
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Innovation Fund Tax Credit

The Innovation Fund Tax Credit allows a 25.0% tax credit for investments in an innovation fund certified by the Iowa Economic Development Authority (IEDA). The certified innovation funds make investments in early-stage companies that have a principal place of business in the State. The credit can be used against corporate income, individual income, franchise, insurance premium, and moneys and credits taxes. The program has an award cap of \$8.0 million per fiscal year (FY) and falls under the \$170.0 million cumulative tax credit cap for certain tax credits awarded by the IEDA. This program was preceded by two similar programs that have since been repealed, the Iowa Fund of Funds Tax Credit Program and the Venture Capital Fund Tax Credit.

Tax Credit Background

- Enabling Legislation: 2011 Iowa Acts, chapter [130](#) (FY 2012 Economic Development Appropriations Act)
- Iowa Code Citations:
 - Section [15.119](#) — Awards Limitation
 - Section [15E.52](#) — Program Description
 - Section [422.11Z](#) — Individual Income Tax
 - Section [422.33\(13\)](#) — Corporation Income Tax
 - Section [422.60\(11\)](#) — Franchise Tax
 - Section [432.12M](#) — Insurance Premium Tax
 - Section [533.329\(2\)\(j\)](#) — Moneys and Credits Tax
- Administrative State Agencies: IEDA and Iowa Department of Revenue (IDR)
- Sunset Date: No new funds can be certified after June 30, 2028. However, investment in existing funds can be made and tax credit certificates issued after that date.
- Transferable: Yes
- Refundable: No
- Carryforward: Credits in excess of tax liability may be carried forward for up to five years.
- Tax Review Committee Review Year: None scheduled

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/reports?term_node_tid_depth=79

Department of Revenue Tax Credit Review:

tax.iowa.gov/sites/default/files/2022-12/2022InnovationFundTaxCreditStudy.pdf

Department of Revenue Tax Credit Users' Manual:

tax.iowa.gov/sites/default/files/2022-12/TaxCreditsUsersManual2022.pdf

Legislative Services Agency Individual Income Tax Guide: legis.iowa.gov/docs/publications/LG/711304.pdf

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Legislative History

The Innovation Fund Tax Credit went into effect on January 1, 2011, with an initial tax credit rate of 20.0%, and taxpayers were required to wait three years after receiving an award for a qualifying investment to claim the tax credit. During the 2013 Legislative Session, the tax credit rate was increased to 25.0%, the tax credit was permitted to be claimed in the year in which the investment was made, and the tax credit was made transferable. During the 2018 Legislative Session, the deadline to certify new funds was extended from June 30, 2018, to June 30, 2023. During the 2023 Legislative Session, the wait list was eliminated and the deadline to certify new funds was extended from June 30, 2023, to June 30, 2028.

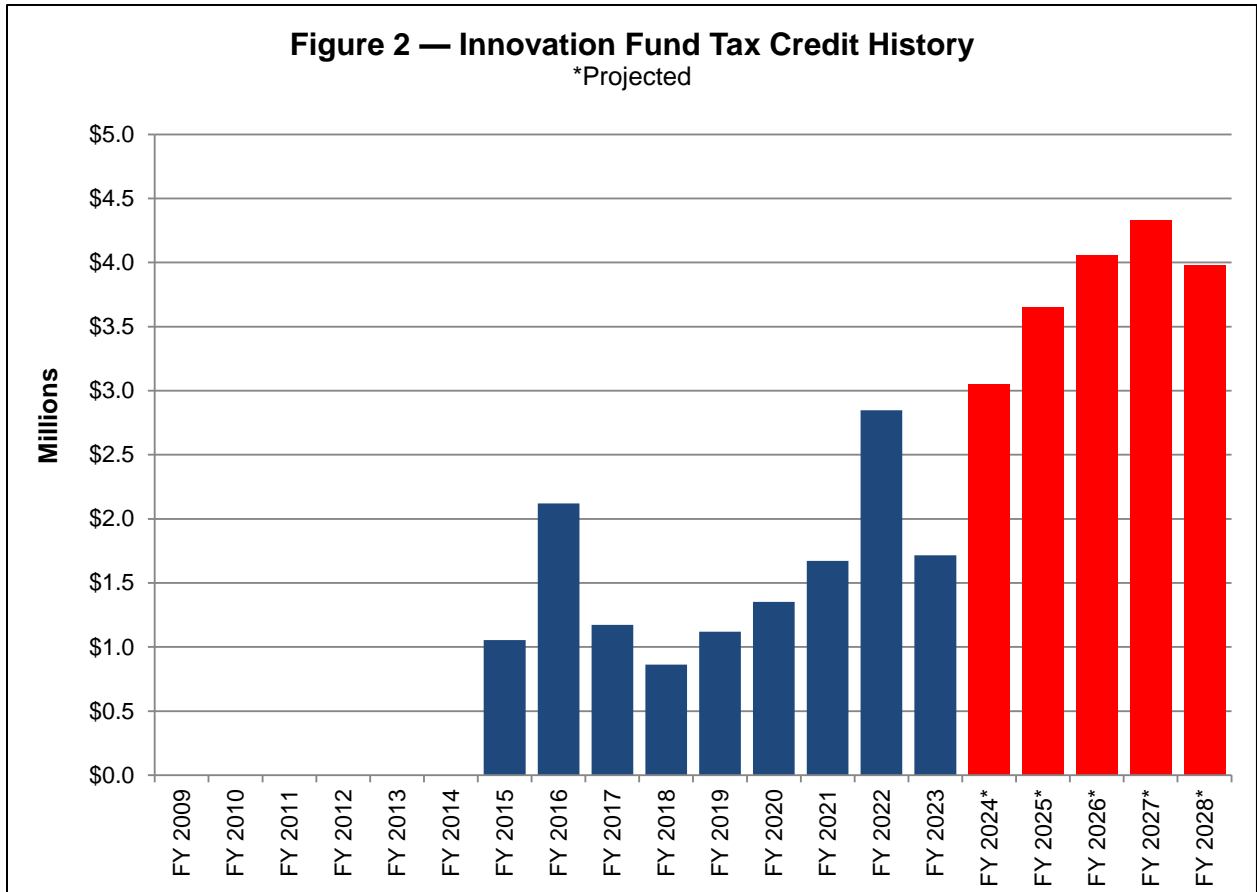
Tax Credit Review, Usage, and Future Liability

The following is based on an IDR review of the Innovation Fund Tax Credit released December 2022:

- As of FY 2022, the Innovation Fund Tax Credit has incented investment in 56 companies.
- The companies receiving investment were primarily involved in information technology and biosciences.
- The median age of companies receiving investment is 1.5 years.

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

*Projected			
Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2009	\$ 0	FY 2019	\$ 1,120,645
FY 2010	0	FY 2020	1,351,977
FY 2011	0	FY 2021	1,672,471
FY 2012	0	FY 2022	2,848,229
FY 2013	0	FY 2023	1,716,627
FY 2014	0	FY 2024*	3,051,049
FY 2015	1,054,904	FY 2025*	3,651,433
FY 2016	2,119,660	FY 2026*	4,058,064
FY 2017	1,173,973	FY 2027*	4,328,229
FY 2018	861,527	FY 2028*	3,977,960



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