

**15E.43 Investment tax credits.**

1. *a.* For tax years beginning on or after January 1, 2002, a tax credit shall be allowed against the taxes imposed in [chapter 422, divisions II, III, and V](#), and in [chapter 432](#), and against the moneys and credits tax imposed in [section 533.329](#), for a portion of a taxpayer's equity investment, as provided in [subsection 2](#), in a qualifying business or a community-based seed capital fund. An individual may claim a tax credit under this paragraph of a partnership, limited liability company, S corporation, estate, or trust electing to have income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings from the partnership, limited liability company, S corporation, estate, or trust.

*b.* A tax credit shall be allowed only for an investment made in the form of cash to purchase equity in a qualifying business or in a community-based seed capital fund. A taxpayer that has received a tax credit for an investment in a community-based seed capital fund shall not claim the tax credit prior to the third tax year following the tax year in which the investment is made. Any tax credit in excess of the taxpayer's liability for the tax year may be credited to the tax liability for the following five years or until depleted, whichever is earlier. A tax credit shall not be carried back to a tax year prior to the tax year in which the taxpayer redeems the tax credit.

*c.* In the case of a tax credit allowed against the taxes imposed in [chapter 422, division II](#), where the taxpayer died prior to redeeming the entire tax credit, the remaining credit can be redeemed on the decedent's final income tax return.

2. A tax credit shall equal twenty percent of the taxpayer's equity investment. The maximum amount of a tax credit for an investment by an investor in any one qualifying business shall be fifty thousand dollars. Each year, an investor and all affiliates of the investor shall not claim tax credits under [this section](#) for more than five different investments in five different qualifying businesses.

3. An investment shall be deemed to have been made on the same date as the date of acquisition of the equity interest as determined by the Internal Revenue Code.

4. The authority shall not issue tax credits under this section in excess of the amount approved by the authority for any one fiscal year pursuant to [section 15.119](#).

5. A tax credit shall not be transferable to any other taxpayer.

6. A tax credit issued pursuant to [this division](#) for an equity investment in a qualifying business, as described in [section 15E.44](#), which is made on or after January 1, 2014, shall not be redeemed by a taxpayer prior to January 1, 2016.

7. The authority shall develop a system for registration and authorization of tax credits authorized pursuant to [this division](#) and shall control distribution of all tax credits distributed to investors pursuant to [this division](#). The authority shall develop rules for the qualification and administration of qualifying businesses and community-based seed capital funds. The department of revenue shall adopt these criteria as administrative rules and any other rules pursuant to [chapter 17A](#) necessary for the administration of [this division](#).

8. The authority may cooperate with the small business development centers in an effort to disseminate information regarding the availability of tax credits for investments in qualifying businesses under [this division](#). The authority may also cooperate with the small business development centers to develop a standard seed capital application form that the small business development centers may submit to the authority on behalf of clients seeking seed capital. The authority shall distribute copies of the application forms to all community-based seed capital funds and potential individual investors.

[2002 Acts, ch 1006, §3, 13; 2002 Acts, ch 1175, §76; 2003 Acts, ch 145, §286; 2003 Acts, ch 179, §96, 97, 159; 2004 Acts, ch 1148, §2, 7; 2005 Acts, ch 157, §1; 2007 Acts, ch 174, §83; 2011 Acts, ch 118, §87, 89; 2011 Acts, ch 130, §38, 46, 47, 71; 2014 Acts, ch 1124, §1 – 3, 8](#)

2011 amendment to subsection 4 applies retroactively to January 1, 2011, for tax years beginning and investments made on or after that date; 2011 Acts, ch 130, §47

2014 amendment to subsection 1, paragraph b, and to subsections 3 and 5, apply retroactively to tax years beginning and investments made on or after January 1, 2014; 2014 Acts, ch 1124, §8

Subsection 1, paragraph b amended

Subsections 3 and 5 amended

NEW subsection 6 and former subsections 6 and 7 renumbered as 7 and 8