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## FISCAL TOPICS

Fiscal Services Division

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## Tax Credit: Assistive Device Tax Credit

The Assistive Device Tax Credit is awarded to taxpayers who are small business owners purchasing, renting, or modifying an assistive device or making workplace modifications for an individual with a disability. The credit is limited to 50.0% of the first \$5,000 paid for the assistive device or workplace modification.

In order to be eligible to receive the Assistive Device Tax Credit, a small business must:

- Be located in the State of Iowa.
- Employ no more than 14 full-time employees or have gross receipts of \$3.0 million or less during its preceding tax year.
- Purchase, rent, or modify an assistive device or make workplace modifications for an individual with a disability who is employed or will be employed by the business.

The Iowa Economic Development Authority (IEDA) certifies those eligible for the credit and issues tax credit certificates for eligible claimants. The credit is capped at the amount necessary to meet demand for the fiscal year and credits are awarded on a first-come, first-served basis. This program falls under the \$170.0 million cumulative tax credit cap for certain tax credits awarded by the IEDA. The combined amount of Assistive Device Tax Credits that may be approved for a fiscal year cannot exceed \$500,000.

### Tax Credit Background

- Enabling Legislation: 2000 Iowa Acts, chapter [1194](#) (Income and Property Taxes — Credits, Deductions, and Exemptions Act)
- Iowa Code Citations:
  - Section [15.119](#) — IEDA Awards Limitation
  - Section [422.33\(9\)](#) — Corporate Income Tax
- Administrative State Agency: IEDA, Iowa Department of Revenue (IDR)
- Sunset Date: None
- Transferable: None
- Refundable: Yes
- Carryforward: Any amount in excess of tax liability that is not refunded can be credited as an overpayment to tax liability for the following year.
- Tax Review Committee Review Year: None scheduled

### Legislative History

The Assistive Device Tax Credit went into effect January 1, 2000. The credit was originally applicable to both individual and corporate income tax. Effective July 1, 2009, the credit was no longer eligible to be claimed against individual income tax and the credit was included in a cumulative tax credit cap, per fiscal year, of certain tax credits awarded by the IEDA. That cap was initially \$185.0 million, was lowered to

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### More Information

Department of Revenue Contingent Liabilities Report: [tax.iowa.gov/reports?term\\_node\\_tid\\_depth=79](http://tax.iowa.gov/reports?term_node_tid_depth=79)

Department of Revenue Tax Credit Review: [tax.iowa.gov/sites/default/files/2021-01/Assistive%20Device%20Tax%20Credit%20Evaluation%20Study%202020.pdf](http://tax.iowa.gov/sites/default/files/2021-01/Assistive%20Device%20Tax%20Credit%20Evaluation%20Study%202020.pdf)

Department of Revenue Tax Credits Users' Manual: [tax.iowa.gov/sites/default/files/2022-12/TaxCreditsUsersManual2022.pdf](http://tax.iowa.gov/sites/default/files/2022-12/TaxCreditsUsersManual2022.pdf)

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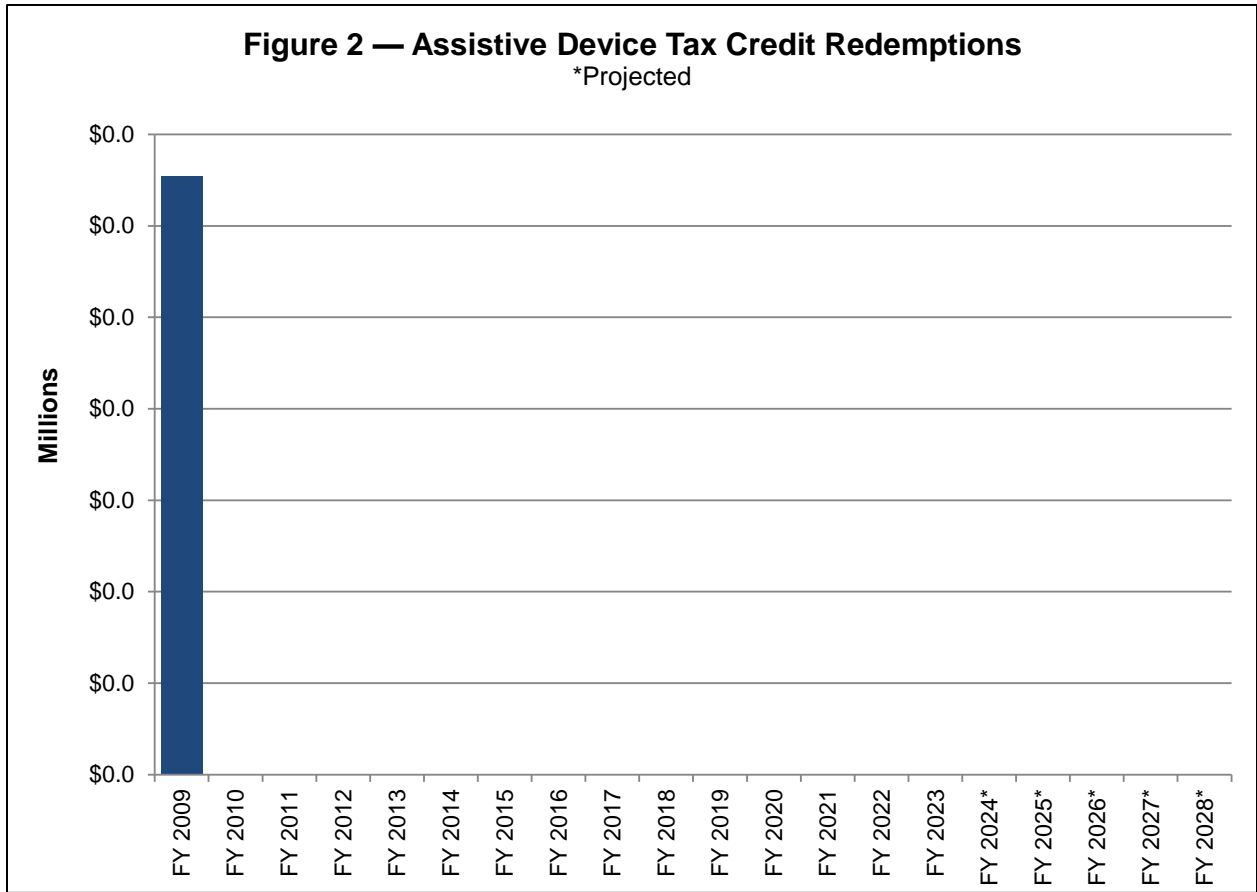
\$120.0 million effective July 1, 2010, and was increased to \$170.0 million effective July 1, 2012.

If a small business elects to take the Assistive Device Tax Credit, it will not be allowed to deduct for low tax purposes any amount of the cost of an assistive device or workplace modification that is deductible for federal income tax purposes. This restriction, along with the higher credit limits available through federal programs, is likely a deterrent to filing for this credit.

#### **Tax Credit Review, Usage, and Future Liability**

The IDR reports on the annual credit usage for the Assistive Device Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 9 of this report, **Figure 1** provides credit redemption history and projections for the Assistive Device Tax Credit on a fiscal year basis. The blue bars of **Figure 2** indicate the actual credit redemption, while the red bars are the IDR projections of future redemptions.

*Projected			
Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2009	\$ 327	FY 2019	\$ 0
FY 2010	0	FY 2020	0
FY 2011	0	FY 2021	0
FY 2012	0	FY 2022	0
FY 2013	0	FY 2023	0
FY 2014	0	FY 2024*	0
FY 2015	0	FY 2025*	0
FY 2016	0	FY 2026*	0
FY 2017	0	FY 2027*	0
FY 2018	0	FY 2028*	0



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