State of Iowa only)  
Personnel User Groups  
T&A Contact Points in Iowa

Beginning with wages paid for Pay Period 19, the National Finance Center (NFC) will make the following changes to the state of Iowa income tax withholdings:

- The exemption allowance for the first two allowances will increase from \$20 to \$40.
- The nontaxable biweekly Federal Health Benefits Plan payment and the taxable biweekly fringe benefits statements will be added to the state tax formula.

No action on the part of the employee or the personnel office is necessary.

To view the updated tax formula, go to the NFC Home Page ([www.nfc.usda.gov](http://www.nfc.usda.gov)) and click **Pubs & Forms**. Then on the Pubs & Forms page left-hand menu, click **Tax Formulas** and select the appropriate state from the map provided. Changes to the tax formula are identified by “▶◀”.

For questions about NFC processing, contact the Payroll Operations Branch at **504-255-4630** . Please refer questions about system access and other system-related issues to Customer Support at **504-255-5230** or via e-mail at [customer.support@usda.gov](mailto:customer.support@usda.gov).

RANDOLPH H. GONZALES, Acting Director  
Government Employees Services Division

# Iowa State Income Tax Information

**State Abbreviation:** IA  
**State Tax Withholding State Code:** 19  
**Acceptable Exemption Form:** IA-W4 or W-4  
**Basis For Withholding:** State Exemptions  
**Acceptable Exemption Data:** 0 / Number of Allowances  
**TSP Deferred:** Yes  
**Special Coding:** Determine the Total Number Of Allowances field as follows:  
**First Position** - Enter 0 (zero).  
**Second and Third Positions** - Enter the number of allowances claimed.  
**Additional Information:** None

## Withholding Formula ►(Effective Pay Period 19, 2004)◄

1. Subtract the biweekly Thrift Savings Plan contribution from the gross biweekly wages.
2. ► Subtract the nontaxable biweekly Federal Health Benefits Plan payment from the amount computed in step 1.
3. Add the taxable biweekly fringe benefits (taxable life insurance, etc.) to the amount computed in step 2 to obtain the adjusted gross biweekly wages.◄
4. Multiply the adjusted gross biweekly wages times 26 to obtain the gross annual wages.
5. Multiply the biweekly Federal income tax withholding by 26 to obtain the annual Federal income tax withholding and subtract this amount from the gross annual wages computed in step 4.
6. Determine the standard deduction by applying the following guideline and subtract this amount from the result of step 5 to compute the taxable income.

<b>If the Number of Allowances Claimed Is:</b>	<b>The Standard Deduction Is:</b>
0	\$ 1,500
1	1,500
2 or more	3,600

7. Apply the taxable income computed in step 6 to the following table to determine the Iowa tax withholding.

### Tax Withholding Table

If the Amount of Taxable Income Is:	But Not Over:	The Amount of Iowa Tax Withholding Should Be:			Of Excess Over:
Over: \$ 0	\$ 1,100	\$ 0.00	plus	0.36%	\$ 0
1,100	2,150	3.96	plus	0.72%	1,100
2,150	4,300	11.52	plus	2.43%	2,150
4,300	9,750	63.77	plus	4.86%	4,300
9,750	16,250	328.64	plus	6.53%	9,750
16,250	22,000	753.09	plus	6.98%	16,250
22,000	33,000	1,154.44	plus	7.52%	22,000
33,000	49,000	1,981.64	plus	8.42%	33,000
49,000	and over	3,328.84	plus	8.98%	49,000

8. Determine the exemption allowance by applying the following guideline and subtract this amount from the result of step 7 to compute the annual Iowa tax withholding.

$$\text{Exemption Allowance} = \blacktriangleright \$40 \times \text{Number of Exemptions} \blacktriangleleft$$

9. Divide the annual Iowa tax withholding by 26 and round to the nearest dollar to obtain the biweekly Iowa tax withholding.