

REVENUE DEPARTMENT[701]

Adopted and Filed

Rule making related to deduction of credits

The Revenue Department hereby amends Chapter 42, “Adjustments to Computed Tax and Tax Credits,” Chapter 52, “Filing Returns, Payment of Tax, Penalty and Interest, and Tax Credits,” and Chapter 58, “Filing Returns, Payment of Tax, Penalty and Interest, and Tax Credits,” Iowa Administrative Code.

Legal Authority for Rule Making

This rule making is adopted under the authority provided in Iowa Code section 422.68.

State or Federal Law Implemented

This rule making implements, in whole or in part, Iowa Code chapter 422.

Purpose and Summary

This rule making updates the Department’s rules that dictate the order in which Iowa income and franchise tax credits must be deducted by Iowa taxpayers. These amendments strike from the deduction list recently repealed tax credits and add newly enacted tax credits such as the Beginning Farmer Tax Credit, the Hoover Presidential Library Tax Credit, and the Renewable Chemical Production Tax Credit. Updates are also made to certain tax credits that have experienced a change in name, claim period, or claim procedure, or that were previously grouped together with other similar tax credits on the list.

These amendments change the order of deduction for the alternative minimum tax credit in tax year 2021 for corporations and financial institutions, and in tax year 2023 for individuals, because that is the final tax year that credit may be claimed for those tax types, so the carryforward period is reduced to zero. This change will allow the alternative minimum tax credit to be claimed in 2021 or 2023, as applicable, before other tax credits with a carryforward period.

These amendments also provide for the order in which tax credits carried forward from a previous tax year must be deducted. Finally, this rule making adopts a rule regarding order of deduction for tax credits claimed under the Iowa franchise tax.

Public Comment and Changes to Rule Making

Notice of Intended Action for this rule making was published in the Iowa Administrative Bulletin on September 8, 2021, as **ARC 5883C**. No public comments were received. No changes from the Notice have been made.

Adoption of Rule Making

This rule making was adopted by the Department on October 15, 2021.

Fiscal Impact

This rule making has no fiscal impact to the State of Iowa.

Jobs Impact

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

Waivers

Any person who believes that the application of the discretionary provisions of this rule making would result in hardship or injustice to that person may petition the Department for a waiver of the discretionary provisions, if any, pursuant to rule 701—7.28(17A).

Review by Administrative Rules Review Committee

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rule making by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rule making 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 rule making will become effective on December 8, 2021.

The following rule-making actions are adopted:

ITEM 1. Amend rule 701—42.44(422) as follows:

701—42.44(422) Deduction of credits.

42.44(1) *Sequencing of credit deductions.* The credits against computed tax set forth in Iowa Code sections 422.5, 422.8, 422.10 through 422.12C, 422.12N, and 422.110 shall be claimed in the following sequence:

- ~~1. a. Personal exemption credit.~~
- ~~2. b. Tuition and textbook credit.~~
- ~~3. c. Volunteer fire fighter, volunteer emergency medical services personnel and reserve peace officer tax credit.~~
4. d. Nonresident and part-year resident credit.
- ~~5. e. Out-of-state tax credit.~~
- ~~6. f. Franchise tax credit.~~
- ~~7. g. S corporation apportionment credit.~~
- ~~8. h. Alternative minimum tax credit (for tax years beginning during 2023 only).~~
- ~~9. i. Historic preservation tax credit (when the taxpayer has elected that the credit be nonrefundable under Iowa Code section 404A.2(4)).~~
- ~~10. j. School tuition organization tax credit.~~
- ~~11. k. ~~Venture capital tax credits (excluding redeemed Iowa fund of funds tax credit).~~ Innovation fund investment tax credit.~~
- ~~12. l. Endow Iowa tax credit.~~
- ~~13. m. Film qualified expenditure tax credit.~~
- ~~14. n. Film investment tax credit.~~
- ~~15. o. Redevelopment tax credit.~~
- ~~16. p. From farm to food donation tax credit.~~
- ~~17. q. Workforce housing tax credit.~~
- ~~18. r. Hoover presidential library tax credit.~~
- ~~19. s. ~~Investment~~ Enterprise zone investment tax credit.~~
- ~~20. t. ~~High quality jobs investment~~ tax credit.~~
- ~~21. u. Wind energy production tax credit.~~
- ~~22. v. Renewable energy tax credit.~~
- ~~23. w. ~~Redeemed Iowa fund of funds tax credit.~~~~
- ~~24. x. New jobs tax credit.~~
- ~~25. y. Beginning farmer tax credit.~~
- ~~26. z. ~~Economic development region revolving fund tax credit.~~~~

- 21. w. Agricultural assets transfer tax credit.
- 22. x. Custom farming contract tax credit.
- 23. y. Geothermal heat pump tax credit.
- 24. z. Solar energy system tax credit.
- 25. aa. Charitable conservation contribution tax credit.
- 26. ab. Alternative minimum tax credit (for tax years beginning before January 1, 2023).
- 27. ac. Historic preservation ~~and cultural and entertainment district~~ tax credit (when the taxpayer has elected that the credit be refundable under Iowa Code section 404A.2(4)).
- 28. ~~ad.~~ ad. Ethanol promotion tax credit. High quality jobs third-party developer tax credit.
- 29. ae. Research activities credit.
- 30. ~~Out of state tax credit.~~
- 31. af. Child and dependent care tax credit or early childhood development tax credit.
- 32. ag. Motor fuel tax credit.
- 33. ah. Claim of right credit (if elected in accordance with rule 701—38.18(422)).
- 34. ~~Wage benefits tax credit.~~
- ai. Qualifying business investment tax credit (also known as angel investor tax credit).
- 35. aj. Adoption tax credit.
- 36. ak. E-85 gasoline promotion tax credit.
- 37. al. Biodiesel blended fuel tax credit.
- 38. am. E-15 plus gasoline promotion tax credit.
- 39. an. Earned income tax credit.
- 40. ~~ao.~~ ao. ~~Iowa taxpayers trust fund~~ Renewable chemical production tax credit.
- 41. ap. Estimated payments, payment with vouchers, and withholding tax.

42.44(2) Order of credits carried forward from a previous tax year. A credit carried forward from a previous tax year shall be applied against computed tax before a credit earned under the same credit program in the current tax year. However, a credit carried forward from a previous tax year cannot be applied against computed tax before a credit earned under a different credit program in a later year that appears before it in the sequence in subrule 42.44(1). For example, a school tuition organization tax credit awarded in the current tax year must be applied against computed tax before a renewable energy tax credit carried forward from a previous tax year.

This rule is intended to implement Iowa Code sections 422.5, 422.8, 422.10, 422.11, 422.11A, 422.11B, 422.11D, 422.11E, 422.11F, 422.11H, 422.11I, 422.11J, 422.11L, 422.11M, 422.11N, 422.11O, 422.11P, 422.11Q, 422.11R, 422.11S, 422.11V, 422.11W, 422.11Y, 422.11Z, 422.12, 422.12B, 422.12C and 422.110 and 2014 Iowa Acts, House Files 2448 and 2468.

ITEM 2. Amend rule 701—52.12(422) as follows:

701—52.12(422) Deduction of credits.

52.12(1) Sequencing of credit deductions. The credits against computed tax set forth in Iowa Code sections 422.33 and 422.110 shall be claimed in the following sequence.

- 1. a. Franchise tax credit.
- b. Alternative minimum tax credit (for tax years beginning during 2021 only).
- c. Qualifying business investment tax credit (also known as angel investor tax credit).
- d. Historic preservation tax credit (when the taxpayer has elected that the credit be nonrefundable under Iowa Code section 404A.2(4)).
- 2. e. School tuition organization tax credit.
- 3. ~~f.~~ f. ~~Venture capital tax credit (excluding redeemed Iowa fund of funds tax credit).~~ Innovation fund investment tax credit.
- 4. g. Endow Iowa tax credit.
- 5. ~~Film qualified expenditure tax credit.~~
- 6. ~~Film investment tax credit.~~
- 7. h. Redevelopment tax credit.
- 8. i. From farm to food donation tax credit.

- 9. j. Workforce housing tax credit.
- k. Hoover presidential library tax credit.
- 10. l. ~~Investment~~ Enterprise zone tax credit.
- m. High quality jobs investment tax credit.
- 11. n. Wind energy production tax credit.
- 12. o. Renewable energy tax credit.
- 13. ~~Redeemed Iowa fund of funds tax credit.~~
- 14. p. New jobs tax credit.
- q. Beginning farmer tax credit.
- 15. ~~Economic development region revolving fund tax credit.~~
- 16. r. Agricultural assets transfer tax credit.
- 17. s. Custom farming contract tax credit.
- 18. t. Solar energy system tax credit.
- 19. u. Charitable conservation contribution tax credit.
- 20. v. Alternative minimum tax credit (for tax years beginning before January 1, 2021, only).
- 21. w. Historic preservation ~~and cultural and entertainment district~~ tax credit (when the taxpayer has elected that the credit be refundable under Iowa Code section 404A.2(4)).
- 22. ~~Corporate tax credit for certain sales tax paid by developer.~~
- x. High quality jobs third-party developer tax credit.
- 23. ~~Ethanol promotion tax credit.~~
- 24. y. Research activities credit.
- 25. z. Assistive device tax credit.
- 26. aa. Motor fuel tax credit.
- 27. ~~Wage benefits tax credit.~~
- 28. ab. E-85 gasoline promotion tax credit.
- 29. ac. Biodiesel blended fuel tax credit.
- 30. ad. E-15 plus gasoline promotion tax credit.
- ae. Renewable chemical production tax credit.
- 31. af. Estimated tax and payment with vouchers.

52.12(2) Order of credits carried forward from a previous tax year. A credit carried forward from a previous tax year shall be applied against computed tax before a credit earned under the same credit program in the current tax year. However, a credit carried forward from a previous tax year cannot be applied against computed tax before a credit awarded under a different credit program in a later year that appears before it in the sequence in subrule 52.12(1). For example, a school tuition organization tax credit awarded in the current tax year must be applied against computed tax before a renewable energy tax credit carried forward from a previous tax year.

This rule is intended to implement Iowa Code sections 422.33, 422.91 and 422.110.

ITEM 3. Adopt the following **new** rule 701—58.24(422):

701—58.24(422) Deduction of credits.

58.24(1) Sequencing of credit deductions. The credits against computed tax set forth in Iowa Code section 422.60 shall be claimed in the following sequence.

- a. Alternative minimum tax credit (for tax years beginning during 2021 only).
- b. Qualifying business investment tax credit (also known as angel investor tax credit).
- c. Historic preservation tax credit (when the taxpayer has elected that the credit be nonrefundable under Iowa Code section 404A.2(4)).
- d. Innovation fund investment tax credit.
- e. Endow Iowa tax credit.
- f. Redevelopment tax credit.
- g. Workforce housing tax credit.
- h. Hoover presidential library tax credit.
- i. Enterprise zone tax credit.

- j.* High quality jobs investment tax credit.
- k.* Wind energy production tax credit.
- l.* Renewable energy tax credit.
- m.* Solar energy system tax credit.
- n.* Alternative minimum tax credit (for tax years beginning before January 1, 2021, only).
- o.* Historic preservation tax credit (when the taxpayer has elected that the credit be refundable under Iowa Code section 404A.2(4)).
- p.* High quality jobs third-party developer tax credit.
- q.* Estimated tax and payment with vouchers.

58.24(2) *Order of credits carried forward from a previous tax year.* A credit carried forward from a previous tax year shall be applied against computed tax before a credit earned under the same credit program in the current tax year. However, a credit carried forward from a previous tax year cannot be applied against computed tax before a credit awarded under a different credit program in a later year that appears before it in the sequence in subrule 58.24(1). For example, an innovation fund investment tax credit awarded in the current tax year must be applied against computed tax before a renewable energy tax credit carried forward from a previous tax year.

This rule is intended to implement Iowa Code sections 422.60 and 422.91.

[Filed 10/15/21, effective 12/8/21]

[Published 11/3/21]

EDITOR'S NOTE: For replacement pages for IAC, see IAC Supplement 11/3/21.