

Tax Credits and Items Financed Through Net General Fund Revenue

In Dollars

Line #	How Received	Contingent Liabilities Report	FY 2018 Estimate
1	Withholding	Accelerated Career Education Tax Credit	\$ 3,930,764
2	IA Form 148	Adoption Tax Credit	930,494
3	IA Form 148	Agricultural Assets Transfer and Custom Farming Tax Credit	5,169,997
4	IA Form 148	Assistive Device Tax Credit	0
5	IA Form 148	Biodiesel Blended Fuel Tax Credit	16,995,975
6	IA Form 148	Charitable Conservation Contribution Tax Credit	734,177
7	IA 1040	Child & Dependent Care Tax Credit	6,498,342
8	IA Form 148	E15 Plus Gasoline Promotion Tax Credit	430,199
9	IA Form 148	E85 Gasoline Promotion Tax Credit	2,511,090
10	IA 1040	Early Childhood Development Tax Credit	727,948
11	IA 1040	Earned Income Tax Credit	71,842,421
12	IA Form 148	Endow Iowa Tax Credit	5,115,477
13	Old	Enterprise Zone Program	3,799,990
14	Old	Enterprise Zone Program - Housing Component	11,217,953
15	IA Form 148	Ethanol Promotion Tax Credit	1,071,490
16	IA Form 148	Farm to Food Donation	24,666
17	Old	Film Tax Credit	0
18	IA Form 148	Geothermal Heat Pump Tax Credit	376,013
19	New	Geothermal Tax Credit	1,500,000
20	Varies	High Quality Jobs (HQJ) Program (Sales Refund, Invest. Credit, Research Sup.)	51,323,017
21	IA Form 148	Historic Preservation and Cultural and Enter. Dist. Tax Credit	56,158,446
22	IA Form 148	Investment Tax Credit	See HQJ
23	Withholding	Iowa Industrial New Job Training Program (260E)	43,758,246
24	Old	New Capital Investment Program	0
25	Old	New Jobs and Income Program	0
26	IA Form 148	Redevelopment Tax Credit	6,898,792
27	New	Renewable Chemical Tax Credit	0
28	IA Form 148	Renewable Energy Tax Credit	12,996,743
29	IA Form 148	Research Activities Tax Credit and Supplemental	69,383,474
30	Tax Refunds	Sales Tax Refunds for Economic Development Programs	See HQJ
31	IA Form 148	School Tuition Organization Tax Credit	11,369,827
32	IA Form 148	Solar Energy Systems Tax Credit	3,858,377
33	Withholding	Targeted Jobs Withholding Tax Credit	5,228,046
34	IA 1040	Tuition and Textbook Tax Credit	15,283,149
35	IA Form 148	Venture Capital Tax Credit - Innovation Fund	2,065,755
36	IA Form 148	Venture Capital Tax Credit - Iowa Fund of Funds	0
37	IA Form 148	Venture Capital Tax Credit - Qualifying Business	2,111,224
38	IA Form 148	Venture Capital Tax Credit - Venture Capital Funds	9,730
39	IA 1040	Volunteer Firefighter and Emergency Medical Services	1,333,737
40	IA Form 148	Wind Energy Production Tax Credit	1,658,788
41	IA Form 148	Workforce Housing Tax Incentive Program	10,592,805
Contingent Liabilities Report Total			\$ 426,907,152

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In Dollars

Line #	How Received	Other Tax Credits from Iowa 1040 Tax Form	FY 2018 Estimate
42	IA 1040	Taxpayers Trust Fund Tax Credit	\$ 0
43	IA 1040	Dependent Credit	31,600,000
44	IA 1040	Elderly and/or Blind Personal Credit	2,900,000
45	IA 1040	Personal Credit	68,800,000
		Total	\$ 103,300,000
		Other Programs Paid Directly from General Fund Revenue	FY 2018 Estimate
46	Through Tax Refunds	Biodiesel Production Payment	\$ 4,500,000
47	Through Tax Refunds	Sales Tax Financing Programs (racetracks and ball fields)	900,000
48	From Revenue Stream	Reinvestment Districts	600,000
49	From Revenue Stream	Flood Mitigation Transfers	31,200,000
50	From Revenue Stream	Workforce Training Withholding Diversion	6,000,000
51	From Revenue Stream	Department of Revenue Operations & Tax Gap	31,000,000
		Total	\$ 74,200,000
		Property Tax Credits and Exemptions	FY 2018 Estimate
52	GF Appropriation	Commercial/Industrial Rollback Reimbursement	\$ 152,100,000
53	GF Appropriation	Business Property Tax Credit	125,000,000
54	GF Appropriation	Homestead Tax Credit	136,400,000
55	GF Appropriation	Agland & Family Farm Tax Credit	39,100,000
56	GF Appropriation	Elderly and Disabled Property Tax	25,100,000
57	GF Appropriation	Military Exemption Reimbursement Credit to Local Governments	1,900,000
58	GF Appropriation	Tax Increment Financing (TIF) Backfill (school aid)	58,500,000
59	GF Appropriation	Military Service Exemption (school aid)	1,500,000
60	GF Appropriation	Telecommunications Property Exemption (school aid)	2,700,000
61	GF Appropriation	Urban Revitalization Abatements (school aid)	6,600,000
62	GF Appropriation	Forest and Fruit Tree (school aid)	1,800,000
63	GF Appropriation	Various Industrial Exemptions (school aid)	3,400,000
64	GF Appropriation	Pollution Control and Recycling (school aid)	1,200,000
65	GF Appropriation	New Jobs and Income Program (school aid)	3,100,000
66	GF Appropriation	Web/Data Centers (school aid)	2,500,000
67	GF Appropriation	Other Property Tax Exemptions (school aid)	900,000
		Total	\$ 561,800,000
		Grand Total	\$ 1,166,207,152

Income Tax Credits - Fiscal Impact Background

When the General Assembly debates the creation, elimination, or modification of Iowa income tax credits, the fiscal impact of the proposal is estimated by the Legislative Services Agency and presented through the Fiscal Note process. An important consideration in that process is the timing of any impact on state revenues. The timing of any fiscal impact depends not only on when the change becomes effective, but also on the type of tax credit up for consideration. The following information provides general background on the different factors that must be considered when determining the best estimate of when a particular income tax credit change may impact state revenue.

Economic Development Incentive Requirements

Tax credits administered by the Economic Development Authority (EDA) generally have specified requirements that must be met before the awarded tax credits may be issued to the beneficiaries. Those requirements typically take time, and in the instance of large construction projects, they often take more than one year to complete. The fiscal impact calculation for a tax credit program must take into consideration the time between the awarding of tax credits and the actual redemption of those credits. This type of timing adjustment is equally important for tax credits administered by other agencies, such as the Historic Preservation Tax Credit Program administered by the Department of Cultural Affairs.

EDA Aggregate Tax Credit Cap

For many of the tax credit programs administered by the EDA, the total tax credits awarded in a fiscal year is limited. Iowa Code section [15.119](#) limits the total amount of tax credits that may be authorized by the EDA under seven tax credit programs to no more than \$170.0 million in a fiscal year. These programs include:

- High Quality Job Creation Program
- Enterprise Zone Program
- Assistive Device Tax Credit Program
- Qualifying Business and Community-Based Seed Capital Tax Credits
- Innovation Funds Program
- Redevelopment Tax Credit
- Workforce Housing Tax Credit

Any change to a tax credit program under this cap, or any additional program added under the cap, may not have an additional fiscal impact since the overall amount of tax credits issued does not change. The EDA has the authority to exceed the \$170.0 million limit by as much as \$34.0 million in a fiscal year, but any excess reduces the aggregate cap for the succeeding fiscal year.

Types of Income Tax Credits

The Iowa Code offers various tax credits to encourage or reward different activities. The tax credits generally fall into the following categories of redemption value to the taxpayer:

- Single-year tax credits. Tax credits that must be redeemed in the tax year issued. Any unredeemed tax credits expire unused.
- Carryforward tax credits. Tax credits that may be used in the year issued, and if the amount exceeds the taxpayer's tax liability, unused credits may be used against tax liability in future tax years.
- Transferable tax credits. Tax credits that may be sold or otherwise transferred to another taxpayer. The taxpayer receiving the transferred tax credit may then use the credit to reduce tax liability.
- Refundable tax credits. Tax credits that may be used to offset tax liability, and if the amount of the credit exceeds tax liability, the remaining amount is refunded.
- Sale/Use tax refunds. Tax credits that result in the taxpayer receiving a refund for all or a portion of the sales and use tax paid.

More Information

Department of Revenue Tax Credit List: [Tax Credit User Manual](#)

Iowa General Assembly: <https://www.legis.iowa.gov/index.aspx>

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Income Tax Credits – Fiscal Impact Background

Refundable tax credits are the most valuable to taxpayers, as even taxpayers with no income tax liability can benefit by filing a tax return that includes the refundable tax credit. Refundable tax credits are directly comparable to appropriations, and refundable tax credits typically see redemption rates that equal 100.0% of tax credit awards. This situation also applies to sales/use tax refunds.

Transferable tax credits are similarly valuable, but the taxpayer receiving the original credit may need to sell the credit to benefit, and there are typically transaction costs involved that keeps the original taxpayer from benefitting financially from the full value of the credit. However, this does not reduce the value of the tax credit, and transferred tax credits typically are redeemed near 100.0% of the awarded value.

Tax credits that are not refundable or transferable, but that may be carried forward for a stated number of tax years require that the receiving taxpayer have sufficient Iowa income tax liability over a period of years to fully benefit from the credit. This type of tax credit often takes several tax years to become fully redeemed, and some credits will expire unused in instances where the taxpayer does not have sufficient Iowa income tax liability across the allowed timeframe. This type of tax credit typically sees a redemption percentage well below 100.0% of the awarded amount.

Single-year tax credits can be the least valuable, as their value is capped by the tax liability of the taxpayer for that one fiscal year. If the tax credit amount is small, the redemption percentage may approach 100.0%. But if the tax credit amount is large, then the redemption percentage can be expected to be low.

Timing of Tax Credit Impact on State General Fund Revenue

Individual taxpayers remit tax payments in three forms. For wages and certain other income, taxes are withheld from the income and the tax is remitted directly to the state. In an instance where there is no withholding required, the taxpayer is likely required to remit quarterly estimate payments. Finally, ultimate tax liability for a taxpayer is reconciled when the tax return for the tax year is filed. Filing of a tax return usually results in either a payment due, or a tax refund, depending on whether the combination of withholding and estimate payments was sufficient for that taxpayer that year.

The tax system is similar for corporations and banks, except there is no withholding concept. All payments are made through quarterly estimate payments and the filing of tax returns. For insurance companies, taxes for the current calendar year are due in June and August, with final reconciliation when tax returns are filed the following March.

Once taxpayers (individual, corporate, bank, or insurance company) become confident their ultimate tax liability for a tax year will be lower than previously assumed, as in the instance of taxpayers earning refundable tax credits, they can be expected to lower their tax estimate payments for that year.

Because refundable tax credits are like cash to any taxpayer, regardless of tax liability, the award of a refundable tax credit has an immediate impact on net General Fund revenue through decreased quarterly estimate payments.