261—115.1 (84GA,SF517) Tax credits for investments in qualifying businesses and community-based seed capital funds. Tax credits for investments in qualifying businesses and community-based seed capital funds may be claimed as provided in this rule.

115.1(1) *Tax credits allowed only after a certain date.* A taxpayer may claim a tax credit under this rule for equity investments in certain qualifying businesses or community-based seed capital funds. Only equity investments made on or after January 1, 2011, qualify for a tax credit under this rule. Equity investments made before that date must be claimed under 123—Chapter 2.

115.1(2) *Investments in qualifying businesses.*

a. A taxpayer may claim a tax credit under this subrule for a portion of the taxpayer's equity investment in a qualifying business if that investment was made on or after January 1, 2011.

b. The tax credit may be claimed against the taxpayer's tax liability for any of the following taxes:

(1) The personal net income tax imposed under Iowa Code chapter 422, division II.

(2) The business tax on corporations imposed under Iowa Code chapter 422, division III.

(3) The franchise tax on financial institutions imposed under Iowa Code chapter 422, division V.

(4) The tax on the gross premiums of insurance companies imposed under Iowa Code chapter 432.

(5) The tax on moneys and credits imposed under Iowa Code section 533.329.

115.1(3) *Investments in community-based seed capital funds.*

a. A taxpayer may claim a tax credit under this subrule for a portion of the taxpayer's equity investment in a community-based seed capital fund if that investment was made on or after January 1, 2011.

b. The tax credit may be claimed against the taxpayer's tax liability for any of the following taxes:

(1) The personal net income tax imposed under Iowa Code chapter 422, division II.

(2) The business tax on corporations imposed under Iowa Code chapter 422, division III.

(3) The franchise tax on financial institutions imposed under Iowa Code chapter 422, division V.

(4) The tax on gross premiums of insurance companies imposed under Iowa Code chapter 432.

(5) The tax on moneys and credits imposed under Iowa Code section 533.329.

115.1(4) *Amount of tax credit that may be claimed by taxpayer.*

a. The amount of tax credit available to a taxpayer under this rule is equal to 20 percent of the taxpayer's equity investment in either a qualifying business or community-based seed capital fund.

b. The maximum amount of a tax credit for an investment by an investor in any one qualifying business shall be $50,000. Each year, an investor, and all affiliates of that investor, shall not claim tax credits under this rule for more than five different investments in five different qualifying businesses.

c. An investor in a community-based seed capital fund shall receive a tax credit pursuant to this rule only for the investor's investment in the community-based seed capital fund and shall not receive any additional tax credit for the investor's share of investments in a qualifying business made by the community-based seed capital fund or in an Iowa-based seed capital fund which has at least 40 percent of its committed capital subscribed by community-based seed capital funds. However, an investor in a community-based seed capital fund may receive a tax credit under this rule with respect to a separate direct investment made by the investor in the same qualifying business in which the community-based seed capital fund invests.

115.1(5) *Claiming an investment tax credit.* A taxpayer that makes an investment in a qualifying business or community-based seed capital fund and that otherwise meets the requirements of this chapter will receive a board-approved tax credit certificate from the authority. To claim the credit, the taxpayer must attach the certificate to a tax return filed with the department of revenue. For more information on claiming the tax credit, see department of revenue rule 701—42.22(15E,422).

115.1(6) *Tax credits for pass-through entities.* If the taxpayer that is entitled to a tax credit for an investment in a community-based seed capital fund or a qualifying business is a pass-through entity electing to have its income taxed directly to its individual owners, such as a partnership, limited liability company, S corporation, estate or trust, the pass-through entity must allocate the allowable credit to each of the individual owners of the entity on the basis of each owner's pro-rata share of the earnings of the entity, and the individual owners may claim their respective credits on their individual income tax returns.

[**ARC 0009C**, IAB 2/8/12, effective 3/14/12]