FREE REFERENCE

Iowa business taxes, explained for 2026

Small businesses in Iowa register with the state revenue agency for income tax withholding and sales tax, and with the Iowa Workforce Development for unemployment tax. Iowa has a flat 3.8% income tax, a 6% state sales tax and a $20,400 unemployment wage base for 2026.

QUICK FACTS

- **Income tax.** A flat 3.8% income tax for 2026
- **Sales tax.** 6% state rate, about 6.94% combined with local
- **Unemployment.** Employers pay Iowa unemployment tax on the first $20,400 of each worker's 2026 wages

What taxes does a small business pay in Iowa?

Most Iowa businesses deal with four: federal and state payroll taxes once they hire, sales tax if they sell taxable items, income tax on profit, and the state's annual report or franchise filing for an LLC or corporation, filed with the Secretary of State.

How do I register for payroll taxes in Iowa?

Before your first payroll in Iowa:

1. Get a federal EIN and enroll in EFTPS for federal deposits.
2. Open a Iowa withholding account with the Iowa revenue agency, so you can withhold and pay state income tax.
3. Register for unemployment insurance with the Iowa Workforce Development. For 2026, the tax applies to the first $20,400 of each employee's wages, at a rate the state sets for new employers and then adjusts to your history.
4. Report each new hire to Iowa's new hire registry, usually within 20 days.

Our state payroll registration guide explains each step, and our payroll service handles it for you.

General information, not tax advice for your situation.

Do I need a Iowa sales tax permit?

If you sell taxable goods or services in Iowa, yes. Register with the Iowa revenue agency before your first taxable sale. Out-of-state sellers need one once they pass Iowa's economic nexus threshold.

SALES TAX IN IOWA, MIDYEAR 2026	RATE
State rate	6%
Average local rate	0.94%
Average combined rate	6.94%
Highest local rate	1%

The state sets how often you file. Our sales tax permit guide covers what to have ready, and the sales tax calculator adds tax to a price.

How does Iowa tax business owners?

Profit from a sole proprietorship, LLC, partnership or S-Corp passes through to the owners, who pay Iowa income tax on it at the personal rates: a flat 3.8% income tax. Iowa allows a standard deduction of $16,100 single and $32,200 joint and exemption credits of $40 single and $80 joint.

Estimate yours with the Iowa income tax calculator.

Where are Iowa's tax forms and refund status?

- Iowa tax forms
- Iowa revenue agency
- Iowa refund status
- Iowa Workforce Development

Every state's links are on our state tax forms page.

Which calculators work for Iowa?

- Iowa paycheck calculator: take-home pay after every deduction
- Iowa income tax calculator: your 2026 state income tax
- Payroll cost calculator: what a hire costs you, with Iowa unemployment

Common questions

Do I need a sales tax permit in Iowa?
Yes, if you sell taxable goods or services there. Register with the Iowa revenue agency before your first taxable sale.

What is the Iowa unemployment wage base for 2026?
$20,400. Employers pay Iowa unemployment tax on that much of each employee's wages, at a rate the state assigns.

Does Iowa have a state income tax?
Yes. Iowa has a flat 3.8% income tax for 2026.

Who runs payroll taxes in Iowa?
The Iowa revenue agency handles income tax withholding, and the Iowa Workforce Development handles unemployment tax.

Want payroll handled?

We set it up, run it and file the returns. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

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