

**261—68.4(15) Tax incentives.**

**68.4(1) Sales and use tax refund.** Pursuant to Iowa Code section 15.331A, the approved business may claim a refund of the sales and use taxes paid under Iowa Code chapter 423 for gas, electricity, water, or sewer utility services, goods, wares, or merchandise, or on services rendered, furnished, or performed to or for a contractor or subcontractor and used in the fulfillment of a written contract relating to the construction or equipping of a facility of the approved business. Taxes attributable to intangible property and furniture and furnishings shall not be refunded.

*a. Filing a claim.* To receive the refund, the approved business shall file a claim with the department of revenue as follows:

(1) The contractor or subcontractor shall state under oath, on forms provided by the department of revenue, the amount of sales or goods, wares, or merchandise, or services rendered, furnished, or performed, including water, sewer, gas, and electric utility services upon which sales or use tax has been paid prior to the project completion, and shall file the forms with the approved business before final settlement is made.

(2) The approved business shall, not more than 12 months following project completion, make application to the department of revenue for any refund of the amount of the sales and use taxes paid pursuant to Iowa Code chapter 423 upon any goods, wares, or merchandise, or services rendered, furnished, or performed, including water, sewer, gas, and electric utility services.

(3) The eligible business shall inform the department of revenue in writing within two weeks of project completion.

*b. Racks, shelving, and conveyor equipment.* If the project is the location, expansion, or modernization of a warehouse or distribution center, the approved business may be entitled to a refund of sales and use taxes attributable to racks, shelving, and conveyor equipment. The approved business shall, not more than 12 months following project completion, make written application to the department of revenue for a refund. The application must include the refund amount being requested and documentation such as invoices or contracts which substantiate the requested amount. The department of revenue will validate the refund amount and issue the refund.

The aggregate combined total amount of refunds and tax credits attributable to sales and use taxes on racks, shelving, and conveyor equipment issued by the department of revenue to businesses approved for high quality jobs program and enterprise zone program benefits shall not exceed \$500,000 during a fiscal year. Tax refunds and tax credits will be issued on a first-come, first-served basis. If an approved business's application does not receive a refund or tax credits due to the \$500,000 fiscal year limitation, the approved business's application shall be considered in the succeeding fiscal year. An approved business that receives a refund or a tax credit in one fiscal year shall not be considered in a succeeding fiscal year. No business shall receive more than \$500,000 in refunds or credits pursuant to this paragraph.

**68.4(2) Corporate tax credit for certain sales taxes paid by third-party developer.** Pursuant to Iowa Code section 15.331C, the approved business may claim a corporate tax credit up to an amount equal to the sales and use taxes paid by a third-party developer under Iowa Code chapter 423 for gas, electricity, water, or sewer utility services, goods, wares, or merchandise, or on services rendered, furnished, or performed to or for a contractor or subcontractor and used in the fulfillment of a written contract relating to the construction or equipping of a facility of the approved business. Taxes attributable to intangible property and furniture and furnishings shall not be refunded.

Any tax credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs earlier. An approved business may elect to receive a refund of all or a portion of an unused tax credit.

*a. Filing a claim.* To receive the tax credit, the approved business shall file a claim with the department of revenue as follows:

(1) The third-party developer shall state under oath, on forms provided by the department of revenue, the amount of sales and use taxes paid and submit the forms to the approved business.

(2) The approved business shall, not more than 12 months following project completion, submit the completed forms to the department of revenue.

(3) The department of revenue shall issue a tax credit certificate in an amount equal to all or a portion of the sales and use taxes paid by a third-party developer under Iowa Code chapter 423 for gas, electricity, water, or sewer utility services, goods, wares, or merchandise, or on services rendered, furnished, or performed to or for a contractor or subcontractor and used in the fulfillment of a written contract relating to the construction or equipping of a facility of the approved business.

(4) The approved business shall not claim the tax credit provided in this subrule unless a tax credit certificate issued by the department of revenue is attached to the approved business's tax return for the tax year in which the tax credit is claimed. A tax credit certificate shall contain the approved business's name, address, tax identification number, the amount of the tax credit, and other information required by the department of revenue.

*b. Racks, shelving, and conveyor equipment.* If the project is the location, expansion, or modernization of a warehouse or distribution center, the approved business may claim a corporate tax credit up to the amount of sales and use taxes paid by a third-party developer and attributable to racks, shelving, and conveyor equipment. The approved business shall, not more than 12 months following project completion, make written application to the department of revenue for a tax credit. The application must include the tax credit amount being requested and documentation from the third-party developer such as invoices or contracts which substantiate the requested amount. The department of revenue will confirm the tax credit amount and issue a tax credit certificate in an amount equal to all or a portion of the sales and use taxes attributable to racks, shelving, and conveyor equipment. The approved business shall not claim the tax credit provided in this subrule unless a tax credit certificate is attached to the approved business's tax return for the tax year in which the tax credit is claimed. A tax credit certificate shall contain the approved business's name, address, tax identification number, the amount of the tax credit, and other information required by the department of revenue. Any tax credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs earlier. An approved business may elect to receive a refund of all or a portion of an unused tax credit.

The aggregate combined total amount of refunds and tax credits attributable to sales and use taxes on racks, shelving, and conveyor equipment approved by the authority for businesses under the high quality jobs program and enterprise zone program shall not exceed \$500,000 during a fiscal year. Tax refunds and tax credits will be issued on a first-come, first-served basis. If an approved business's application does not receive a refund or tax credits due to the \$500,000 fiscal year limitation, the approved business's application shall be considered in the succeeding fiscal year. An approved business that receives a refund or a tax credit in one fiscal year shall not be considered in a succeeding fiscal year. No business shall receive more than \$500,000 in refunds or credits pursuant to this paragraph.

**68.4(3)** *Value-added property tax exemption.* Pursuant to Iowa Code section 15.332, the community may exempt from taxation all or a portion of the actual value added by improvements to real property directly related to jobs created or retained by the project and used in the operations of the approved business. The exemption may be allowed for a period not to exceed 20 years beginning the year the improvements are first assessed for taxation. For purposes of this subrule, improvements include new construction and rehabilitation of and additions to existing structures. The exemption shall apply to all taxing districts in which the real property is located. The community shall provide the authority and the local assessor with a copy of the resolution adopted by its governing body which indicates the estimated value and duration of the authorized exemption.

**68.4(4)** *Investment tax credit.*

*a. Claiming the investment tax credit.* Pursuant to Iowa Code section 15.333, the approved business may claim an investment tax credit equal to a percentage of the new investment. The tax credit shall be earned when the qualifying asset is placed in service.

(1) Five-year amortization period. The tax credit shall be amortized over a five-year period. The annual amounts that may be claimed by the business during that period are subject to negotiations. The final five-year amortization period and the negotiated annual amounts will be specified in a contract entered into with the authority. The tax credit shall be allowed against taxes imposed under Iowa Code

chapter 422, division II, III, or V and against the moneys and credits tax imposed in Iowa Code section 533.24.

(2) Flow-through of tax credits. If the business is a partnership, S corporation, limited liability company, cooperative organized under Iowa Code chapter 501 or 501A and filing as a partnership for federal tax purposes, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, S corporation, limited liability company, cooperative organized under Iowa Code chapter 501 or 501A and filing as a partnership for federal tax purposes, or estate or trust.

(3) Seven-year carryforward. A tax credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs first.

*b. Investment qualifying for the tax credit.* For purposes of this subrule, new investment means all of the following:

(1) The cost of machinery and equipment, as defined in Iowa Code section 427A.1, subsection 1, paragraphs "e" and "j," purchased for use in the operation of the approved business.

(2) The purchase price of real property and any buildings and structures located on the real property.

(3) The cost of improvements made to real property which is used in the operation of the approved business.

(4) The annual base rent paid to a third-party developer by an approved business for a period equal to the term of the lease agreement but not to exceed the maximum term specified in a contract entered into with the authority, provided the cumulative cost of the base rent payments for that period does not exceed the cost of the land and the third-party developer's costs to build or renovate the building for the approved business. Annual base rent shall be considered only when the project includes the construction of a new building or the major renovation of an existing building. The approved business shall enter into a lease agreement with the third-party developer for a minimum of five years.

The approved business shall not claim a tax credit above the amount defined in the final award documentation or the amount specified in a contract entered into with the authority.

**68.4(5) Insurance premium tax credit.** Pursuant to Iowa Code section 15.333A, the approved business may claim an insurance premium tax credit equal to a percentage of the new investment.

*a. Claiming the tax credit.* The tax credit shall be earned when the qualifying asset is placed in service. The tax credit shall be amortized equally over a five-year period which the authority will, in consultation with the eligible business, define. The five-year amortization period shall be specified in a contract entered into with the authority. The tax credit shall be allowed against taxes imposed under Iowa Code chapter 432. A tax credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs first.

*b. Investment qualifying for the tax credit.* For purposes of this subrule, new investment means all of the following:

(1) The cost of machinery and equipment, as defined in Iowa Code section 427A.1, subsection 1, paragraphs "e" and "j," purchased for use in the operation of the approved business.

(2) The purchase price of real property and any buildings and structures located on the real property.

(3) The cost of improvements made to real property which is used in the operation of the approved business.

(4) The annual base rent paid to a third-party developer by an approved business for a period equal to the term of the lease agreement but not to exceed the maximum term specified in a contract entered into with the authority, provided the cumulative cost of the base rent payments for that period does not exceed the cost of the land and the third-party developer's costs to build or renovate the building for the approved business. Annual base rent shall be considered only when the project includes the construction of a new building or the major renovation of an existing building. The approved business shall enter into a lease agreement with the third-party developer for a minimum of five years.

The approved business shall not claim a tax credit above the amount defined in the final award documentation or the amount specified in a contract entered into with the authority.

**68.4(6) Research activities credit.** Pursuant to Iowa Code section 15.335, the approved business may claim a corporate tax credit for increasing research activities in Iowa during the period the approved business is participating in the program.

*a. Calculation.* The credit equals the sum of the following:

(1) 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.

(2) 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.

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. Alternate calculation.* In lieu of the credit amount computed in subparagraph 68.4(6) "a" (1), the approved business may elect to compute the credit amount for qualified research expenses incurred in Iowa in a manner consistent with the alternative incremental credit described in Section 41(c)(4) 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 subrule 68.4(6) is for the tax year and the taxpayer may use either the method outlined in paragraph "a" or in this paragraph for any subsequent year.

For purposes of this alternate credit computation method, the credit percentages applicable to the qualified research expenses described in clauses (i), (ii), and (iii) of Section 41(c)(4)(A) of the Internal Revenue Code are 1.65 percent, 2.20 percent, and 2.75 percent, respectively.

*c. Additional research activities credit.* The credit allowed in this subrule is in addition to the credit authorized in Iowa Code sections 422.10 and 422.33(5). However, if the alternative credit computation method is used in Iowa Code section 422.10 or 422.33(5), the credit allowed in this subrule shall also be computed using that method.

*d. Flow-through of tax credits.* If the eligible business is a partnership, S corporation, limited liability company, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings from the partnership, S corporation, limited liability company, or estate or trust.

*e. Definitions.* For purposes of this subrule, "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 incremental credit, such amounts are for research conducted within Iowa. For purposes of this subrule, "Internal Revenue Code" means the same as defined in Iowa Code section 15.335.

*f. Refunds.* Any credit in excess of the tax liability for the taxable year shall be refunded with interest computed under Iowa Code section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on its final, completed return credited to the tax liability for the following year.

*g. Renewable energy generation components.* For purposes of this subrule, "research activities" includes the development and deployment of innovative renewable energy generation components manufactured or assembled in Iowa. A renewable energy generation component will no longer be considered innovative when more than 200 megawatts of installed effective nameplate capacity has been achieved. Research activities credits awarded under this program and the enterprise zone program for innovative renewable energy generation components shall not exceed the amount specified in Iowa Code section 15.335.

**68.4(7) Maximum tax incentives available.** Tax incentives awarded under this program are based upon the number of jobs created or retained that pay the qualifying wage threshold for HQJP as established in 261—Chapter 174 and as defined in 261—Chapter 173 and the amount of qualifying investment. The maximum possible award is based on the following schedule:

*a.* No high quality jobs are created or retained but economic activity is furthered by the qualifying investment. For purposes of this paragraph, “economic activity” means a modernization project which will result in increased skills and wages for the current employees or a project involving retained jobs.

- (1) Less than \$100,000 in qualifying investment.
  1. Investment tax credit or insurance premium tax credit of up to 1 percent.
  2. Reserved.
- (2) \$100,000 to \$499,999 in qualifying investment.
  1. Investment tax credit or insurance premium tax credit of up to 1 percent.
  2. Sales and use tax refund or corporate tax credit for certain sales taxes paid by third-party developer, or both, if applicable.
- (3) \$500,000 or more in qualifying investment.
  1. Investment tax credit or insurance premium tax credit of up to 1 percent.
  2. Sales and use tax refund or corporate tax credit for certain sales taxes paid by third-party developer, or both, if applicable.
  3. Research activities credit.

*b.* 1 to 5 high quality jobs are created or retained.

- (1) Less than \$100,000 in qualifying investment.
  1. Investment tax credit or insurance premium tax credit of up to 2 percent.
  2. Reserved.
- (2) \$100,000 to \$499,999 in qualifying investment.
  1. Investment tax credit or insurance premium tax credit of up to 2 percent.
  2. Sales and use tax refund or corporate tax credit for certain sales taxes paid by third-party developer, or both, if applicable.
- (3) \$500,000 or more in qualifying investment.
  1. Investment tax credit or insurance premium tax credit of up to 2 percent.
  2. Sales and use tax refund or corporate tax credit for certain sales taxes paid by third-party developer, or both, if applicable.
  3. Research activities credit.

*c.* 6 to 10 high quality jobs are created or retained.

- (1) Less than \$100,000 in qualifying investment.
  1. Investment tax credit or insurance premium tax credit of up to 3 percent.
  2. Reserved.
- (2) \$100,000 to \$499,999 in qualifying investment.
  1. Investment tax credit or insurance premium tax credit of up to 3 percent.
  2. Sales and use tax refund or corporate tax credit for certain sales taxes paid by third-party developer, or both, if applicable.
- (3) \$500,000 or more in qualifying investment.
  1. Investment tax credit or insurance premium tax credit of up to 3 percent.
  2. Sales and use tax refund or corporate tax credit for certain sales taxes paid by third-party developer, or both, if applicable.
  3. Research activities credit.

*d.* 11 to 15 high quality jobs are created or retained.

- (1) Less than \$100,000 in qualifying investment.
  1. Investment tax credit or insurance premium tax credit of up to 4 percent.
  2. Reserved.
- (2) \$100,000 to \$499,999 in qualifying investment.
  1. Investment tax credit or insurance premium tax credit of up to 4 percent.
  2. Sales and use tax refund or corporate tax credit for certain sales taxes paid by third-party developer, or both, if applicable.
- (3) \$500,000 or more in qualifying investment.
  1. Investment tax credit or insurance premium tax credit of up to 4 percent.

2. Sales and use tax refund or corporate tax credit for certain sales taxes paid by third-party developer, or both, if applicable.
3. Research activities credit.
  - e. 16 to 30 high quality jobs are created or retained.
    - (1) Less than \$100,000 in qualifying investment.
      1. Investment tax credit or insurance premium tax credit of up to 5 percent.
      2. Reserved.
    - (2) \$100,000 to \$499,999 in qualifying investment.
      1. Investment tax credit or insurance premium tax credit of up to 5 percent.
      2. Sales and use tax refund or corporate tax credit for certain sales taxes paid by third-party developer, or both, if applicable.
    - (3) \$500,000 or more in qualifying investment.
      1. Investment tax credit or insurance premium tax credit of up to 4 percent.
      2. Sales and use tax refund or corporate tax credit for certain sales taxes paid by third-party developer, or both, if applicable.
  - f. 31 to 40 high quality jobs are created or retained.
    - (1) \$10 million or more in qualifying investment.
      1. Investment tax credit or insurance premium tax credit of up to 6 percent.
      2. Sales and use tax refund or corporate tax credit for certain sales taxes paid by third-party developer, or both, if applicable.
    3. Research activities credit.
    4. Value-added property tax exemption.
  - (2) Reserved.
  - g. 41 to 60 high quality jobs are created or retained.
    - (1) \$10 million or more in qualifying investment.
      1. Investment tax credit or insurance premium tax credit of up to 7 percent.
      2. Sales and use tax refund or corporate tax credit for certain sales taxes paid by third-party developer, or both, if applicable.
    3. Research activities credit.
    4. Value-added property tax exemption.
  - (2) Reserved.
  - h. 61 to 80 high quality jobs are created or retained.
    - (1) \$10 million or more in qualifying investment.
      1. Investment tax credit or insurance premium tax credit of up to 8 percent.
      2. Sales and use tax refund or corporate tax credit for certain sales taxes paid by third-party developer, or both, if applicable.
    3. Research activities credit.
    4. Value-added property tax exemption.
  - (2) Reserved.
  - i. 81 to 100 high quality jobs are created or retained.
    - (1) \$10 million or more in qualifying investment.
      1. Investment tax credit or insurance premium tax credit of up to 9 percent.
      2. Sales and use tax refund or corporate tax credit for certain sales taxes paid by third-party developer, or both, if applicable.
    3. Research activities credit.
    4. Value-added property tax exemption.
  - (2) Reserved.
  - j. 101 or more high quality jobs are created or retained.
    - (1) \$10 million or more in qualifying investment.
      1. Investment tax credit or insurance premium tax credit of up to 10 percent.

2. Sales and use tax refund or corporate tax credit for certain sales taxes paid by third-party developer, or both, if applicable.

3. Research activities credit.

4. Value-added property tax exemption.

(2) Reserved.

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