

ECONOMIC DEVELOPMENT AUTHORITY[261]

Adopted and Filed

Rulemaking related to the research and development tax credit program

The Economic Development Authority hereby adopts new Chapter 82, “Research and Development Tax Credit Program,” Iowa Administrative Code.

Legal Authority for Rulemaking

This rulemaking is adopted under the authority provided in Iowa Code sections 15.106A and 15.523.

State or Federal Law Implemented

This rulemaking implements, in whole or in part, Iowa Code chapter 15, subchapter II, part 35.

Purpose and Summary

The Authority is adopting a new Chapter 82 to describe the policies and procedures applicable to the Research and Development Tax Credit Program, created pursuant to Iowa Code chapter 15, subchapter II, part 35, as enacted by 2025 Iowa Acts, Senate File 657. The program provides incentives to businesses that conduct qualified research and development in Iowa.

Public Comment and Changes to Rulemaking

Notice of Intended Action for this rulemaking was published in the Iowa Administrative Bulletin on December 24, 2025, as **ARC 9828C**.

Nate Ristow, on behalf of the Iowa Taxpayers Association, noted that the rules should explicitly establish the standard of review for the Certified Public Accountant (CPA) verification required by Iowa Code section 15.523(4) and that verification of industry and sector requirements is outside of the scope of the CPA verification. Mr. Ristow also commented that CPA verification would not need to include certain proposed items that would be addressed in an IRS audit of eligible expenditures for the purposes of the federal research credit. Finally, Mr. Ristow requested that the 10-day deadline for providing documents to the Authority that a CPA relied on in subparagraph 82.3(1)“c”(4) be extended to 30 days to allow adequate time to receive the Authority’s request and send a response. Changes to the rules to accommodate these comments are described below.

Tim Reily, on behalf of AMVC Management Services LLC and its affiliated entities, requested that the rules incorporate agriscience research as an additional sector available for the credit. The Authority does not intend to add any additional sectors as eligible for the credit at this time due to the limited available allocation.

The following changes from the Notice have been made:

- Include the phrase “more likely than not” in subparagraph 82.3(1)“c”(1) to specify the standard of review for the CPA verification.
- Remove numbered paragraph “1” from subparagraph 82.3(1)“c”(1) to eliminate verification of the industry and sector requirements as part of the CPA verification and renumber subsequent numbered paragraphs.
- Add language to subparagraph 82.3(1)“c”(2) to explicitly allow CPAs to consider and incorporate documentation generated in connection with an audit in their verifications.
- Provide additional clarity about the standards applicable to CPA verification in subparagraph 82.3(1)“c”(3).
- Change the deadline to provide documents that a CPA relied on from 10 days to 30 days.
- Remove references to “as enacted by 2025 Iowa Acts, Senate File 657,” throughout since that Senate File has been codified in the 2026 Iowa Code.

Adoption of Rulemaking

This rulemaking was adopted by the Authority Board on February 20, 2026.

Fiscal Impact

This rulemaking has no fiscal impact to the State of Iowa beyond that of the legislation it is intended to implement.

Jobs Impact

After analysis and review of this rulemaking, no impact on jobs has been found.

Waivers

Any person who believes that the application of the discretionary provisions of this rulemaking would result in hardship or injustice to that person may petition the Authority for a waiver of the discretionary provisions, if any, pursuant to 261—Chapter 199.

Review by Administrative Rules Review Committee

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rulemaking by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rulemaking at its [regular monthly meeting](#) or at a special meeting. The Committee’s meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

Effective Date

This rulemaking will become effective on April 22, 2026.

The following rulemaking action is adopted:

ITEM 1. Adopt the following **new** 261—Chapter 82:

CHAPTER 82
RESEARCH AND DEVELOPMENT TAX CREDIT PROGRAM

261—82.1(15E) Definitions. For purposes of this chapter, unless the context otherwise requires:

“*Authority*” means the economic development authority created in Iowa Code section 15.105.

“*Director*” means the director of the authority.

“*Eligible expenditures*” means the same as defined in Iowa Code section 15.521.

“*Foreign adversary*” means a foreign government or foreign non-government person as determined in 15 CFR §7.4 or 15 CFR §791.4 at any time on or after March 4, 2024, and that is listed in 15 CFR §7.4(a) or 15 CFR §791.4(a) at any time on or after March 4, 2024.

“*Foreign adversary entity*” means a foreign business subject to the jurisdiction of or organized under the laws of a foreign adversary or a foreign business owned, directed, or controlled by a foreign adversary.

“*Foreign business*” means the same as defined in Iowa Code section 9I.1.

“*Independent certified public accountant*” or “*independent CPA*” means a certified public accountant not employed by the qualified business or a related entity.

“*Program*” means the research and development tax credit program administered pursuant to this chapter and Iowa Code chapter 15, subchapter II, part 35.

“*Qualified business*” means the same as defined in Iowa Code section 15.521.

“*Qualified research and development*” means the same as defined in Iowa Code section 15.521.

261—82.2(15E) Certification of qualified businesses.

82.2(1) *Eligibility for certification as a qualified business.* A business shall meet all of the criteria in Iowa Code section 15.522 to be eligible for certification as a qualified business. Additionally, a foreign business shall demonstrate that it is not associated with a foreign adversary or foreign adversary entity.

82.2(2) *Additional sectors.* Any individual or business may request in writing that the authority include an additional sector(s) to the list of sectors available for the credit pursuant to Iowa Code section 15.522(2). The authority may initiate the administrative rulemaking process to include an additional sector or sectors in response to such a request or on its own initiative. A business engaged in a sector included by rule pursuant to this subrule shall not apply for certification as a qualified business until after the effective date of the rulemaking to include that sector.

82.2(3) *Application for certification.* A qualified business shall apply to the authority for certification as a qualified business as prescribed by the authority. An applicant shall apply on behalf of all entities in a consolidated group for state or federal tax filing purposes. The application for certification will include the following information:

- a. A description of the general nature of the business's operations.
- b. The location of the principal business operations, any Iowa business locations, and whether the business conducts research and development at any locations outside Iowa.
- c. Information that demonstrates that the business's primary operations are in a qualified industry and sector pursuant to Iowa Code section 15.522. Such evidence may include but is not limited to whether the business has a North American Industry Classification System (NAICS) number aligned with the relevant industries and sectors as determined by the authority. Businesses with other NAICS numbers will be required to document to the authority's satisfaction that the business is primarily engaged in an applicable industry and sector identified in Iowa Code section 15.522 based on factors including but not limited to sources of revenue and customer base.
- d. Information that demonstrates that the business is actively engaged in qualified research and development in Iowa.
- e. Information about employment of the qualified business.
- f. The identity of any entities included as part of a controlled group/group of trades or businesses under common control that is required to compute the federal research and development credit as one taxpayer pursuant to Section 41(f)(1) of the Internal Revenue Code.
- g. A signed statement from an officer, director, manager, member, or general partner of the qualified business certifying the accuracy of the information provided.
- h. Any other information or documentation as the authority may reasonably require to determine the business's eligibility for certification as a qualified business and whether research and development conducted by the business is qualified research and development.

82.2(4) *Authority review and notice of certification.*

a. The authority shall make its best efforts to determine whether a business will be certified as a qualified business within 90 days of receipt of all information and documentation necessary to demonstrate satisfaction of the criteria set forth in Iowa Code section 15.522. The authority may conduct site visits to assess the eligibility of the business and the research conducted by the business.

b. The authority will determine whether an applicant for certification has a record of violations of the law that over a period of time tends to show a consistent pattern or that establishes intentional, criminal, or reckless conduct in violation of such laws. An applicant that has such a record of violations of the law will be ineligible for certification.

c. Authority staff will make recommendations for approval or denial of applications for certification. The director may approve, deny, or defer an application for certification.

d. Approval of certification by the director shall be contingent upon execution of an agreement with the authority within 45 days of transmittal of the agreement. The time limit for execution may be extended by the director for an additional 45 days for good cause shown. Upon expiration of the time limit, including any extension, approval of certification of a qualified business shall be rescinded.

e. Following execution of an agreement pursuant to paragraph 82.2(4) "d," the authority will issue written notice to the qualified business that such business has been certified with the authority for the

purpose of the program. The authority will indicate in its written notice the first tax year for which eligible expenditures may be eligible for a tax credit.

82.2(5) *Revocation and expiration of certification.*

a. A certified qualified business shall provide any information as the authority may reasonably request to confirm the business's continued eligibility for certification as a qualified business and whether the business continues to be actively engaged in qualified research and development.

b. If a qualified business fails to meet or maintain any requirement set forth in the agreement entered pursuant to Iowa Code section 15.523(3); this chapter; or Iowa Code chapter 15, subchapter II, part 35, the authority may suspend or revoke the business's certification as a qualified business by issuing written notice to the business. The notice will identify the last date on which the business was eligible to be certified as a qualified business. If certification is revoked, the notice will identify the first date on which the business will be eligible to reapply for certification. If certification is suspended, the notice will identify the proposed end date of the suspension. A business cannot apply for a tax credit for eligible expenditures incurred after the effective date of revocation or during the effective period of suspension.

c. The written notice of certification issued pursuant to paragraph 82.2(4) "e" will include the date the authority expects the certification to expire if a business continues to satisfy all eligibility requirements. Certification may expire up to five years from the date of the notice. If a determination cannot be made that the qualified business intends to engage in qualified research and development for five years, the authority may approve certification for less than five years.

d. A business may submit an application for recertification and be approved for recertification by the authority.

e. If a business's certification as a qualified business expires, expenditures made after the expiration date will not be eligible for a tax credit.

82.2(6) *Reporting.* The authority may, at any time, request additional information and documentation from a qualified business to meet the authority's reporting obligations pursuant to Iowa Code section 15.525 or required to prepare any other reports to be provided to the governor and the general assembly.

261—82.3(15E) Application and review process for tax credits.

82.3(1) *Annual business application.* A qualified business shall make its best efforts to submit its annual application for a tax credit no later than 90 days after the date its federal return is filed and accepted. The application shall be submitted no later than January 31 following the most recently filed and accepted federal tax return. A qualified business shall apply for tax credits on behalf of all entities in a consolidated group for state or federal tax filing purposes and include all application information for all such entities that incurred eligible expenditures. The annual application submitted by qualified businesses will include:

a. A report from the business of any changes to the information provided in the application for certification pursuant to subrule 82.2(3).

b. Documentation of the amount of the eligible expenditures that were included in Section F of Internal Revenue Form 6765 that was submitted with the qualified business's most recently filed and accepted federal tax return.

c. Verification of eligible expenditures by an independent CPA authorized to practice in this state, described on a form prescribed by authority.

(1) The procedures used by the independent CPA to conduct the verification should allow the independent CPA to conclude that, in the independent CPA's professional judgment, the expenditures claimed are, more likely than not, eligible pursuant to the agreement entered pursuant to Iowa Code section 15.523(3); Iowa Code chapter 15, subchapter II, part 35; and all rules adopted pursuant to Iowa Code chapter 15, subchapter II, part 35, and 2025 Iowa Acts, Senate File 657, in all material respects. The verification shall include but not be limited to the following:

1. The qualified research and development and eligible expenditures are supported by the qualified business's underlying books and records.

2. The qualified business claimed a federal research credit under Section 41 of the Internal Revenue Code for its eligible expenditures for the same tax year for which the business has applied for a tax credit under the program.

3. The qualified business's methodology for identifying eligible expenditures accurately identifies qualified research and development projects and activities and accurately calculates qualified research expenses under Section 41 of the Internal Revenue Code that occurred in Iowa.

4. The wages included as eligible expenditures are limited to wages paid for the performance, direct supervision, or direct support of qualified research and development, and such services were physically performed in Iowa by individuals legally authorized to work in Iowa.

5. Any amounts included as eligible expenditures that were paid to unrelated third parties were for qualified research and development performed on behalf of the qualified business, and the qualified business retained substantial rights in the results and bore the financial risk of failure of the qualified research and development performed by a third party.

6. Any amounts included as eligible expenditures that were paid to unrelated third parties were for qualified research and development physically performed in Iowa by individuals authorized to work in Iowa.

7. Only 65 percent of eligible contract research expenses were included as eligible expenditures.

8. Only nondepreciable tangible property used directly in the conduct of qualified research and development was included as eligible expenditures.

9. Only supplies used or consumed in Iowa in the conduct of qualified research and development were included as eligible expenditures.

10. Only rental or lease costs for computers or cloud computing resources used in qualified research were included as eligible expenditures, and such resources were operated by third-party providers and not primarily used by the qualified business.

11. Amounts included as eligible expenditures relate only to computers physically located in Iowa, or, for cloud computing resources, an allocation methodology reasonably attributes usage to Iowa-based qualified research and development activities.

12. Expenditures were captured and allocated to qualified research and development activities at the business component or project level.

13. The qualified research and development activities associated with eligible expenditures met all four statutory tests under Section 41(d) of the Internal Revenue Code: permitted purpose, elimination of uncertainty, process of experimentation, and technological in nature.

14. No expenditures were included for research to the extent funded by another person, grant, or governmental entity.

(2) For each item in subparagraph 82.3(1)"c"(1), the independent CPA shall describe the information and documentation relied upon to verify each item. The independent CPA may consider and incorporate documentation generated in connection with an Internal Revenue Service examination of the taxpayer's federal credit for increasing research activities under Section 41 of the Internal Revenue Code. Reliance on such materials does not relieve the independent CPA of the obligation to address each verification item required by subparagraph 82.3(1)"c"(1).

(3) The independent CPA shall represent that the verification procedures were performed in a manner consistent with applicable tax practice standards and that, based on information provided by the qualified business and consistent with applicable law, the independent CPA reasonably concluded that the information is, more likely than not, accurate and complete. The CPA will not provide an audit, review, or attestation opinion for the purposes of this paragraph.

(4) Within 30 business days of a request by the authority, the qualified business shall make available to the authority the documents reviewed by the independent CPA unless good cause is shown.

d. A signed statement from an officer, director, manager, member, or general partner of the qualified business certifying the accuracy of the information provided.

e. Any other information as the authority may reasonably require to determine the business's continued eligibility for certification as a qualified business and whether the business continues to be actively engaged in qualified research and development.

82.3(2) Staff review. Authority staff will verify the continued eligibility of qualified businesses and the amount of eligible expenditures incurred by qualified businesses prior to approval of tax credits by the director.

82.3(3) Tax credit calculation. The annual tax credit award for each qualified business shall equal its unadjusted credit or its adjusted credit, whichever is less.

a. Unadjusted credit. The unadjusted credit for a qualified business equals its eligible expenditures multiplied by the tax credit rate provided in the agreement, not to exceed 3.5 percent.

b. Adjusted credit. To calculate the adjusted credit for a qualified business, first divide the qualified business's eligible expenditures by the total eligible expenditures incurred by all qualified businesses with approved tax credit applications for the fiscal year. Next, multiply that quotient by the amount of tax credits available pursuant to Iowa Code section 15.119 for the fiscal year after reduction for the set aside, if any, of tax credits for additional awards pursuant to subrule 82.3(4). That product, plus any additional tax credits awarded to the qualified business for the fiscal year pursuant to subrule 82.3(4), equals a qualified business's adjusted credit.

EXAMPLE: For purposes of this example, assume that the total available tax credits for the fiscal year is \$40,000,000 and the authority does not set aside any of that amount for additional awards pursuant to subrule 82.3(4). Also assume that the total eligible expenditures incurred by all qualified businesses with approved tax credit applications for the fiscal year is \$2,000,000,000. A qualified business submits an annual tax credit application with \$10,000,000 of eligible expenditures, and the tax credit rate in its agreement is 3.5 percent. The qualified business's unadjusted credit equals \$350,000 ($\$10,000,000 \times 0.035$). The qualified business's adjusted credit equals \$200,000 ($(\$10,000,000 / \$2,000,000,000) \times \$40,000,000$). Therefore, the qualified business's annual tax credit award will be \$200,000.

82.3(4) Set aside of tax credits for additional awards. The authority may set aside up to 5 percent of the amount of tax credits available pursuant to Iowa Code section 15.119 for the fiscal year to be awarded as additional tax credits to qualified businesses that demonstrate an increase in eligible expenditures.

a. Additional tax credits from the set aside described in this subrule may be awarded based on the annual applications submitted by qualified businesses pursuant to subrule 82.3(1). The authority may request additional information from qualified businesses to establish that a qualified business demonstrates an increase in eligible expenditures and that additional tax credits are warranted pursuant to the factors in paragraph 82.3(4) "c."

b. Each fiscal year, the authority will determine the total amount of the set aside, if any, prior to making an initial apportionment of tax credits based on the total amount of qualified expenditures incurred by all qualified businesses that are eligible for a tax credit.

c. Factors the authority will consider in determining whether to award additional tax credits to a qualified business include but are not limited to whether the qualified business recently located in or expanded in Iowa and the economic impact of the qualified business, its facility or facilities in Iowa, and the qualified research and development.

82.3(5) Application decisions. The director may approve, deny, or defer an application for tax credits. Applications for tax credits may be denied under the following circumstances:

a. The qualified business has not continued to engage in the qualified research and development proposed in its application for certification.

b. The qualified business experiences a business closure or experiences a mass layoff for which notice is required under Iowa Code chapter 84C.

c. The authority determines the qualified business has a record of violations of the law that over a period of time tends to show a consistent pattern or that establishes intentional, criminal, or reckless conduct in violation of such laws.

261—82.4(15E) Tax credit certificates.

82.4(1) Issuance by the authority. The authority will issue tax credit certificates to qualified businesses pursuant to Iowa Code section 15.524. Tax credit certificates will be issued to the qualified businesses that applied for certification.

82.4(2) *Vested right.* A taxpayer does not obtain a vested right in a tax credit until a certificate has been issued by the authority.

82.4(3) *Claiming a tax credit.* An investor that has been issued a tax credit certificate by the authority may claim the credit in accordance with any applicable rules adopted by the department of revenue.

82.4(4) *Changes to federal credit.*

a. The qualified business shall notify the authority of any reduction of the federal credit for increasing research activities under Section 41 of the Internal Revenue Code or reduction of qualified research expenditures for the federal credit that occurs after certification as a qualified business. Such notice is required whether the reduction is the result of review of the credit initiated by the Internal Revenue Service or an amendment to the qualified business's tax return initiated by the qualified business. The qualified business must provide notice to the authority within 30 days of the final determination date as defined in Iowa Code section 422.25.

b. Following a report to the authority that the federal credit or qualified research expenditures for the purposes of the federal credit have been reduced, a qualified business must submit a supplemental verification of eligible expenditures by an independent CPA authorized to practice in this state conducted in accordance with the procedures identified in subrule 82.3(1). The supplemental verification shall detail the impact of the disallowed credit on the amount of eligible expenditures, if any. The authority may waive the requirement to submit supplemental verification if all qualified expenditures on which the federal credit was claimed occurred in Iowa, if the qualified business agrees to a reduced tax credit consistent with a reduction in qualified research expenditures as determined by the authority, or if sufficient information is otherwise available to determine the impact on the tax credit available through the program.

c. If the supplemental independent CPA verification or other information submitted pursuant to paragraph 82.4(4) "b" demonstrates a reduction in eligible expenditures, the tax credit available through the program shall be reduced to an amount calculated by multiplying the credit percentage determined pursuant to subrule 82.3(3) by the reduced amount of eligible expenditures. Any additional award pursuant to subrule 82.3(4) will be reduced in the same way. If sufficient information is not available to determine the reduced amount of eligible expenditures, the authority may wholly rescind a tax credit available under the program.

d. The tax credit available through the program shall not be increased based on an increase in the federal credit for increasing research activities under Section 41 of the Internal Revenue Code claimed by a qualified business.

261—82.5(15) Mass layoffs and business closures.

82.5(1) Pursuant to Iowa Code section 15.112, the authority may reduce or eliminate some or all of a tax credit approved through the program under the following circumstances:

a. A qualified business closes a facility in Iowa.

b. A qualified business experiences a mass layoff for which notice is required under Iowa Code chapter 84C that directly impacts its qualified research and development conducted in Iowa.

c. A qualified business experiences a mass layoff for which notice is required under Iowa Code chapter 84C that represents a significant portion of the qualified business's employees in Iowa.

82.5(2) The authority may deny certification or recertification of a qualified business under the circumstances identified in subrule 82.5(1).

82.5(3) Factors the authority may consider when determining whether to exercise its discretion under this rule include but are not limited to the percentage of the qualified business's workforce affected; the total number of employees involved; whether the action is seasonal, temporary, or permanent; whether employees are relocated to other Iowa facilities; the reasons causing the mass layoff or business closure; and the impact on the qualified business's qualified research and development conducted in Iowa, the community in which the mass layoff or business closure occurred, and the state.

261—82.6(7C) References. All references to the Internal Revenue Code in this chapter are as in effect on April 22, 2026.

These rules are intended to implement Iowa Code chapter 15, subchapter II, part 35.

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EDITOR'S NOTE: For replacement pages for IAC, see IAC Supplement 3/18/26.