

Iowa Tax Credits Available for Individual Income, Corporation Income, and Franchise Tax

Updated as of July 1, 2009

- **S Corporation Credit** (\$49.5 million for 2006) – Section 422.8(2)(b)

Starting in 1998, individual resident shareholders of S corporations which conduct business within and without Iowa can claim a tax credit. The credit is structured so that the S corporation is taxed on the greater of income attributable to Iowa under the single sales factor or actual distributions by the S corporation less federal income tax. The credit is computed on form IA 134. The intent is to treat S corporations similar to C corporations who are entitled to apportion income within and without Iowa.

- **Franchise Tax Credit** (\$10.9 million for 2006) – Sections 422.11 and 422.33(8)

Starting in 1998, a franchise tax credit is available to any shareholder in a financial institution which files as an “S corporation” for federal tax purposes. Iowa imposes a franchise tax on financial institutions, and Iowa does not recognize the S corporation election for Iowa franchise tax purposes. Therefore, the franchise tax credit is allowed to avoid double taxation of income. The credit is computed on IA 147, franchise tax credit worksheet.

Starting with any financial institutions organized as limited liability companies on or after July 1, 2004, the franchise tax credit is also available to members of the limited liability company. The limited liability company would file the franchise tax return, and members of the limited liability company would be eligible to take the franchise tax credit.

- **Earned Income Credit** (\$10.7 million for 2006) – Section 422.12B

This credit is available to individual taxpayers who qualify for the federal earned income credit, and is 6.5% of the federal earned income credit for tax years beginning on or after January 1, 1991, but beginning before January 1, 2007. For the 1991-2006 tax periods, the credit was nonrefundable.

Starting with tax years beginning on or after January 1, 2007, the credit is 7.0% of the federal earned income credit, and the credit is now refundable starting with the 2007 tax year.

- **Tuition and Textbook Credit** (\$15.1 million for 2006) – Section 422.12(2)

This credit is available to individual taxpayers who have one or more dependents attending grades K-12 in an Iowa school. The credit percentage is 25% of the first \$1,000 paid for each dependent for tuition and textbooks for tax years beginning on or after January 1, 1998.

- **Child and Dependent Care Credit** (\$8.9 million for 2006) – Section 422.12C

This credit is available to individual taxpayers who have net income of \$40,000 or less for tax years beginning on or after January 1, 1993, and before January 1, 2006, and is based on a percentage of the federal child and dependent credit. The percentages vary depending on the amount of Iowa adjusted gross income, and this is a refundable credit. Starting with the January 1, 2006, tax year, the credit is available for taxpayers with income of less than \$45,000.

- **Claim of Right Credit** – Section 422.5(10)

Effective for tax years beginning on or after January 1, 1992, an individual taxpayer may be eligible for a claim of right credit similar to that provided in section 1341 of the Internal Revenue Code if the taxpayer repays in the current year an amount of income reported on an Iowa return for a previous year. The tax benefit can either be a reduction in tax which can be claimed as a refundable credit, or an adjustment can be made to income in the current year.

- **Cow-Calf Credit** (repealed for claims filed on or after November 1, 2008) – Section 422.120

Effective for the 1996-2007 tax years, eligible individual and corporation income taxpayers who operate cow-calf beef operations in Iowa are eligible for a cow-calf credit. The amount of credit was limited to \$3,000 per taxpayer, and was computed on form IA 132. The form must be filed within ten months after the end of the tax year, and the refunds were issued by February 28 of the next year. **This credit was repealed for claims filed on or after November 1, 2008.**

- **Motor Vehicle Fuel Tax Credit** (\$3.9 million for 2006) – Section 422.110

An income tax credit is allowed for the amount of Iowa motor fuel tax paid relating to certain purchases made by individuals and corporations. This credit is allowed for taxpayers who do not have a motor fuel refund permit. This credit has been in place since 1975. The credit is claimed on form IA 4136, and this is a refundable credit.

- **Iowa New Jobs Credit** (\$3.2 million for 2006) – Section 422.11A and 422.33(6)

Starting in 1985, this credit is available to businesses which have entered into agreements with area vocational schools and have increased employment by at least 10% in the time periods provided in the agreement. This is a one time credit, equal to 6% of the taxable wages which the employer is required to contribute to the state unemployment compensation fund. For 2009, this tax credit would equal \$1,422 for each job created. The credit is claimed on form IA 133, and is a nonrefundable credit with a 10-year carryforward.

- **Research Activities Credit** (\$30.5 million for 2006, \$13.4 million for supplemental credit for 2006) – Sections 422.10 and 422.33(5) and 15.335 and 15A.9(8)

Starting in 1985, a credit is available for 6 ½% of Iowa’s apportioned share of qualifying expenditures for increasing research activities. The Iowa research credit is based on the federal research activities credit, with the Iowa credit based on the ratio of Iowa research expenditures over total research expenditures. The credit is claimed on form IA 128, and is a refundable credit.

Starting in 2000, taxpayers can elect to take the alternative incremental research credit in a manner consistent with the federal alternative incremental research credit. This credit is claimed on form IA 128A and is a refundable credit. Taxpayer can elect each year whether to take the alternative credit or the “regular” research credit for Iowa tax purposes.

Taxpayers who are approved by the Iowa Department of Economic Development under the New Jobs and Income Program or the Enterprise Zone Program can double their research credit claimed on either form IA 128 or IA 128A by claiming the supplemental research credit. The research credit can also be doubled under the High Quality Job Creation Program and the High Quality Jobs Program for taxpayers approved by the Department of Economic Development if certain criteria are met.

Effective July 1, 2009, an additional \$3 million in research activities credit is available for expenses related to the development and deployment of innovative renewable energy generation components manufactured or assembled in Iowa. These expenses are not eligible for the federal research activities credit. A business eligible for this credit must be approved by the Department of Economic Development after July 1, 2009.

- **Investment Tax Credit** (\$32.5 million for 2006, and \$3.5 million for housing investment credit for 2006) – Section 15.333, 15.333A, 15E.193B(6), 15A.9(4), 422.11F, 422.33(12) and 422.60(5)

Starting in 1994, for taxpayer approved by the Iowa Department of Economic Development under the New Jobs and Income Program (through FY05), Enterprise Zone Program, Eligible Housing Enterprise Zone Program, or Eligible Development Business Program (through FY04), an investment tax credit is available equal to 10% of the cost of machinery and equipment and improvements to real property. This is a nonrefundable credit, with a 7-year carryforward. The credit is claimed on form IA 3468.

Starting in July 2002, for businesses involved in value-added agricultural projects, any unused investment tax credit was eligible for a refund. The refund is capped at \$4 million per fiscal year, and cannot be claimed until the year following completion of the project. Starting in July 2005, projects involving biotechnology products are also included, along with value-added agricultural products, in the \$4 million of refundable credits for the enterprise zone and the high quality job creation program.

Starting in 2003, for the investment tax credit for eligible housing projects only, the credit can be transferred to another person or entity, if low-income housing credits under section 42 of the Internal Revenue Code were used to help finance the housing project. Effective for projects beginning on or after July 1, 2005, the investment tax credit can be transferred if the housing development is located in a brownfield site or in a blighted area. The investment tax credit for eligible housing projects cannot exceed 10% of \$140,000 for each home or individual unit in a multiple dwelling unit building.

Starting with projects approved on or after March 17, 2004, leased property is eligible for the investment tax credit. The leased property must involve a new building or major renovation, and cannot include an existing building. The credit is computed based on the annual base rent paid to a third-party developed for a period not to exceed 10 years.

- **Alternative Minimum Tax Credit** (\$4.1 million for 2006) – Sections 422.11B, 422.33(7) and 422.60(3)

Starting in 1988, an alternative minimum tax credit is available to any taxpayer who paid Iowa alternative minimum tax starting in 1987. The credit is limited to the extent the regular tax exceeds the alternative minimum tax for a tax year. The credit is computed on schedule IA 8827 for corporation income tax and on form IA 8801 for individual income tax. There is no limit on the number of years this credit can be carried forward.

- **Assistive Device Credit** (\$0 for 2006) – Sections 422.11E & 422.33(9)

Starting in 2000, a taxpayer who is a small business that purchases, rents, or modifies an assistive device or makes workplace modifications for an individual with a disability is eligible for this credit. The credit is limited to 50% of the first \$5,000 paid for the assistive device or workplace modification. The Iowa Department of Economic Development certifies those eligible for the credit and issues tax credit certificates for eligible claimants. This is a refundable credit. **This credit was repealed effective on July 1, 2009, for individual income tax, but is still available for corporation income tax.**

- **Historic Preservation and Cultural and Entertainment District Tax Credit** – Sections 422.11D, 422.33(10), 422.60(4) and 404A.2

Starting in 2000, a historic preservation and cultural and entertainment district tax credit is available for 25% of the qualified costs of rehabilitation of eligible property in Iowa. This credit is administered by the state historic preservation office of the Iowa Department of Cultural Affairs. Any credit in excess of the tax liability is subject to a refund at a discounted amount for credits earned through the fiscal year ending June 30, 2007. The credit was limited in the aggregate to \$2.4 million per fiscal year through June 2005. However, for the fiscal years ending June 30, 2006, and June 30, 2007, an additional \$4 million of credits per fiscal year is available for projects in cultural and entertainment districts. Starting in 2003, the property rehabilitation tax credit can be transferred to any person or entity.

The amount of credit is increased to \$10 million for the fiscal year ending June 30, 2008 and \$15 million for the fiscal year ending June 30, 2009. There is \$50 million of credits available for fiscal years ending June 30, 2010, and subsequent periods. The \$50 million of credits are allocated as follows:

- ✓ \$5 million for projects with final qualified rehabilitation costs of \$500,000 or less
- ✓ \$15 million for projects located in cultural and entertainment district tax credits or projects identified in Iowa great places agreements
- ✓ \$10 million for disaster recovery projects
- ✓ \$10 million for projects that involve the creation of more than 500 permanent jobs
- ✓ \$10 million for any other eligible project

Any credit in excess of the tax liability is now fully refundable and is no longer subject to a discounted percentage, for credits earned starting with the fiscal year ending June 30, 2008. In lieu of requesting a refund, the overpayment can be credited to the tax liability for the following tax year.

- **Endow Iowa Tax Credit** (capped at \$2 million for the total for 2003 and 2004, and capped at \$2 million for each year 2005-2007, capped at \$2 million plus a percentage of gaming revenues for 2008 and 2009, and capped at \$3 million plus a percentage of gaming revenues for 2010 and subsequent years) – Sections 15E.305, 422.11H, 422.33(14) and 422.60(7)

Starting in 2003, an endow Iowa tax credit equal to 20% of a taxpayer's endowment gift to a qualified community foundation is available. The gift must be for a permanent endowment fund established to benefit a charitable cause in Iowa. Corporations must apply to the Iowa Department of Economic Development to receive this tax credit. The credit is limited to \$2 million in the aggregate for the 2003 and 2004 tax years and is limited to \$2 million for each year 2005 through 2007. For 2008 and 2009, the cap is \$2 million per year plus a percentage of gaming revenues which is estimated at an additional \$1 million per year.

For 2010 and subsequent years, the cap is \$3 million plus a percentage of gaming revenues which is estimated at an additional \$1.3 million per year. The maximum credit available to any one taxpayer is 5% of the aggregate amount of credits available. In addition, for 2010 and subsequent years, the credit is 25% of the endowment gift to a qualified community foundation. Also, starting in 2010, the endowment gift is not allowed as a deduction for Iowa tax purposes.

This is a nonrefundable credit, with a 5-year carryforward.

- **New Capital Investment Program** – Section 15.385(4) – through FY05

Starting in 2003, an investment tax credit is allowed for businesses that create fewer jobs than under the New Jobs and Income Program. Instead of a 10% investment tax credit, these businesses received an investment tax credit between 1% and 5%, depending on the number of jobs created, as shown below:

0 jobs, but economic activity in Iowa is advanced	1% investment credit
1-5 jobs created	2% investment credit
6-10 jobs created	3% investment credit
11-15 jobs created	4% investment credit
16 or more jobs created	5% investment credit

These businesses are approved by the Iowa Department of Economic Development. This is a nonrefundable credit, with a 7-year carryforward. However, if these businesses are involved in value-added agricultural projects or biotechnology related processes, they can apply for a refund of unused investment credit, subject to the same \$4 million cap per fiscal year noted under “Investment Tax Credit.”

- **Venture Capital Credit – Investments in Qualifying Business and Community-Based Seed Capital Funds** (\$3.8 million to be claimed on 2009 tax returns) – Sections 15E.43, 422.11F, 422.33(12) and 422.60(5)

Starting in 2002, a tax credit is allowed for 20% of the equity investment made into a qualifying business or community-based seed capital fund approved by the Iowa Capital Investment Board. This credit is focused on “angel investors” who make investments in start-up companies. The tax credit cannot be claimed until 3 years after the investment is made, so investors who made investments in 2002 cannot claim the tax credit until the 2005 tax return. The credits are capped in the aggregate at \$3 million for investments made in 2002, \$3 million for investments made in 2003 and \$4 million for investments made in 2004. Only \$1.8 million in total credits were claimed through June 30, 2005. Credits can be claimed after June 30, 2005, until the total cap of \$10 million is reached. As of July 1, 2008, the entire \$10 million of credits have been issued. This is a nonrefundable credit, with a 5-year carryforward.

- **Venture Capital Credit – Investments in Venture Capital Funds** (\$620,000 to be claimed on 2009 returns) – Sections 15E.51, 422.11G, 422.33(13) and 422.60(6)

Starting in 2002, a tax credit is allowed for 6% of the equity investment made in a venture capital fund approved by the Iowa Capital Investment Board. The tax credit cannot be claimed until 3 years after the investment is made, so investors who made investments made in 2002 cannot claim the tax credit until the 2005 tax return. The credits are capped in the aggregate at \$5 million. This is a nonrefundable credit, with a 5-year carryforward. As of July 1, 2009, approximately \$2.4 million of credits have been issued.

- **Venture Capital Credit – Contingent Tax Credit for Investments in Iowa Fund of Funds** (one contingent credit for \$36 million issued in January 2008) – Sections 15E.66, 422.11Q, 422.33(20) and 422.60(11)

Starting in 2002, a contingent tax credit is allowed for investments made into the Iowa fund of funds. The tax credit is only allowed to the extent that the actual rate of return on these investments does not meet the rate of return guaranteed to investors. The Iowa fund of funds will make investments in venture capital funds who make a commitment to consider

investments in businesses located in Iowa. The contingent tax credits are capped at \$100 million in the aggregate, and cannot be claimed until at least five years after the investment is made. Also, only \$20 million of credits can be claimed in one year. The credit is nonrefundable, with a 7-year carryforward.

- **Ethanol Blended Gasoline Tax Credit** (\$6.3 million for 2006) – Sections 422.11C and 422.33(11)

Starting in 2002, a tax credit is available to service stations at which more than 60% of the total gasoline sold is ethanol blended gasoline. **This credit expired on December 31, 2008, and has been replaced by the ethanol promotion tax credit.** The credit is equal to 2 ½ cents for each gallon sold in excess of 60%. The credit is computed on form IA 6478. This is a refundable credit.

- **Corporation Tax Credit for certain sales taxes paid by third party developer** (\$0 for 2006) – Sections 15.331C, 422.33(19) and 422.60(10)

Starting for projects approved by the Department of Economic Development on or after March 17, 2004, a corporation income tax credit can be claimed equal to the sales tax paid by a third-party developer relating to gas, electricity, goods, wares, or merchandise, or services rendered relating to a construction and equipping of a facility of an eligible business under the NJIP, NCIP, high quality jobs creation, or high quality jobs program. This is not available to businesses approved under the enterprise zone program. A tax credit certificate is issued by the Department of Revenue for this credit. In addition, a separate tax credit certificate for corporation income tax is available to any sales tax attributable to racks, shelving, and conveyor equipment paid by a third-party developer.

- **Soy-Based Cutting Tool Oil Credit** (\$5,000 for 2006)– Sections 422.11I

A manufacturer is eligible to take a credit equal to the costs incurred for the purchase and replacement costs relating to the transition from using nonsoy-based cutting tool oil to using soy-based cutting tool oil. The costs must be incurred after June 30, 2005, and before January 1, 2007, and the costs must be incurred during the first 12 months of transition. This affects tax years ending after June 30, 2005, and beginning before January 1, 2007. The costs cannot exceed \$2 per gallon, and the number of gallons eligible for the credit cannot exceed 2,000 gallons. This is a refundable credit. **This credit is not available for 2007 and subsequent tax years.**

- **Renewable Energy Tax Credits** (\$1 million for 2006) – Chapter 476C and Sections 422.11J, 422.33(16) and 422.60(8)

A producer or purchaser of renewable energy from a facility approved by the Iowa Utilities Board is entitled to a tax credit equal to 1 ½ cents per kilowatt hour of electricity, or \$4.50 per million BTU's of heat, refuse derived fuel, methane gas or other biogas, or \$1.44 per 1,000 standard cubic feet of hydrogen fuel. The facilities approved cannot exceed 330 megawatts of nameplate generating capacity related to wind energy facilities, and cannot

exceed the combined output of 20 megawatts of capacity and 167 billion BTU's of heat related to other facilities. Any tax credit in excess of the tax liability can be carried forward for seven years. A tax credit certificate is issued by the Department of Revenue for the amount of the credit, and the credit can be transferred once. A producer or purchaser can receive the tax credit certificates for a 10-year period, and no credit can be used for a tax year beginning prior to July 1, 2006.

This credit is also available for small wind energy systems operating in a small wind innovation zone approved by the Iowa Utilities Board.

- **Early Childhood Development Tax Credit** (\$.5 million issued for 2006)– Section 422.12C

Effective for tax years beginning on or after January 1, 2006, a credit is available equal to 25% of the first \$1,000 of expenses paid for early childhood development expenses for each dependent from the ages of 3 to 5. The credit is available only to taxpayers whose net income is less than \$45,000, and this credit cannot be claimed if the child and dependent care credit is claimed. Expenses eligible for the credit include preschool expenses, books, and instructional materials, lesson plans and curricula, and child development and educational activities outside the home.

- **Wind Energy Production Tax Credit** (\$0 for 2006) – Chapter 476B and Sections 422.11J, 422.33(16) and 422.60(8)

An electrical production facility that produces electricity from wind that is placed in service on or after July 1, 2005, but before July 1, 2012, that is approved by the local board of supervisors and the Iowa Utilities Board can claim a tax credit. The credit is equal to one cent multiplied by the number of kilowatt-hours of electricity either sold or used for on-site consumption. Any tax credit in excess of the tax liability can be carried forward for seven years. A tax credit certificate is issued by the Department of Revenue for the amount of the credit, and the credit can be transferred to any person or entity. The credit cannot be used for a tax year beginning prior to July 1, 2006.

- **Economic Development Region Revolving Fund Tax Credit** (\$0 issued for 2006) - Sections 15E.232, 422.11K, 422.33(17) and 422.60(9)

Effective for tax years ending on or after July 1, 2005, a tax credit equal to 20% of the contribution made to an economic development region revolving fund is allowed. The economic development region must be approved by the Department of Economic Development, and Economic Development is responsible for administering and authorizing these tax credits. The credit is capped at \$2 million per fiscal year. Any credit in excess of the tax liability can be carried forward for 10 years.

- **Wage-Benefit Tax Credit** – Chapter 15I and Section 422.11L

For new jobs created on or after June 9, 2005, a wage-benefit tax credit is available to non-retail, non-services businesses which create new jobs related to the location or expansion of a business in Iowa. This will affect tax years ending on or after June 9, 2006. If the annual wage and benefits equals at least 130% of the average county wage, but less than 160%, the tax credit equals 5% of the wages and benefits paid. If the annual wage and benefits is 160% or greater of the average county wage, the tax credit equals 10% of the wages and benefits paid. No tax credit is issued for any new jobs created on or after July 1, 2008.

Businesses must apply to the Department for this credit, and the amount of credit is limited to \$10 million for the fiscal year ending June 30, 2007, and is limited to \$4 million for fiscal years ending June 30, 2008, through June 30, 2011. No tax credits will be issued for fiscal years ending June 30, 2012, and for subsequent fiscal years. The credits are issued on a “first-come, first-serve” basis. If the business retains the job, the tax credit will be allowed for the subsequent four years. Any tax credit in excess of the tax liability can be refunded.

- **High Quality Job Creation Program** – Section 15.329

Effective July 1, 2005, through June 30, 2009, the High Quality Job Creation Program has replaced the New Jobs and Income Program and the New Capital Investment Program. This will affect tax years ending on or after July 1, 2005. These businesses must still be approved by the Department of Economic Development to qualify for the tax credits. The amount of tax credits is dependent on the number of jobs created and the qualifying investment made. The new jobs must pay at least 130% of the average county wage to be eligible for these tax credits. The tax credits are as follows:

Pay 130% - 159% of average county wage

- Number of new jobs is zero
 - Investment less than \$100,000 – 1% Investment tax credit
 - Investment of \$100,000 – \$499,999 – 1% Investment tax credit and sales tax refund
 - Investment of \$500,000 or more – 1% Investment tax credit, sales tax refund and additional R & D credit
- Number of new jobs is 1-5
 - Investment less than \$100,000 – 2% Investment tax credit
 - Investment of \$100,000 – \$499,999 – 2% Investment tax credit and sales tax refund
 - Investment of \$500,000 or more – 2% Investment tax credit, sales tax refund and additional R & D credit
- Number of new jobs is 6-10
 - Investment less than \$100,000 – 3% Investment tax credit
 - Investment of \$100,000 – \$499,999 – 3% Investment tax credit and sales tax refund
 - Investment of \$500,000 or more – 3% Investment tax credit, sales tax refund and additional R & D credit

- Number of new jobs is 11-15
Investment less than \$100,000 – 4% Investment tax credit
Investment of \$100,000 – \$499,999 – 4% Investment tax credit and sales tax refund
Investment of \$500,000 or more – 4% Investment tax credit, sales tax refund and additional R & D credit
- Number of new jobs is 16 or more
Investment less than \$100,000 – 5% Investment tax credit
Investment of \$100,000 – \$499,999 – 5% Investment tax credit and sales tax refund
Investment of \$500,000 or more – 5% Investment tax credit, sales tax refund and additional R & D credit

Pay 160% or more of average county wage and investment is at least \$10 million

- Number of new jobs is 21-30
6% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption
- Number of new jobs is 31-40
7% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption
- Number of new jobs is 41-50
8% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption
- Number of new jobs is 51-60
9% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption
- Number of new jobs is 61 or more
10% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption

The investment tax credit is amortized equally over a 5-year period, instead of the entire credit being available upon project completion. The investment tax credit in excess of the tax liability can be credited to the tax liability for the following seven years or until depleted, whichever occurs first.

The investment tax credit remains at 10% for both the enterprise zone program and the eligible housing enterprise zone program. However, the investment tax credit must be amortized over a 5-year period for the enterprise zone program for projects approved on or after July 1, 2005.

This program has been replaced by the High Quality Jobs program effective July 1, 2009.

- **Soy-Based Transformer Fluid Tax Credit** – Chapter 476D, Sections 422.11R and 422.33(22)

This credit may be claimed by an electric utility equal to the costs incurred by the utility during the tax year for the purchase and replacement costs relating to the transition from using nonsoy-based transformer fluid to using soy-based transformer fluid. The costs must be incurred after June 30, 2006, and before January 1, 2009, and the costs must be incurred during the first 18 months of the transition. The cost of the purchase and replacement cannot exceed \$2 per gallon of soy-based transformer fluid, and the number of gallons eligible for the credit cannot exceed 20,000 gallons per electric utility. The total amount of soy-based transformer fluid eligible for the credit cannot exceed 60,000 gallons in the aggregate. This is a refundable tax credit. **This credit is not available for 2009 and subsequent tax years.**

- **School Tuition Organization Tax Credit** – Section 422.11S

Effective for tax years beginning on or after January 1, 2006, a tax credit equal to 65% of the contribution made to a school tuition organization is available for individual income taxpayers only. Effective for tax years beginning on or after July 1, 2009, this tax credit is available for corporation income taxpayers. A school tuition organization must be a charitable organization in Iowa that is exempt from federal taxation under section 501(c)(3) of the Internal Revenue Code that allocates at least 90% of its annual revenue in tuition grants for children who reside in Iowa to allow them to attend a qualified school of their parents' choice. The tax credit is limited in the aggregate to \$2.5 million for the 2006 tax year, \$5 million for 2007, and \$7.5 million for 2008 and subsequent years. Tax credit certificates are issued by the school tuition organization to the individual or corporation making the contribution. Any credit in excess of the tax liability can be carried forward for five years.

For the 2006 year, only cash contributions were eligible for the credit. Starting in 2007, noncash contributions can also be eligible for the credit. The amount of the contribution is not allowed as a deduction for Iowa tax purposes.

- **E85 Gasoline Promotion Tax Credit** (\$.5 million for 2006) – Sections 422.11O and 422.33(11B)

Effective for E85 gasoline sold on or after January 1, 2006, a tax credit is available to retail dealers of gasoline who sell E85 gasoline. The credit is available in the following amounts:

Calendar years 2006, 2007 and 2008	25 cents
Calendar years 2009 and 2010	20 cents
Calendar year 2011	10 cents
Calendar year 2012	9 cents
Calendar year 2013	8 cents
Calendar year 2014	7 cents
Calendar year 2015	6 cents
Calendar year 2016	5 cents

Calendar year 2017	4 cents
Calendar year 2018	3 cents
Calendar year 2019	2 cents
Calendar year 2020	1 cent
Calendar year 2021 and subsequent	0 cents

A retail dealer of gasoline will be able to claim the E85 gasoline promotion tax credit even if the dealer claims an ethanol blended gasoline tax credit for the same tax year for the same ethanol gallons sold for 2006-2008. In addition, a taxpayer whose tax year ends before December 31, 2006, can claim the credit for gasoline sold between January 1, 2006, and the end of the fiscal year. Any credit in excess of the tax liability is refundable. The credit can be claimed on form IA 135.

- **Biodiesel Blended Fuel Tax Credit** (\$1.7 million for 2006) – Section 422.11P and 422.33(11C)

Effective January 1, 2006, an income tax credit is available to retail dealers who sell biodiesel blended fuel through motor pumps during the tax year. Of the total gallons on diesel fuel sold by the retail dealer during the tax year, 50% or more must be biodiesel fuel to be eligible for the tax credit for tax years beginning prior to January 1, 2009. For tax years beginning on or after January 1, 2009, the credit is computed on a site-by-site basis, so any site that met the 50% test would be eligible for the tax credit. The tax credit applies to biodiesel blended fuel formulated with a minimum percentage of 2% by volume of biodiesel, if the formulation meets the standards of Iowa Code section 214A.2

The tax credit equals 3 cents multiplied by the total number of gallons of biodiesel blended fuel gallons sold during the retail dealer’s tax year. For retail dealers of gasoline whose tax year ends before December 31, 2006, the retail dealer may compute the tax credit on the gallons of biodiesel blended fuel sold during the period from January 1, 2006, through the end of the tax year, provided that 50% of all diesel fuel sold during that period was biodiesel. This credit will expire on January 1, 2012, and any credit in excess of the tax liability is refundable. The credit can be claimed on form IA 8864.

- **Ethanol Promotion Tax Credit** – Section 422.11N and 422.33(11A)

Effective January 1, 2009, an ethanol promotion tax credit is available to retail dealers of ethanol blended gasoline which replaced the ethanol blended gasoline tax credit. The amount of the tax credit is based on the pure amount of ethanol gallons sold. (For example, 10 gallons of E10 equals 1 gallon of pure ethanol.) The credit is repealed on January 1, 2021.

The amount of the tax credit depends on whether the retail dealer attains a biofuel threshold standard, and how many gallons of motor fuel are sold in a year. The biofuel threshold standards for retail dealers who sell more than 200,000 gallons in a year, compared with the biofuel threshold standards for dealers who sell 200,000 gallons or less in a year, are set forth below:

Calendar Year	Percentage more than 200,000	Percentage 200,000 or less
2009	10%	6%
2010	11%	6%
2011	12%	10%
2012	13%	11%
2013	14%	12%
2014	15%	13%
2015	17%	14%
2016	19%	15%
2017	21%	17%
2018	23%	19%
2019	25%	21%
2020	25%	25%

The credit is calculated separately for each retail motor fuel site. For any year in which the retail dealer has met the threshold, the credit is 6 ½ cents of each gallon of pure ethanol sold. If the retail dealer misses the threshold by 2% or less, the credit is 4 ½ cents of each gallon of pure ethanol sold. If the retail dealer misses the threshold by more than 2% but not more than 4%, the credit is 2 ½ cents of each gallon of pure ethanol sold. If the retail dealer misses the threshold by 4% or more, then no credit is allowed.

The retail dealer determines the biofuel percentage by summing the pure ethanol gallons and the pure biodiesel gallons sold during the calendar year, and dividing this sum by the total gasoline gallons sold during the calendar year. While the biodiesel gallons are included in the computation of the biofuel percentage to determine if the threshold is met, only the pure ethanol gallons sold are used in determining the amount of the credit.

EXAMPLE: A retail dealer only operates one motor fuel site. The number of gallons of gasoline sold at this site in 2009 equals 100,000 gallons. This consisted of 5,000 gallons of E85, 80,000 gallons of E10 and 15,000 gallons not containing ethanol. The average ethanol content of E85 gasoline during 2009 was 79%. The dealer also sold 15,000 gallons of diesel fuel at this site during 2009, of which 5,000 gallons was B2 (2% biodiesel). The pure ethanol gallons is 11,950 (5,000 times 79% equals 3,950. 80,000 times 10% equals 8,000. 3,950 plus 8,000 equals 11,950). The pure biodiesel gallons sold is 100, or 5,000 times 2%. The total of 11,950 and 100, or 12,050, is divided by the total gasoline gallons sold of 100,000 to arrive at a biofuel percentage of 12.05%. Since this exceeds the 6% threshold for a dealer selling less than 200,000 gallons, the credit is 6 ½ cents times 11,950, or \$777.

A retail dealer of gasoline will be able to claim the ethanol promotion tax credit even if the dealer claims an E85 gasoline promotion tax credit for the same tax year for the same ethanol gallons sold. For retail dealers of gasoline whose tax year is not on a calendar year basis, the retail dealer may compute the tax credit on the gallons of pure ethanol sold during the year using the applicable credit amounts as shown above. Any credit in excess of the tax liability is refundable. This credit is claimed on form IA 137.

- **Agricultural Asset Transfer Tax Credit** – Sections 175.37, 422.11M and 422.33(21)

Effective for tax years beginning on or after January 1, 2007, a tax credit is available for individual income and corporation income tax for agricultural asset transfers from a taxpayer to a beginning farmer. The credit is administered by the Iowa Agricultural Development Authority, and the assets must be subject to a lease or rental agreement.

The tax credit is based upon the gross amount paid to the taxpayer under the lease agreement by the beginning farmer. The tax credit equals 5% of the amount paid to the taxpayer under the agreement or, in the alternative; the tax credit equals 15% of the amount paid to the taxpayer from crops or animals sold under an agreement in which the payment is exclusively made from the sale of crops or animals. The credit is capped at \$6 million starting with the fiscal year beginning July 1, 2009.

A tax credit certificate is issued by the Agricultural Development Authority for the amount of the credit. Any credit in excess of the tax liability can be carried forward for five years.

- **Film Qualified Expenditure Tax Credit** – Sections 15.393, 422.11T, 422.33(23) and 422.60(12)

Effective for tax years beginning on or after January 1, 2007, a tax credit is available for individual income, corporation income, and franchise tax equal to 25% of a taxpayer's qualified expenditures in a film, television or video project registered with the film office of the Department of Economic Development. The film, television, or video project must have expenditures of at least \$100,000 in Iowa to be registered with the film office.

A qualified expenditure is a payment to an Iowa resident or an Iowa-based business for the sale, rental, or furnishing of tangible personal property or for services directly related to the registered project. This includes, but is not limited to; aircraft, vehicles, equipment, material, supplies, accounting, animals and animal care, artistic and design services, delivery and pickup services, graphics, labor and personnel, lighting, makeup and hairdressing, film, music, photography, sound, video and related services, printing, research, site fees and rental, travel related to Iowa distant locations, trash removal and cleanup, and wardrobe. Labor and personnel does not include the director, producers, or cast members other than extras and stand-ins for projects approved prior to July 1, 2009. For projects approved on or after July 1, 2009, labor and personnel can include the principal director, principal producer and principal cast members. The amount of labor and personnel expenditures eligible for the tax credit for projects approved on or after July 1, 2009, is dependent on the total amount of expenditures for the film project in Iowa.

Any credit in excess of the tax liability is not refundable but may be credited to the tax liability for the following five years or until depleted, whichever is earlier. After the project has been registered and the expenditures have been incurred, the Department of Economic Development will issue a tax credit certificate to the taxpayer. This tax credit is transferable.

- **Film Investment Tax Credit** – Sections 15.393, 422.11U, 422.33(24) and 422.60(13)

Effective for tax years beginning on or after January 1, 2007, a tax credit is available on individual income, corporation income, and franchise tax equal to 25% of a taxpayer's investment in a film, television, or video project registered with the film office of the Department of Economic Development. The film, television, or video project must have expenditures of at least \$100,000 in Iowa to be registered with the film office. A taxpayer cannot claim the film investment tax credit for qualified expenditures for which the film expenditure tax credit was claimed. The amount of film investment credit for a particular project cannot exceed 25% of the qualified expenditures in Iowa for the project.

Any credit in excess of the tax liability is not refundable but may be credited to the tax liability for the following five years or until depleted, whichever is earlier. After verifying eligibility for the credit, the Department of Economic Development will issue a tax credit certificate to the taxpayer. This tax credit is transferable.

- **Charitable Conservation Contribution Tax Credit** – Sections 422.11W and 422.33(25)

Effective for tax years beginning on or after January 1, 2008, a tax credit is available for individual income and corporation income tax equal to 50% of the fair market value of a qualified real property interest located in Iowa that is conveyed as an unconditional charitable donation in perpetuity by a taxpayer to a qualified organization exclusively for conservation purposes. The maximum amount of the credit is \$100,000. The amount of the contribution for which the tax credit is claimed is not deductible as an itemized deduction for Iowa income tax purposes.

The terms "conservation purpose," "qualified organization" and "qualified real property interest" mean the same as set forth in section 170(h) of the Internal Revenue Code. Any tax credit in excess of the tax liability is not refundable but may be credited to the tax liability for the following 20 years or until depleted, whichever is the earlier.

- **Redevelopment Tax Credit** – Sections 15.293A, 422.11V, 422.33(26) and 422.60(14)

A tax credit is available for individual income tax, corporation income tax, franchise tax, insurance premiums tax, and moneys and credits tax related to redevelopment of brownfield and grayfield sites. Brownfields involve sites that have potential environmental contamination, and grayfields are sites that have infrastructure in place but the property's current use is outdated.

This tax credit program is administered by the Department of Economic Development, and applications for the tax credit are filed with the Brownfield Redevelopment Advisory Council of the Department of Economic Development. A tax credit certificate cannot be used for a tax year beginning prior to July 1, 2009.

The amount of the tax credit equals a percentage of the taxpayer's qualifying investment in a site as follows:

Type of Investment	Tax Credit Percentage
Grayfield site	12%
Grayfield site if green development standards met	15%
Brownfield site	24%
Brownfield site if green development standards met	30%

The total amount of tax credit available is \$1 million for the fiscal year beginning July 1, 2009. An investment made prior to January 1, 2009, or after June 30, 2010, will not qualify for the tax credit. The maximum amount of tax credit for any one qualifying redevelopment project cannot exceed \$100,000.

Any tax credit in excess of the tax liability is not refundable but may be credited to the tax liability for the following five years or until depleted, whichever is the earlier. The tax credit is transferable.

- **Disaster Recovery Housing Tax Credit** – Sections 16.191, 422.11X and 422.33(27)

A tax credit for individual and corporation income tax is available for a portion of a taxpayer's investment in a qualifying disaster recovery housing project. The credit will be administered by the Iowa Finance Authority (IFA).

To qualify for the tax credit, the property must be owned by the taxpayer and must be located in an area that the governor of Iowa proclaimed a disaster emergency or the president of the United States declared a major disaster during the period from May 1, 2008, through August 31, 2008. The project must also involve the construction or rehabilitation of housing on the property. The property must also meet the criteria for low-income housing tax credits under section 42 of the Internal Revenue Code.

The tax credit equals 75% of the taxpayer's qualifying investment in the disaster recovery housing project. The qualifying investment includes the costs incurred relating to the disaster recovery housing project incurred on or after May 12, 2009, and before July 1, 2010. The amount of the tax credit is divided by five and applied equally to the taxpayer's tax liability for five consecutive years starting with the 2011 calendar year. Any credit in excess of the tax liability is not refundable and there is no carryforward of any unused credit.

The maximum amount of tax credits that can be issued by IFA cannot exceed \$3 million in each of the five years. IFA will issue the certificates on a first-come, first-serve basis.

The taxpayer seeking eligibility for the tax credit must apply to IFA. After verifying eligibility, IFA will issue tax credit certificates to the taxpayer. The tax credit certificate will include the taxpayer's name, address, tax identification number, amount of credit, and any

other information required by the Department of Revenue. The tax credit certificate must be attached to the taxpayer's tax return. The tax credits are not transferable.

Any increase in the basis of the property for individual and corporation income tax that would otherwise result from the disaster recovery housing investment shall be reduced by the amount of tax credit allowed.

- **High Quality Jobs Program** – Sections 15.329

Effective July 1, 2009, the High Quality Jobs program has replaced the high quality jobs creation program. The program is still administered by the Department of Economic Development. Businesses can retain jobs and still qualify for tax incentives. The average county wage component has been changed to a qualifying wage threshold, and businesses providing a sufficient benefits package will qualify for a credit against the qualifying wage threshold. Businesses creating jobs only need to pay 100% of the qualifying wage threshold at the start of the project completion period, but must pay 130% of the qualifying wage threshold by the project completion date. Businesses retaining jobs must pay 130% of the qualifying wage threshold from the start of the project completion period. A business cannot be a retail business or a business where entrance is limited by a cover charge or membership requirement to qualify for the tax incentives.

The tax incentives for the High Quality Jobs Program are as follows:

- Number of new or retained jobs is zero
Investment less than \$100,000 – 1% Investment tax credit
Investment of \$100,000 – \$499,999 – 1% Investment tax credit and sales tax refund
Investment of \$500,000 or more – 1% Investment tax credit, sales tax refund and additional R & D credit
- Number of new or retained jobs is 1-5
Investment less than \$100,000 – 2% Investment tax credit
Investment of \$100,000 – \$499,999 – 2% Investment tax credit and sales tax refund
Investment of \$500,000 or more – 2% Investment tax credit, sales tax refund and additional R & D credit
- Number of new or retained jobs is 6-10
Investment less than \$100,000 – 3% Investment tax credit
Investment of \$100,000 – \$499,999 – 3% Investment tax credit and sales tax refund
Investment of \$500,000 or more – 3% Investment tax credit, sales tax refund and additional R & D credit
- Number of new or retained jobs is 11-15
Investment less than \$100,000 – 4% Investment tax credit
Investment of \$100,000 – \$499,999 – 4% Investment tax credit and sales tax refund
Investment of \$500,000 or more – 4% Investment tax credit, sales tax refund and additional R & D credit

- Number of new or retained jobs is 16-30
Investment less than \$100,000 – 5% Investment tax credit
Investment of \$100,000 – \$499,999 – 5% Investment tax credit and sales tax refund
Investment of \$500,000 or more – 5% Investment tax credit, sales tax refund and additional R & D credit
- Number of new or retained jobs is 31-40, and the investment is \$10 million or more
6% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption
- Number of new or retained jobs is 41-60, and the investment is \$10 million or more
7% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption
- Number of new or retained jobs is 61-80, and the investment is \$10 million or more
8% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption
- Number of new or retained jobs is 81-100, and the investment is \$10 million or more
9% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption
- Number of new or retained jobs is 101 or more, and the investment is \$10 million or more
10% Investment tax credit, sales tax refund, additional R & D credit and local property tax exemption

NOTE: Effective for fiscal years beginning on or after July 1, 2009, the amount of tax credit awards for the following programs administered by the Department of Economic Development cannot exceed \$185 million:

- High Quality Jobs Program
- Enterprise Zone Program
- Enterprise Zone Eligible Housing Program
- Film Qualified Expenditure Tax Credit
- Film Investment Tax Credit
- Assistive Device Tax Credit