

CHAPTER 116  
TAX CREDITS FOR INVESTMENTS IN CERTIFIED INNOVATION FUNDS

Chapter rescission date pursuant to Iowa Code section 17A.7: 2/25/31

**261—116.1(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.

“*Board*” means the same as defined in Iowa Code section 15.102.

“*Convertible debt*” means debt that may be converted to equity at the option of the debt holder but has not yet been converted.

“*Equity*” means common or preferred corporate stock or warrants to acquire such stock, membership interests in limited liability companies, partnership interests in partnerships, or near equity. Equity shall be limited to securities or interests acquired only for cash and shall not include securities or interests acquired at any time for services, contributions of property other than cash, or any other non-cash consideration.

“*Innovation fund*” means the same as defined in Iowa Code section 15E.52.

“*Innovative business*” means the same as defined in Iowa Code section 15E.52.

“*Investor*” means a taxpayer that makes an investment in an innovation fund.

“*Program*” means the tax credit program for investments in certified innovation funds available pursuant to this chapter and Iowa Code section 15E.52.

[ARC 0005D, IAB 1/21/26, effective 2/25/26]

**261—116.2(15E) Certification of innovation funds.**

**116.2(1)** An innovation fund shall submit an application for certification to the authority prior to the issuance of any investment tax credits to investors in such innovation funds. The innovation fund must submit the application within 120 days from the first date on which the equity investments qualifying for the investment tax credit have been made.

**116.2(2)** Application forms setting forth the information required to certify the eligibility of an innovation fund may be obtained by contacting the authority.

**116.2(3)** The authority will not issue a tax credit certificate until the board has certified that a fund meets all of the following criteria:

*a.* The innovation fund has submitted a copy of the innovation fund’s certificate of limited partnership, limited partnership agreement, articles of organization or operating agreement certified by the chief executive officer of the innovation fund.

*b.* The innovation fund has submitted a signed statement from an officer, director, manager, member or general partner of the fund stating that the criteria established in Iowa Code section 15E.52 are met.

(1) For the purposes of determining whether an innovation fund will make investments in promising early-stage companies that have a principal place of business in the state, “having a principal place of business in the state” means (1) that the business has at least 50 percent of all of its employees in the state, (2) that the business pays at least 50 percent of the business’s total payroll to employees residing in the state, or (3) that the home office for a substantial amount of executive employees is in the state.

(2) To establish that the criterion in Iowa Code section 15E.52(7)“*d*” is met, the innovation fund shall provide a detailed description of the framework the innovation fund will use to evaluate a business’s growth potential and its ability to produce commercially viable products or services within a reasonable period of time. The description shall list and discuss the criteria and the attendant process that the innovation fund will use to evaluate businesses. The authority will consider requests submitted under Iowa Code section 15.118 or 22.7 to treat the evaluation framework as confidential.

(3) To establish that the criterion in Iowa Code section 15E.52(7)“*e*” is met, an innovation fund shall provide a detailed description of the methods by which each business will be evaluated. An innovation fund shall also submit a plan describing the actions it will take in order to collaborate and coordinate with other state and local entities and the ways in which the innovation fund intends to ensure consistency with the policy goals of this chapter. Such a plan shall propose to create relationships that can be substantiated in writing, which may include without limitation contracts, memoranda of understanding, letters of support,

affidavits, or joint press releases from or with the entities that will be involved in the collaborative and coordinating efforts or through a list and summary description of the dates and locations for meetings held between the innovation fund and the other entities that allowed for collaboration and coordination between the innovation fund and those entities in an effort to achieve policy consistency.

(4) To establish that the criterion in Iowa Code section 15E.52(7)“f” is met, an innovation fund shall provide written confirmation of such relationships, which may include without limitation contracts, memoranda of understanding, letters of support, affidavits, or joint press releases from or with the regents institutions of this state or a list and summary description of the dates and locations for meetings held between the innovation fund and the regents institutions, the names of representatives of regents institutions with whom the innovation fund has met, and a brief summary of the discussions at those meetings.

(5) To establish that the criterion in Iowa Code section 15E.52(7)“g” is met, an innovation fund shall include provisions in the fund’s governing documents that provide for the continued operations of the fund only if the minimum level of investment commitment is reached.

(6) To assist the authority in determining the amount of tax credits to allocate for the program for each fiscal year, an innovation fund shall provide any available information about the timing and amounts of investments anticipated during the existence of the fund.

**116.2(4)** Upon the authority’s receipt of the information and documentation necessary to demonstrate satisfaction of the criteria set forth in Iowa Code section 15E.52 and herein, the authority shall, within a reasonable period of time, determine whether to certify the innovation fund. Incomplete applications will not be forwarded to the board. If the authority determines an innovation fund should not be certified, the authority shall issue written notification to the innovation fund of the denial of certification and provide the reasons why the innovation was not certified. The authority shall issue written notification to the innovation fund that the fund has been certified for the purpose of issuing investment tax credits. This written notification shall contain the following statement:

The Authority shall not be liable for an innovation fund’s failure to maintain compliance with the certification requirements nor for an investor’s loss of tax credit certificates resulting from either a failure to maintain compliance or from a revocation.

**116.2(5)** An innovation fund certified before July 1, 2025, that wishes to take advantage of the changes in 2025 Iowa Acts, Senate File 657, must submit an amended application to the board and demonstrate that the innovation fund meets all new requirements for certification.

[ARC 0005D, IAB 1/21/26, effective 2/25/26]

### **261—116.3(15E) Maintenance, reporting, and revocation of certification.**

**116.3(1)** On or before December 31 of each year, each certified innovation fund shall collect and provide to the board, in the manner and form prescribed by the authority, the following information and documentation:

*a.* The amount of equity investments made in the innovation fund, both on an annual and a cumulative basis.

*b.* The information required in Iowa Code section 15E.52(10)“e.”

*c.* In order to establish that an innovation fund has met the criterion found in Iowa Code section 15E.52(7)“e,” documentation and information in the manner and form required by the authority. Such documentation and information may include without limitation contracts, memoranda of understanding, letters of support, affidavits, joint press releases, or a list and summary description of the dates and locations for meetings held between the innovation fund and the other entities that allowed for collaboration and coordination between the innovation fund and those entities in an effort to achieve policy consistency.

*d.* In order to establish that an innovation fund has met the criterion found in Iowa Code section 15E.52(7)“f,” documentation and information in the manner and form required by the authority. Such documentation and information may include without limitation contracts, memoranda of understanding, letters of support, affidavits, joint press releases, or a list and summary description of the dates and locations for meetings held between the innovation fund and regents institutions, the names of representatives of regents institutions with whom the innovation fund has met, and a brief summary of

the discussions at those meetings. The innovation fund shall also indicate if any business in which it has invested is commercializing research developed at one of the regents institutions.

*e.* A list of investors that expected to be eligible for tax credits during the fiscal year in which the report is submitted and the following fiscal year, the date of such investors' investments, and the amount of the investments.

*f.* To the extent available, documentation sufficient to verify the completion and eligibility of any investment for which a tax credit will be requested during the fiscal year in which the report is submitted.

**116.3(2)** Upon obtaining the required minimum threshold of \$3 million in binding investment commitments, an innovation fund shall submit a statement containing the names, addresses, equity interests issued and consideration paid for the interests of all investors who may initially qualify for the tax credits. An innovation fund shall submit an amended statement as may be necessary from time to time to reflect new equity interests or transfers in equity among current equity holders or as any other information on the list may change. The authority will consider requests submitted under Iowa Code section 15.118 to treat investor names and amounts as confidential.

**116.3(3)** The board may revoke an innovation fund's certification if any of the following events occur:

*a.* An innovation fund fails to secure the required \$3 million in initial binding investment commitments within one year of the date of certification by the board or fails at any point thereafter to secure investment from its investors of at least \$3 million. If an investor in an innovation fund fails to make a capital call by the innovation fund and that failure would cause the innovation fund to fail to secure the required minimum \$3 million in investment, then the authority will allow the innovation fund a period of not more than 120 days after receiving notice of the failed capital call to secure additional investment commitments sufficient to meet the required minimum investment.

*b.* An innovation fund fails to timely submit the report required in Iowa Code section 15E.52(9).

*c.* An innovation fund fails to maintain the eligibility criteria as set forth in Iowa Code section 15E.52.

The board may forbear revocation under this subrule for good cause shown or for demonstration of extenuating circumstances. Such forbearance shall be at the board's discretion and for the period of time determined by the board to be in the best interest of the program and the state of Iowa.

**116.3(4)** If the board finds that a fund is out of compliance or revokes an innovation fund's certification, the board will not issue tax credit certificates to investors in the innovation fund until the innovation fund manager demonstrates to the board that the innovation fund again meets the eligibility criteria set forth in Iowa Code section 15E.52. If an investor makes an equity investment prior to a notice of noncompliance and a revocation of an innovation fund's certification, the board will issue the tax credit certificate as set forth in rule 261—116.6(15E). If an investor is issued a tax credit certificate prior to a revocation of certification, the investor shall have all of the rights described in Iowa Code section 15E.52(5).

[ARC 0005D, IAB 1/21/26, effective 2/25/26]

#### **261—116.4(15E) Investment and investor requirements.**

**116.4(1)** Investments made more than 120 days before an innovation fund applies for certification are not eligible for a tax credit.

**116.4(2)** A taxpayer shall not claim a tax credit through the program if the taxpayer receives a tax credit for the same investment through another program administered by the authority.

**116.4(3)** For investments made on or after July 1, 2026, an investor must apply for a tax credit during the first available application window following the investment for the investment to qualify for a tax credit. If the first available application window following the investment concludes prior to approval of certification of the applicable innovation fund, the investor may apply in the first available application window following approval of certification.

**116.4(4)** Convertible debt shall only be considered an investment in the form of cash to purchase equity as of the date of conversion. Investors that utilize convertible debt must document the date and terms of conversion to equity to be eligible for a tax credit.

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**261—116.5(15E) Application for the investment tax credit certificate.**

**116.5(1)** *Investor application.* Investors may apply for an investment tax credit certificate for each equity investment made in a certified innovation fund by submitting an application to the authority for approval by the board and providing such other information and documentation as may be requested by the authority. A certified innovation fund shall provide any information and documentation requested by the authority relating to an investment, including proof of investment.

**116.5(2)** *Application window.* For fiscal years beginning on or after July 1, 2026, applications shall be submitted electronically to the authority from September 1 to December 31 each year. The authority may adjust the annual application period dates under extenuating circumstances and will provide notice of adjustments on the authority's website. The authority may cease accepting applications during any annual application period if the requested tax credits for the program and the requested tax credits for the seed investor tax credit program available pursuant to Iowa Code chapter 15E, subchapter IV, exceed \$12 million. Applications shall be date- and time-stamped by the authority in the order in which such applications are received.

**116.5(3)** *Board approval of maximum tax credits.* The board will determine the total amount of tax credits to allocate for each fiscal year pursuant to Iowa Code section 15.119.

**116.5(4)** *Recommendation and approval of tax credits.* Authority staff will make a recommendation to the board for approval of tax credits to eligible investors. The board will approve tax credit certificates on a first-come, first-served basis until the maximum aggregate amount of credits authorized for issuance has been reached for any fiscal year.

[ARC 0005D, IAB 1/21/26, effective 2/25/26]

**261—116.6(15E) Tax credit certificates.**

**116.6(1)** *Preparation of the certificate.* The tax credit certificate shall be in a form approved by the authority and shall contain the taxpayer's name, address, and tax identification number; the amount of credit; the name of the innovation fund; the year in which the investment was made; and any other information that may be required by the department of revenue.

**116.6(2)** *Vested right.* A taxpayer does not obtain a vested right in a tax credit until a certificate has been issued by the authority.

**116.6(3)** *Claiming and transferring tax credits.* To claim a tax credit under this chapter, a taxpayer must attach to that taxpayer's tax return a certificate issued pursuant to Iowa Code section 15E.52 and this chapter when the return is filed with the department of revenue. A tax credit may be claimed in the first year that a certificate is issued. Tax credits shall be claimed in accordance with any applicable rules adopted by the department of revenue. A tax credit may be transferred in accordance with Iowa Code section 15E.52 and any applicable rules adopted by the department of revenue.

[ARC 0005D, IAB 1/21/26, effective 2/25/26]

**261—116.7(15E) Additional information.** The authority may at any time request additional information and documentation from an innovation fund regarding the operations, job creation and economic impact of the fund, and the authority may use such information in preparing and publishing any reports to be provided to the governor and the general assembly to the extent such information is not confidential pursuant to Iowa Code sections 15.118 and 22.7 or other applicable law.

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These rules are intended to implement Iowa Code section 15E.52.

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