

INVESTMENTS IN QUALIFIED BUSINESSES (ANGEL INVESTOR TAX CREDIT)

2022 ANNUAL REPORT

Tax credits for investments in qualifying businesses, more commonly known as “angel investor tax credits”, are offered to increase the availability and accessibility of venture capital for entrepreneurs, particularly for businesses at the seed capital investment stage. The parameters of the Investments in Qualified Businesses Tax Credit program are set out at Iowa Code Sections 15E.41 through 15E.46. The Iowa Economic Development Authority’s (“IEDA” or “the Authority”) rules for administering the program can be found at 261 IAC Chapter 115.

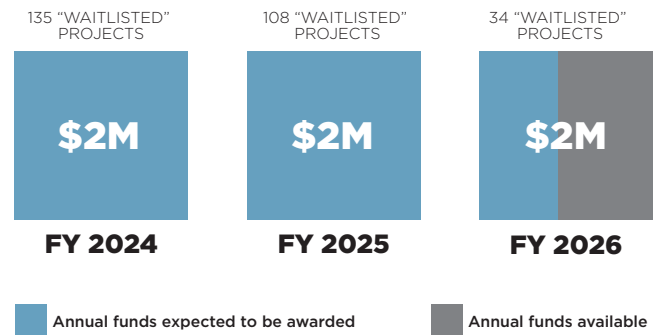
The tax credit is equal to 25 percent of an investor’s equity investment in a qualifying business. The maximum amount of tax credit that may be issued per calendar year to a natural person and that person’s spouse or dependent(s) is \$100,000 and the maximum amount of tax credits that may be issued per calendar year for equity investments in any one qualifying business is \$500,000. A tax credit issued to a partnership, limited liability company, S corporation, estate or trust shall be deemed to be issued to the individual owners based on a pro rata share of the individual’s earning from the entity.

The credit is refundable to investors who file personal net income tax returns or those investors may elect to have the overpayment shown on the final, completed return credited to the tax liability for the following tax year. The credit is not refundable for investors filing corporate income tax, franchise tax, taxes on gross premiums or moneys and credits taxes, but the credit may be credited to the tax liability for the following three years or until depleted, whichever is earlier.

The IEDA Board approves issuance of all tax credit certificates for the program. Applications may be made until March 31 of the year following the calendar year in which the investment was made. Applications are date and time stamped to determine priority.

The amount of tax credits the IEDA may award under the program per fiscal year is capped at \$2 million. Iowa Code section 15.119.2.d. IEDA issued 156 tax credit certificates in Fiscal Year 2022 for a total of \$1,999,994. A slightly reduced amount was issued to correct a rounding error from FY21 awards. IEDA issued 103 tax credit certificates in Fiscal Year 2023 for a total of \$2 million.

OVERSUBSCRIBED ANGEL INVESTOR TAX CREDIT



The Angel Investor Tax Credit program is oversubscribed. In Fiscal Year 2024, IEDA expects to use the \$2,000,000 allocation to make awards to 135 “waitlisted” applications. There are currently 108 waitlisted applications for the Fiscal Year 2025 allocation of \$2,000,000 and 34 waitlisted applications that will use \$723,436.24 of the Fiscal Year 2026 allocation. Because additional review of waitlisted applications is required for prior to Board approval, the figures provided in this paragraph are estimates.

IEDA ceased accepting tax credit applications as of April 1, 2022 and will no longer maintain a waitlist for applications received after that date. After the outstanding waitlist has been awarded, which is expected to occur after July 1, 2025, IEDA will announce designated filing windows for applications on its website. Applications that are received outside the filing window or that exceed the available annual allocation will be denied by the IEDA Board.

Prior to accepting applications from investors, IEDA determines whether a business is a “qualifying business” as defined at Iowa Code section 15E.44 and 261 IAC 115.2. A business may be certified by IEDA as a qualifying business if it meets the following criteria:

- Principal operations located in the state of Iowa
- In operation six years or less
- Participated in an entrepreneurial assistance program or establishes the owner/business has other experience that adequately replaces participation in an assistance program
- Cannot be primarily engaged in retail sales, real estate or the provision of health care services or other services requiring a professional license
- Net worth must be less than or equal to \$10 million
- Must have secured at least two investors and total equity financing, binding investment commitments, or some combination thereof, equal to at least \$500,000 from investors

A list of qualifying businesses as of May 1, 2023 is below.

Qualifying Businesses	Expiration Date for Certification
Armorloy LLC	5/1/2026
Farmers Risk, Inc.	4/15/2026
FarrPro, Inc.	8/2/2023
GKAT Reclamation, LLC	4/1/2026
GW Nutrition, Inc.	5/6/2026
Haber Technologies, Inc.	11/1/2023
Malum, Inc.	3/25/2025
Providence Data Technologies, LLC dba Distynct	2/28/2024
Rantizo, Inc.	2/28/2024
Saline 247, Inc.	8/5/2024
Steel Therapeutics, Inc.	5/1/2027
Tractor Zoom, Inc.	11/1/2023
Trigger Interactive LLC	1/2/2025
Vertex Software, Inc.	9/23/2023

Except for:

- Identity of a qualifying business
- Identity of an investor and the qualifying business in which the investor made an equity investment
- Number of tax credit certificates issued by the Authority
- Total dollar amount of tax credits issued by the Authority

all information or records in IEDA's possession with respect to the Angel Investor Tax Credit Program shall be presumed to be a trade secret protected under Iowa Code Chapter 550 or common law and shall be kept confidential by the Authority unless ordered by a court

Information the Authority may release is included in this report.