

15.335 Research activities credit.

1. *a.* An eligible business may claim a corporate tax credit for increasing research activities in this state during the period the eligible business is participating in the program.

b. For purposes of [this section](#), “*research activities*” includes the development and deployment of innovative renewable energy generation components manufactured or assembled in this state. For purposes of [this section](#), “*innovative renewable energy generation components*” does not include a component with more than two hundred megawatts of installed effective nameplate capacity.

c. The tax credits for innovative renewable energy generation components shall not exceed two million dollars.

2. *a.* In the case of an eligible business whose gross revenues do not exceed twenty million dollars per year, the credit equals the sum of the following:

(1) Ten 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) Ten 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.

b. In the case of an eligible business whose gross revenues exceed twenty million dollars per year, the credit equals the sum of the following:

(1) Three 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) Three 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.

3. For purposes of [subsection 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.

4. *a.* In lieu of the credit amount computed in [subsection 2](#), an eligible business shall 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)(4) of the Internal Revenue Code if the taxpayer elected or was required to use the alternative simplified credit method for federal income tax purposes for the same taxable year.

b. For purposes of the alternate credit computation method in paragraph “*a*”, the credit percentages applicable to qualified research expenses described in section 41(c)(4)(A) and clause (ii) of section 41(c)(4)(B) of the Internal Revenue Code are as follows:

(1) In the case of an eligible business whose gross revenues do not exceed twenty million dollars per year, the credit percentages are seven percent and three percent, respectively.

(2) In the case of an eligible business whose gross revenues exceed twenty million dollars per year, the credit percentages are two and one-tenth percent and nine-tenths percent, respectively.

5. The credit allowed in [this section](#) is in addition to the credit authorized in [section 422.10](#) and [section 422.33, subsection 5](#). The regular or alternative credit allowed in [this section](#) shall be computed according to the same claim, calculation, and refund limitations in [section 422.10](#) and [section 422.33, subsection 5](#), as applicable, including those described in [section 422.10, subsection 1, paragraph “a”](#), and [section 422.10, subsection 1, paragraph “b”](#), subparagraph (3), and [section 422.10, subsection 4](#), and those described in [section 422.33, subsection 5, paragraph “b”](#), subparagraph (2), and [section 422.33, subsection 5, paragraphs “e” and “g”](#).

6. 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 of the partnership, S corporation, limited liability company, or estate or trust.

7. 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 same as defined in [section 422.3](#).

8. a. The following percentage of any credit in excess of the tax liability for the taxable year shall be refunded with interest in accordance with [section 421.60](#), [subsection 2](#), paragraph “e”:

(1) For the tax year beginning on or after January 1, 2023, but before January 1, 2024, ninety-five percent.

(2) For the tax year beginning on or after January 1, 2024, but before January 1, 2025, ninety percent.

(3) For the tax year beginning on or after January 1, 2025, but before January 1, 2026, eighty-five percent.

(4) For the tax year beginning on or after January 1, 2026, but before January 1, 2027, eighty percent.

(5) For tax years beginning on or after January 1, 2027, seventy-five percent.

b. In lieu of claiming a refund, a taxpayer may elect to have the overpayment otherwise eligible for a refund shown on its final, completed return credited to the tax liability for the following tax year.

9. The department of revenue 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.

[94 Acts, ch 1008, §12; 94 Acts, ch 1165, §44; 96 Acts, ch 1199, §4; 97 Acts, ch 135, §1, 9; 98 Acts, ch 1078, §1, 10, 14; 99 Acts, ch 95, §1, 12, 13; 2000 Acts, ch 1146, §1, 9, 11; 2000 Acts, ch 1194, §1, 21; 2001 Acts, ch 127, §1, 9, 10; 2002 Acts, ch 1069, §1, 10, 14; 2003 Acts, ch 139, §1, 11, 12; 2004 Acts, ch 1073, §1; 2005 Acts, ch 24, §1, 10, 11; 2005 Acts, ch 150, §70; 2006 Acts, ch 1140, §1, 10, 11; 2007 Acts, ch 12, §1, 7, 8; 2008 Acts, ch 1011, §1, 9; 2008 Acts, ch 1032, §201; 2009 Acts, ch 171, §1; 2009 Acts, ch 179, §102, 153, 232; 2010 Acts, ch 1138, §7, 8; 2011 Acts, ch 41, §8, 9, 14 – 16; 2012 Acts, ch 1007, §1, 7, 8; 2013 Acts, ch 1, §1, 7, 8; 2014 Acts, ch 1076, §1, 6, 7; 2015 Acts, ch 1, §1, 7, 8; 2017 Acts, ch 157, §1, 12, 14; 2018 Acts, ch 1161, §1, 15, 16, 68, 97, 98; 2020 Acts, ch 1118, §55, 56, 59, 60; 2021 Acts, ch 80, §7, 8; 2022 Acts, ch 1002, §30 – 32, 43, 44](#)

Referred to in [§2.48](#), [15.119](#), [15.335A](#), [422.10](#), [422.33](#)

For aggregate limitations on amount of tax credits, see [§15.119](#)

For applicable definition of Internal Revenue Code for a tax year prior to 2019, refer to Iowa Acts and Code for that year

2020 amendments to subsection 4, paragraph a, and paragraph b, unnumbered paragraph 1, apply retroactively to January 1, 2019, for tax years beginning on or after that date; 2020 Acts, ch 1118, §60

2022 amendment to subsection 4, paragraph a takes effect January 1, 2023, and applies to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1002, §43, 44

2022 amendments to subsections 5 and 8 take effect January 1, 2023, and apply to tax years beginning on or after January 1, 2023; 2022 Acts, ch 1002, §43, 44