



# INNOVATION FUND TAX CREDIT PROGRAM

2023 ANNUAL REPORT

**IOWA**<sup>®</sup>  
economic development

The Innovation Fund Tax Credit (Iowa Code Chapter 15E.52) was created to stimulate venture capital investment in innovative Iowa businesses. IEDA's rules for administering the program can be found at 261 IAC Chapter 116.

Individual investors receive tax credits equal to 25 percent of an equity investment in a certified Innovation Fund. Certified Innovation Funds make investments in businesses whose principal place of business is Iowa that are applying novel or original methods to the manufacture of a product or the delivery of a services. "Innovative businesses" include, but are not limited to, businesses engaged in advanced manufacturing, biosciences and information technology.

To be eligible as a certified innovation fund, the fund must meet the following criteria:

- Proposes to provide multiple rounds of funding and early-stage private sector funding to innovative businesses with a high growth potential, and proposes to focus such funding on innovative businesses that show potential to produce commercially viable products or services within a reasonable period of time
- Proposes to evaluate all prospective innovative businesses using a rigorous approach and proposes to collaborate and coordinate with the authority and other state and local entities in an effort to achieve policy consistency
- Proposes to collaborate with the Regents institutions of Iowa and to leverage relationships with such institutions in order to potentially commercialize research developed at those institutions
- Proposes to obtain at least \$15 million in binding investment commitments and to invest a minimum of \$15 million in companies that have a principal place of business in Iowa

Applications for certification are reviewed by IEDA staff to determine if all criteria have been met and make a recommendation to the Board. If all the criteria are met, the Board certifies the fund. Three funds were certified as of June 30, 2023: Next Level Ventures Fund I LLLP, Next Level Ventures Fund II LLLP, and ISA Ventures Fund LLLP.



To receive a tax credit certificate, an investor must submit an application by March 31 of the year following the calendar year in which the equity investment was made. Tax credits are available on a first-come, first-served basis. A tax credit certificate may be transferred once. Any tax credit in excess of the taxpayer's liability for the tax year may be credited to the tax liability for the following five years or until depleted, whichever comes first.

The following changes to the program were made by 2023 Iowa Acts, Senate File 575:

- Applications for tax credits that exceed the allocation available in a given fiscal year will be denied rather than placed on a waitlist.
- IEDA can continue certifying innovation funds through June 30, 2028. Previously certification of funds would have ceased June 30, 2023.

The total amount of tax credits available for investment in Innovation Funds for fiscal year 2023 was \$8 million. IEDA issued a total of \$1,780,351.12 in tax credits in FY2023.

During Fiscal Year 2023, Innovation Fund Tax Credit claims totaled \$1,709,127. The amount of tax credits transferred totaled \$370,979.25.



## FUND INFORMATION

Fund	Date Certified	Tax Credits Issued in FY 2023	Investments in fund in FY 2023	Investments in fund since creation
Next Level Ventures Fund I	May 17, 2013	\$0	\$565,780	\$38,684,220
Next Level Ventures Fund II	April 20, 2018	\$687,226.25	\$ 11,198,010	\$40,330,417
ISA Ventures Fund	October 18, 2019	\$1,093,124.87	\$4,482,490	\$13,417,250

\*ISA Ventures Fund investment amounts reported for FY21 included all investments committed to the fund. Investment amounts for FY22 and FY23 represent investments received by the fund.

## BUSINESS/INVESTMENT INFORMATION

Business	Investment	Industry	Location	Employees based in Iowa at the time of initial investment	Employees based outside Iowa at the time of initial investment	Current number of Iowa employees	Current number of non-Iowa employees
Continuum Ag, Inc.	\$100,002.16	Agricultural Technology	Washington	7	4	7	5
Distynct Corporation	\$400,000.00	Information Technology	Ames	1	2	9	1
Distynct Corporation	\$499,989.76	Information Technology	Ames	5.5	1	9	1
GW Nutrition, Inc.	\$100,246.16	Biosciences	Ames	4	0	5	1
iotaMotion, Inc.	\$999,999.84	Medical Technology	Iowa City	3	11.5	4	15.5
Openloop	\$300,000.00	Information Technology	Des Moines	5	7	45	156
Pitchly	\$1,000,000.00	Information Technology	Des Moines	5	1	7	19
Shaka Culture, Inc.	\$100,000.00	Information Technology	Cedar Rapids	2	1.5	2	2
SmartScripts Holdings	\$50,000.00	Life Sciences	Washington	24	0	44	4
Tractor Zoom, Inc.	\$1,000,000.00	Agricultural Technology	Urbandale	28	0	28	0
VIDA Diagnostics	\$200,000.00	Biosciences	Coralville	20.5	12.5	30.5	33

Investor details related to this credit are confidential individual tax information pursuant to Iowa Code sections 422.20 and 422.72.