

422.10 Research activities credit.

1. The taxes imposed under [this division](#) shall be reduced by a state tax credit for increasing research activities in this state.

a. (1) For individuals, the credit equals the sum of the following:

(a) Six and one-half percent of the excess of qualified research expenses during the tax year over the base amount for the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

(b) Six and one-half percent of the basic research payments determined under section 41(e)(1)(A) of the Internal Revenue Code during the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

(2) The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to total qualified research expenditures.

b. In lieu of the credit amount computed in paragraph "a", subparagraph (1), subparagraph division (a), a taxpayer may elect to compute the credit amount for qualified research expenses incurred in this state in a manner consistent with the alternative simplified credit described in section 41(c)(5) of the Internal Revenue Code. The taxpayer may make this election regardless of the method used for the taxpayer's federal income tax. The election made under this paragraph is for the tax year and the taxpayer may use another or the same method for any subsequent year.

c. For purposes of the alternate credit computation method in paragraph "b", the credit percentages applicable to qualified research expenses described in section 41(c)(5)(A) and clause (ii) of section 41(c)(5)(B) of the Internal Revenue Code are four and fifty-five hundredths percent and one and ninety-five hundredths percent, respectively.

2. For purposes of [this section](#), an individual may claim a research credit incurred by a partnership, S corporation, limited liability company, estate, or trust electing to have the 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 of a partnership, S corporation, limited liability company, estate, or trust.

3. a. For purposes of [this section](#), "base amount", "basic research payment", and "qualified research expense" mean the same as defined for the federal credit for increasing research activities under section 41 of the Internal Revenue Code, except that for the alternative simplified credit such amounts are for research conducted within this state.

b. For purposes of [this section](#), "Internal Revenue Code" means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended and in effect on January 1, 2016. This definition shall not be construed to include any amendment to the Internal Revenue Code enacted after the date specified in the preceding sentence, including any amendment with retroactive applicability or effectiveness.

4. Any credit in excess of the tax liability imposed by [section 422.5](#) less the amounts of nonrefundable credits allowed under [this division](#) for the taxable year shall be refunded with interest computed under [section 422.25](#). In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following taxable year.

5. An individual may claim an additional research activities credit authorized pursuant to [section 15.335](#) if the eligible business is a partnership, S corporation, limited liability company, or estate or trust which elects to have the income taxed directly to the individual. The amount of the credit shall be as provided in [section 15.335](#).

6. The department shall by February 15 of each year issue an annual report to the general assembly containing the total amount of all claims made by employers under [this section](#) and the portion of the claims issued as refunds, for all claims processed during the previous calendar year. The report shall contain the name of each claimant for whom a tax credit in excess of five hundred thousand dollars was issued and the amount of the credit received.

[83 Acts, ch 179, §8, 25; 85 Acts, ch 230, §5; 86 Acts, ch 1007, §22; 87 Acts, 2nd Ex, ch 1, §10; 88 Acts, ch 1028, §21; 90 Acts, ch 1171, §3; 91 Acts, ch 159, §10; 91 Acts, ch 215, §2; 93 Acts, ch 113, §2, 4; 94 Acts, ch 1166, §7, 11; 95 Acts, ch 152, §4, 7; 97 Acts, ch 23, §43; 97 Acts, ch](#)

135, §6, 9; 98 Acts, ch 1078, §6, 10; 99 Acts, ch 95, §7, 12, 13; 2000 Acts, ch 1146, §4, 9, 11; 2000 Acts, ch 1194, §9, 21; 2001 Acts, ch 127, §6, 9, 10; 2002 Acts, ch 1069, §7, 10, 14; 2003 Acts, ch 139, §7, 11, 12; 2004 Acts, ch 1073, §17; 2005 Acts, ch 24, §6, 10, 11; 2006 Acts, ch 1140, §5, 10, 11; 2006 Acts, ch 1158, §14, 15; 2007 Acts, ch 12, §4, 7, 8; 2008 Acts, ch 1011, §5, 9; 2009 Acts, ch 179, §131, 153, 233; 2011 Acts, ch 41, §11, 12, 14, 16; 2012 Acts, ch 1007, §4, 7, 8; 2013 Acts, ch 1, §4, 7, 8; 2014 Acts, ch 1076, §3, 6, 7; 2015 Acts, ch 1, §4, 7, 8; 2017 Acts, ch 157, §5, 12, 14

Referred to in [§2.48](#), [§15.335](#), [§422.5](#), [§422.16](#)

Internal Revenue Code definition is updated regularly; for applicable definition in a prior tax year, refer to Iowa Acts and Code for that year

For provisions relating to the definition of Internal Revenue Code for the period beginning January 1, 2015, and ending December 31, 2015, and for tax years beginning during the 2015 calendar year, see 2016 Acts, ch 1007, §1, 4, 5

2017 amendment to subsection 3, paragraph b, changing a date reference to January 1, 2016, takes effect May 11, 2017, and applies retroactively to January 1, 2016, for tax years beginning on or after that date; 2017 Acts, ch 157, §12, 14

Subsection 3, paragraph b amended