



Fiscal Services Division

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Inside This Fiscal Research Brief

Summary

This *Fiscal Research Brief* provides an overview of tax credits and other adjustments in Iowa and how they affect General Fund revenues and appropriations.

Affected Agencies

Iowa Department of Revenue
Iowa Economic Development Authority

Iowa Code Authority

Iowa Code chapter [422](#)

Prepared by:

Eric Richardson
Iowa Legislative Services Agency
State Capitol
Des Moines, Iowa 50319
515.281.6767
eric.richardson@legis.iowa.gov

Iowa General Fund Tax Credits and Adjustments

Table of Contents

Background..... p. 2
Types of Tax Credits and Exemptions..... p. 2
Other Tax Adjustments..... p. 10
Summary..... p. 12
Additional Information..... p. 13
Appendices p. 14

Background

Numerous Iowa state-level tax credits are available to individuals and businesses for economic assistance and to incentivize economic development. Tax credits are available through different methods, including the [Iowa Form 148](#), income tax withholding, the [Iowa Form 1040](#), and the tax refund process. Some tax credits have annual caps, while others are available in unlimited amounts. There are also tax adjustments affecting the General Fund through tax refunds and diversions from General Fund revenue streams. The General Assembly may also appropriate funds to use for reimbursing local governments for property tax credits and exemptions and increasing school aid. Some tax credits are refundable, which means the State is required to pay a taxpayer the difference between the tax credit and the taxpayers' tax liability for a specific tax year (TY), even if there is no other tax liability. Many tax credits are allowed to be carried forward into future years if the taxpayer does not have enough tax liability. Nonrefundable tax credits require tax liability and cannot be refunded if no other tax liability exists.

Tax credits are generally administered by the Iowa Department of Revenue (IDR), which publishes a quarterly summary of economic awards that affect the General Fund called the [Contingent Liabilities Report](#) (CLR). The Iowa Economic Development Authority (IEDA) is also authorized by the Iowa Code to administer certain business and economic growth tax credits. The Iowa Code prescribes a maximum amount of economic development tax credits that are allowed to be awarded in a fiscal year by the IEDA. 2025 Iowa Acts, chapter [136](#) (Economic Development Programs and Credits Act) decreased the cap for economic development tax credits awarded by the IEDA from \$170.0 million to \$110.0 million, sunset some tax credit programs administered by the IEDA, and introduced new tax credit programs in place of some of the programs sunset in the Act.

Tax credits impact General Fund revenues during the annual tax refund process. In fiscal year (FY) 2024, there was approximately \$1,268.3 million issued in General Fund tax credits and diversions.

This ***Fiscal Research Brief*** reviews all tax credits and exemptions along with other diversions that affect the General Fund either through revenue or appropriations. However, this ***Fiscal Research Brief*** does not address exemptions to the State sales and use tax.

Types of Tax Credits and Exemptions

Iowa Form 148 Tax Credits

Form 148 is used by taxpayers on their tax returns when claiming tax credits against individual income tax, corporate income tax, franchise tax, moneys and credits tax, and insurance premium tax. The form allows separate lines for each tax credit claimed. A tax credit certificate number received from the agency awarding the tax credit must be entered on the form.

The following tax credits were available on Form 148 against General Fund revenue in FY 2024 and are also summarized on the Contingent Liabilities Report (CLR):

- **Adoption Tax Credit** — The [Adoption Tax Credit](#) is available to individual income taxpayers who incur qualified adoption expenses (up to \$5,000) associated with the adoption of a child under 18 years old. The credit is refundable, and approximately \$899,000 was claimed in FY 2024.

- **Angel Investor Tax Credit** — The Qualifying Business Tax Credit, otherwise known as the [Angel Investor Tax Credit](#), is equal to 25.0% of the equity investment made into a qualifying business approved by the IEDA. Through FY 2025, the tax credit is capped at \$2.0 million in the aggregate per fiscal year and up to \$500,000 in an investment in a single qualified business. The Angel Investor Tax Credit is refundable for individual income taxpayers but nonrefundable for other taxpayers, and \$1.4 million was claimed in FY 2024. The Angel Investor Tax Credit was eliminated after FY 2025, and the similar Seed Investor Tax Credit Program was created beginning in TY 2025 with a joint cap of \$10.0 million combined with the Innovation Fund Tax Credit.
- **Beginning Farmer Tax Credit (BFTC)** — The [BFTC](#) is allowed for qualified agricultural asset owners that enter a lease or rental agreement with a beginning farmer and equals 5.0% of the amount paid to the taxpayer under the rental agreement or 15.0% of the amount paid to the taxpayer from crops or animals sold under the agreement. The Custom Farming Contract Tax Credit was originally part of the BFTC but was sunset in TY 2018, although approximately \$9,000 was claimed in FY 2024 due to a 10-year carryforward. The nonrefundable BFTC is capped at an aggregate total of \$12.0 million per calendar year, and approximately \$4.3 million was claimed by taxpayers in FY 2024.
- **Biodiesel Blended Fuel Tax Credit** — The [Biodiesel Blended Fuel Tax Credit](#) is available to retail dealers selling biodiesel blended motor fuel that is at least 5.0% biodiesel. The credit is currently equal to \$0.050 per blended gallon for blends of at least 11.0% biodiesel but less than 20.0%, \$0.070 for blends of at least 20.0% but less than 30.0%, and \$0.100 for blends of at least 30.0%. The tax credit is refundable, and approximately \$14.1 million was claimed in FY 2024.
- **Charitable Conservation Contribution Tax Credit** — Real property in Iowa donated in perpetuity for a conservation purpose to a qualified organization, defined federally, is eligible for a tax credit equal to 50.0% of the fair market value of qualified donated property, up to \$100,000 per contribution. The [Charitable Conservation Contribution Tax Credit](#) is nonrefundable, and approximately \$434,000 was claimed in FY 2024.
- **E-15 Plus Gasoline Promotion Tax Credit** — The [E-15 Plus Gasoline Promotion Tax Credit](#) is available to retail dealers of gasoline that sell blended gasoline that contains at least 15.0% ethanol but is not classified as E-85 gasoline (70.0% to 85.0% ethanol content). As of calendar year (CY) 2025, the tax credit amount is equal to \$0.09 per blended gallon. The credit is refundable, and approximately \$2.7 million was claimed in FY 2024.
- **E-85 Gasoline Promotion Tax Credit** — The [E-85 Gasoline Promotion Tax Credit](#) is available to retail dealers of gasoline that sell blended gasoline that contains between 70.0% and 85.0% ethanol. As of CY 2025, the tax credit is \$0.16 per blended gallon. The credit is refundable, and approximately \$1.1 million was claimed in FY 2024.
- **Endow Iowa Tax Credit** — The [Endow Iowa Tax Credit](#) is equal to 25.0% of a taxpayer's gift to a permanent endowment fund within a qualified community foundation for the benefit of Iowa charitable causes, up to an aggregate total of \$6.0 million and \$100,000 per taxpayer. Beginning in TY 2026, the annual cap decreases to \$3.5 million per year and \$50,000 per taxpayer. The Endow Iowa Tax Credit is nonrefundable, and approximately \$6.5 million was claimed in FY 2024.
- **Enterprise Zone Program** — The Enterprise Zone Program was created to assist communities in Iowa to secure new industrial manufacturing jobs within specific areas and included a housing component. The Program was repealed beginning FY 2015; however, due to carryforward balances, there was approximately \$309,000 in FY 2024 claims.

- **Ethanol Promotion Tax Credit** — The [Ethanol Promotion Tax Credit](#) was available to retail dealers of gasoline that sold ethanol-blended gasoline and was sunset beginning TY 2021; however, there was approximately \$45,000 in carryforward claims in FY 2024.
- **Farm to Food Donation Tax Credit** — The [Farm to Food Donation Tax Credit](#) is available to taxpayers who produce a food commodity and donate it to a registered Iowa food bank, food pantry, or emergency feeding organization. The tax credit is 15.0% of the value of food donated or \$5,000, whichever is less. The value of the food donated is determined through the federal tax code. The credit is nonrefundable, and approximately \$28,000 was claimed in FY 2024.
- **Geothermal Heat Pump Tax Credit** — The [Geothermal Heat Pump Tax Credit](#) was available for qualified heat pump installations on residential property equaling 20.0% of the federal Residential Clean Energy Credit but was sunset after TY 2023 in Iowa. The credit is nonrefundable, and \$583,000 was claimed in FY 2024 due to 10 years of available carryforward claims.
- **Geothermal Tax Credit** — The [Geothermal Tax Credit](#) equaled 10.0% of qualified residential geothermal system installation costs. The credit was sunset beginning TY 2019; however, there may be carryforward claims, which were less than \$1,000 in FY 2024.
- **High Quality Jobs (HQJ) Program** — The [HQJ Program](#) provides qualifying businesses with tax credits and direct financial assistance to encourage businesses to locate, expand, or modernize a facility in Iowa. The amount of tax incentives awarded depends on qualifying investments made in the State. The Program is administered by the IEDA and includes:
 - An Investment Tax Credit (ITC) equal to a maximum of 1.0% to 10.0% of the new qualifying investment directly related to jobs created or retained by the business's project.
 - A Supplemental Research Activities Tax Credit available to a business increasing research and development activities in the State (tax credit amount included in the Research Activities Tax Credit below).
 - Sales and use tax refunds for taxes paid on gas, electricity, water, sewer utility services, goods, wares, merchandise, or other services related to the investment in construction or equipping of a facility.
 - A Third-Party Developer Tax Credit (TPDC) awarded for the sales and use taxes paid by a third-party developer on gas, electricity, water, sewer utility services, tangible personal property, or certain services related to the construction or equipping of the business's facility.
 - A Value-Added Property Tax Exemption provided by the participating local community by exempting all or a portion of the actual value added by improvements to the real property from property taxation directly related to the new jobs created by the project.High Quality Jobs Program incentives may be claimed through additional means beyond the Iowa Form 148 depending on the type of financial assistance provided. The ITC and property tax exemptions are nonrefundable, while the Supplemental Research Activities Tax Credit, TPDC, and sales and use tax refunds are refundable. The HQJ Program Tax Credit realized \$33.6 million in claims in FY 2024. The Program is repealed after TY 2025, and the new Business Incentives for Growth (BIG) Program is authorized to begin in TY 2026.
- **Historic Preservation Tax Credit** — The [Historic Preservation Tax Credit](#) provides a 25.0% tax credit for qualified expenditures incurred during the substantial rehabilitation of eligible historic properties in Iowa, with specific requirements for the property, including expenditures equaling at least \$50,000 or 50.0% of the assessed value of the property prior to rehabilitation.

The credit is refundable, and \$48.8 million was claimed in FY 2024.

- **Hoover Presidential Library Tax Credit** — The [Hoover Presidential Library Tax Credit](#) provided a 25.0% tax credit of the qualified donation made to the Hoover Presidential Foundation. The total tax credit maximum was \$5.0 million, and the credits were available for donations made between January 1, 2021, and December 31, 2024, with a \$250,000 maximum amount per person. The credit is nonrefundable, and approximately \$148,000 was claimed in FY 2024.
- **Innovation Fund Tax Credit** — The [Innovation Fund Tax Credit](#) allows a 25.0% tax credit for investments in an innovation fund certified by the IEDA. The certified Innovation Fund makes investments in early-stage Iowa companies. The nonrefundable credit has an \$8.0 million cap through FY 2025, and \$1.1 million was claimed in FY 2024. Beginning FY 2026, the Innovation Fund Tax Credit and the newly created Seed Investor Tax Credit Program have a combined \$10.0 million annual cap.
- **Public Safety Officer Moving Expense Tax Credit** — The [Public Safety Officer Moving Expense Tax Credit](#) became available beginning in TY 2024 for new Iowa residents that take full-time employment as a public safety officer. The credit is limited to \$2,000 per move for unreimbursed moving expenses, and there was \$0 claimed in FY 2024.
- **Redevelopment Tax Credit** — The [Redevelopment Tax Credit](#) is available to taxpayers that invest in a redeveloping brownfield or grayfield site in Iowa. The IEDA-administered credit ranges from 12.0% to 30.0% of the qualifying costs of redevelopment depending on the site, and there is a \$15.0 million annual aggregate cap for awards. The credit is refundable, and \$4.5 million was claimed in FY 2024.
- **Renewable Chemical Production Tax Credit** — The [Renewable Chemical Production Tax Credit](#) is available to IEDA-approved businesses that produce renewable chemicals from biomass feedstock in Iowa. The tax credit equals \$0.05 per pound of renewable chemicals produced. Beginning in FY 2026, the annual aggregate cap increases from \$5.0 million to \$10.0 million, which also includes awards from the newly created Sustainable Aviation Fuel Production Tax Credit. The credit is refundable, and \$2.0 million was claimed in FY 2024.
- **Renewable Energy Tax Credit** — The [Renewable Energy Tax Credit](#) was available to producers of eligible energy sources approved by the Iowa Utilities Commission (IUC), including wind energy conversion, biogas recovery, biomass conversion, methane gas recovery, solar energy conversion, and refuse conversion. The credit was sunset after TY 2017; however, tax credits may be carried forward for 10 years. The Renewable Energy Tax Credit is nonrefundable, and \$818,000 was claimed in FY 2024.
- **Research Activities Tax Credit (RATC)** — The [RATC](#) is tied to rules governing the federal Research and Experimentation Tax Credit. In Iowa, the RATC is based on the ratio of Iowa qualified research expenses for research in Iowa to total qualified research expenses. The tax credit is based on a percentage of incremental research expenses, up to 6.5%. Taxpayers approved by the IEDA under the HQJ Program may also receive a Supplemental RATC. The RATC is refundable, and including the Supplemental RATC under the HQJ Program, \$63.2 million was claimed in FY 2024. There is currently no limit to the number of claims in a fiscal year; however, the RATC will sunset after TY 2025 and a similar program named the Research and Development Tax Credit Program will begin in TY 2026 with a \$40.0 million annual cap.
- **School Tuition Organization (STO) Tax Credit** — The [STO Tax Credit](#) is available to taxpayers for 75.0% of the amount of a voluntary cash or noncash contribution to a STO that is not designated by the taxpayer to be used for the direct benefit of a specified student. The award cap is \$20.0 million per year, and the tax credit is split between each STO based on the

total enrollment of all participating schools before being allocated to taxpayers contributing to the STO. The credit is nonrefundable, and \$15.0 million was claimed in FY 2024.

- **Solar Energy System Tax Credit** — The [Solar Energy System Tax Credit](#) was available for qualified solar energy installations at businesses in Iowa and was 50.0% of the federal solar credit. The nonrefundable State tax credit was sunset after TY 2021; however, there was \$2.7 million in FY 2024 claims due to a 10-year carryforward.
- **Wind Energy Production Tax Credit** — The [Wind Energy Production Tax Credit](#) was available to an owner of a qualified wind energy production facility placed in service between July 1, 2005, and July 1, 2012, and was equal to \$0.01 per kilowatt-hour sold or generated for a 10-year period beginning on the facility's original in-service date. The nonrefundable tax credit was sunset after FY 2012; however, there was \$140,000 in FY 2024 claims due to a seven-year carryforward.
- **Workforce Housing Tax Incentive Program** — The [Workforce Housing Tax Incentive Program](#) provides tax benefits to developers that complete housing projects in Iowa. The Program currently has a \$35.0 million aggregated annual cap, with \$17.5 million set aside for small cities. The tax benefits to the developer include a State income tax credit of up to 20.0% for small city projects or 10.0% for regular community projects of the first \$150,000 per unit cost, capped at a maximum award of \$1.0 million. The tax credits are nonrefundable, and \$9.6 million was claimed in FY 2024. The aggregated annual caps increase to \$39.5 million in FY 2026 and \$36.5 million in FY 2027 before decreasing to \$35.0 million beginning in FY 2028, while the small-city allocation is changed from \$17.5 million annually to 50.0% of the annual aggregate tax credit limit beginning FY 2026.

Withholding Tax Credits

Withholding tax credits are funded through a diversion of State individual income tax withholding from employees. Businesses, community colleges, and local governments that reach an agreement with the State may see a percentage of withholding from specified employees diverted to a program for purposes of a tax credit. Ordinarily, individual income tax withholding for State tax purposes would be deposited into the General Fund.

The following tax credits were available through income tax withholding against General Fund revenue in FY 2024 and are summarized on the CLR:

- **Accelerated Career Education Tax Credit** — The [Accelerated Career Education Tax Credit](#) allows eligible participating businesses to divert a portion of the company's current State individual income withholding tax to Iowa's community colleges for establishment or expansion of programs that train individuals in high-demand occupations, who then interview with the participating businesses. Businesses divert up to 10.0% of the hiring wage that a sponsoring business would pay to an individual who completes the program's requirements. The nonrefundable credit realized \$5.4 million in FY 2024 claims.
- **Iowa Industrial New Job Training Program** — The [Iowa New Jobs Training Program](#) (administered by the IDR and the Iowa Department of Workforce Development (IWD)) allows a diversion of State withholding tax to assist qualified businesses that create new positions by supporting new employee training at community colleges and is authorized through Iowa Code chapter [260E](#). After diverting 1.5% of gross payroll from the State withholding taxes generated by the new positions to the community colleges to retire bonds, the businesses may be eligible for the New Jobs Tax Credit, which allows a 6.0% credit of the taxable wages for the new jobs

(up to one year of employment) up to the amount that the employer is required to contribute to the State Unemployment Compensation Fund. The nonrefundable New Jobs Tax Credit realized \$41.4 million in claims in FY 2024.

- **Targeted Jobs Withholding Tax Credit** — The [Targeted Jobs Withholding Tax Credit](#) allows a withholding credit equal to 3.0% of the gross wages paid by an employer to each employee covered under a withholding agreement made between Iowa pilot project cities bordering other states that meet defined criteria and the employer and is approved by the IEDA. The employer claims the tax credits on quarterly withholding tax returns and then diverts the same amount of funds to the pilot project city, which spends the diverted withholding taxes on projects related to the business. The Targeted Jobs Withholding Tax Credit is nonrefundable, and approximately \$307,000 was claimed in FY 2024.

Iowa 1040 Tax Credits

Iowa Form 1040 is the personal income tax return for Iowa residents. Form 1040 allows an eligible individual to obtain a tax credit without prior approval from the State.

The following tax credits, some of which are summarized in the CLR, are available on Form 1040 against General Fund revenue:

- **Child and Dependent Care (CDC) Tax Credit** — Iowa's [CDC Tax Credit](#) is based on the federal CDC Tax Credit and available to individual taxpayers who have eligible child and dependent care expenses for qualifying children under age 13 or disabled dependents. The refundable State CDC Tax Credit ranges from 30.0% to 75.0% of the federal CDC Tax Credit and is dependent on the adjusted gross income of the taxpayer, up to \$90,000 for single filers and couples. In TY 2025, the federal CDC Tax Credit allows taxpayers to reduce tax liability by an amount up to 35.0% of \$3,000 in eligible childcare expenses for one qualifying child or up to 35.0% of \$6,000 for two or more qualifying children. Beginning in TY 2026, the federal maximum credit increases from 35.0% to 50.0% before being phased down based on income and filing status to a minimum 20.0% credit for single filers when Adjusted Gross Income (AGI) exceeds \$103,000 and for couples when AGI exceeds \$206,000. In FY 2024, Iowa's CDC Tax Credit claims totaled \$11.1 million.
- **Early Childhood Development Tax Credit** — The [Early Childhood Development Tax Credit](#) is available to individual income taxpayers with incomes below \$90,000 paying qualifying early childhood development expenses and equal to 25.0% of the first \$1,000 in eligible expenses paid for each dependent aged three through five. The credit is refundable, and \$1.4 million was claimed in FY 2024.
- **Earned Income Tax Credit (EITC)** — Iowa's [EITC](#) is available to individual income taxpayers who qualify for the federal EITC. The State EITC equals 15.0% of the [federal](#) EITC and is available to low- and moderate-income workers to reduce taxes owed to the federal government. In TY 2024, the federal EITC maximum credit ranged from \$632 for eligible taxpayers with no qualifying children to \$7,830 for eligible taxpayers with three or more qualifying children. The State EITC is refundable, and \$65.0 million was claimed in FY 2024.
- **Employer Child Care Tax Credit** — The [Employer Child Care Tax Credit](#) is available through TY 2025 to Iowa taxpayers who qualify for the federal Employer-Provided Child Care Tax Credit to offset 25.0% of qualified childcare facility expenditures and 10.0% of qualified childcare resource and referral expenditures. The Iowa credit is equal to the federal credit up to \$150,000. As of FY 2024, there were no claims for the nonrefundable State credit, which

was repealed after TY 2025.

- **Tuition and Textbook Tax Credit** — The [Tuition and Textbook Tax Credit](#) is available to individual income taxpayers who have one or more dependents attending grades K-12 in an accredited Iowa school or receiving private instruction. The credit is equal to 25.0% of the first \$2,000 paid of eligible education expenses for each dependent, including nonpublic school tuition, books, materials, and equipment for extracurricular activities. The credit is nonrefundable, and \$25.1 million was claimed by taxpayers in FY 2024.
- **Volunteer Firefighter and Emergency Medical Services (EMS) Personnel and Reserve Peace Officer Tax Credit** — The credit is available to qualified individual income taxpayers and can be claimed for a maximum of \$250 if the volunteer served for an entire tax year, or prorated if the volunteer served for less than an entire year. The [Volunteer Firefighter and EMS Personnel and Reserve Peace Officer Tax Credit](#) is nonrefundable, and \$3.2 million was claimed in FY 2024.
- **Dependent Credit** — The Dependent Credit allows Iowa taxpayers to claim a \$40 tax credit against the individual income tax for each dependent, which is defined in [26 U.S.C. §152](#) as a qualifying child or relative under the age of 19. The credit is nonrefundable, and \$37.5 million was claimed in FY 2024.
- **Elderly and/or Blind Personal Credit** — Taxpayers are eligible for a \$20 tax credit for each taxpayer 65 or older and for each taxpayer or spouse who is blind. The Elderly and/or Blind Personal Credit is nonrefundable, and \$10.6 million was claimed in FY 2024.
- **Personal Credit** — The Personal Credit allows single filer Iowa taxpayers to claim a \$40 tax credit annually and couples to claim an \$80 tax credit annually. The credit is nonrefundable, and \$96.6 million was claimed in FY 2024.

General Fund Appropriation

An appropriated tax credit is used by the State to fund specified property tax reductions, including credits, exemptions, and reimbursements, at the local level. These reimbursements may be through direct appropriations from the General Fund or indirectly through the General Fund School Aid appropriation. After property tax credits are claimed by citizens through local governments, the State pays for the tax credit through General Fund appropriations by reimbursing local governments the cost of the tax credit. These credits and reimbursements are administered by the IDR.

List of Directly Appropriated Tax Credits. The following property tax credits are paid for through direct General Fund appropriations:

- **Commercial and Industrial Property Tax Replacement** — The [Commercial and Industrial Property Tax Replacement](#) credit reimburses local governments for the reduced revenue resulting from the property tax rollback to 90.0% of assessed value that reduces the taxable value of Iowa properties classified as commercial, industrial, or railroad. The appropriation is being phased out through FY 2029. Approximately \$64.9 million was appropriated for reimbursement to local governments in FY 2024.
- **Business Property Tax Credit** — The [Business Property Tax Credit](#) is available to owners of property classified as commercial, industrial, or railroad that is limited to a specified maximum amount of taxed value to a rate comparable to residential property. The credit is a standing limited General Fund appropriation, which was approximately \$122.4 million in FY 2024.
- **Homestead Property Tax Credit** — The [Homestead Property Tax Credit](#) is available to property owners who occupy the property on July 1 each year and reside at the property for at

least six months of each calendar year. The credit is equal to the actual levy on the first \$4,850 of actual value of each homestead and is available each year. A Disabled Veteran Tax Credit to eligible property owners is also authorized for the entire amount of the tax levied on the homestead under Iowa Code section [425.15](#). The tax credit receives a standing unlimited General Fund appropriation that was approximately \$149.0 million in FY 2024.

- **Agricultural Land and Family Farm Property Tax Credit** — The [Agricultural Land and Family Farm Property Tax Credit](#) is available to agricultural land owners for school General Fund taxes in excess of \$5.40 per \$1,000 of assessed land value on tracts of 10 or more acres. The credit is funded through a General Fund standing limited appropriation, which was approximately \$39.1 million in FY 2024.
- **Elderly and Disabled Property Tax Credit and Rent Reimbursement** — The Elderly and Disabled Property Tax Credit and Rent Reimbursement program provides monetary relief to low-income elderly persons and low-income persons with disabilities who are 65 or older or totally disabled with household incomes below \$16,500, adjusted for inflation since 2000 (approximately \$25,000 in TY 2023). The standing unlimited General Fund appropriation was approximately \$4.3 million in FY 2024.
- **Military Service Tax Exemption** — The [Military Service Tax Exemption](#) provides a property tax exemption of \$1,852 of assessed property valuation for veterans with active or reserve duty service in the armed forces, with a reduction in property taxes on average of approximately \$65 per year. The exemption is funded with a standing unlimited General Fund appropriation, which was approximately \$1.5 million in FY 2024; however, the exemption is no longer appropriated as of FY 2026. Part of the exemption was also reimbursed to local governments through the School Aid appropriation (see below).

List of School Aid Appropriated Property Tax Reimbursements. The following property tax reimbursements are paid for indirectly through the School Aid General Fund appropriation to local governments to make up the reduction in property tax collected that would otherwise be used to support school districts¹:

- **Tax Increment Financing Backfill** — [Tax Increment Financing \(TIF\)](#) is a financing mechanism for urban renewal. It involves dividing the property taxes paid from property within a designated area between the traditional taxing authorities (counties, cities, schools, etc.) and the taxing authority that created the TIF area. State-authorized revenue created in TIF districts may also be returned to local governments through School Aid. In FY 2024, approximately \$11.0 million was returned to local governments through School Aid due to the TIF backfill.
- **Military Service Tax Exemption** — The exemption authorizes a reimbursement to local governments through the School Aid General Fund appropriation as part of the Military Service Tax Exemption available to veterans with active or reserve duty service in the armed forces (see above). In FY 2024, approximately \$1.5 million was returned to local governments through School Aid due to the exemption, though the exemption will no longer be reimbursed by the State beginning FY 2025 according to Iowa Code chapter [426A](#).
- **Urban Revitalization Tax Abatement Program** — A tax abatement is a temporary reduction in property taxes on a portion of assessed property value added by new construction or improvements to existing infrastructure. The Urban Revitalization Tax Abatement Program specified in Iowa Code chapter [404](#) encourages development and redevelopment in

¹ Values are estimated using a statewide consolidated property tax rate.

communities to improve housing stock, attract and retain residents and businesses, and reduce development costs for qualifying projects. In FY 2024, approximately \$117.5 million was returned to local governments through School Aid due to the Program.

- **Forest and Fruit Tree Exemption** — The Forest and Fruit Tree Exemption is available to landowners who establish a forest or fruit-tree reservation as specified in Iowa Code chapter [427C](#). In FY 2024, approximately \$21.3 million was returned to local governments through School Aid due to the exemption.
- **Various Industrial Exemptions** — Iowa Code chapter [427B](#) allows a city or county to authorize a partial property tax exemption for the value added to industrial real estate by the new construction of industrial real estate, research-service facilities, warehouses, and distribution centers; the acquisition of or improvement to machinery and equipment assessed as real estate; and new machinery and equipment assessed as real estate. Due to these exemptions, approximately \$17.3 million was returned to local governments through School Aid in FY 2024.
- **Pollution Control and Recycling Exemption** — Iowa Code section [427.1](#) allows a property tax exemption for pollution-control or recycling property. In FY 2024, the Pollution Control and Recycling Exemption caused approximately \$10.2 million to be returned to local governments through School Aid.
- **New Jobs and Income Program Exemption** — The HQJ Program authorizes a New Jobs and Income Program property tax exemption upon approval of the IEDA and local government for all or a portion of the actual value added by improvements to real property directly related to new jobs created by the project and used in the operations of the eligible business. In FY 2024, approximately \$61.1 million was returned to local governments through School Aid due to the Program. Authorization for the Program is being repealed after TY 2025; however, the two-year lag between property tax assessments and payments by property owners and/or exemptions will allow for continued reimbursements beyond FY 2025.
- **Web/Data Center Exemptions** — Iowa Code section 427.1 allows property tax exemptions for web search portal business properties, web search properties, and data center business properties other than land and buildings. In FY 2024, approximately \$33.7 million was returned to local governments through School Aid due to the exemptions.
- **Other Property Tax Exemptions** — The following small property tax exemptions authorized in Iowa Code section 427.1 contributed to approximately \$2.8 million in FY 2024 reimbursements to local government through School Aid: Barn Preservation, Enterprise Zone, Geothermal Systems, Historical Property, Impoundments, Indian Property, Manufactured Home Community or Mobile Home Park Storm Shelter, Methane Gas Conversion, Native Prairie and Wetlands, Natural Conservation and Wildlife Areas, One Room School House, Public Television Station, Speculative Shell Buildings, and Wildlife Habitat.

Other Tax Adjustments

Revenue Streams Tax Diversions

Certain diversions from State-collected tax revenue occur that reduce the amount of revenue remaining in the General Fund. Without a diversion for specific initiatives written into the Iowa Code, the tax revenue would have been included in the General Fund for appropriation by the General Assembly.

The following tax diversions were made against State tax revenue in FY 2024:

- **Reinvestment Districts Sales Tax Funding** — The Iowa [Reinvestment Districts Program](#) was created in 2013 to provide a State [funding](#) source to finance economic development projects undertaken by local governments. The funding is a diversion of State sales tax and the State hotel and motel tax from businesses located within an IEDA-approved district. The program is limited to \$200.0 million cumulative total, and a total of \$4.1 million was diverted to local governments in FY 2024. Approximately \$185.1 million remains in authorized diversions from the Program.
- **Flood Mitigation Program Transfers** — The [Flood Mitigation Program](#) was created in 2012 and provides a diversion of State sales tax revenue growth in an approved area to finance flood mitigation projects undertaken by local governments. The Program is administered by the [Iowa Flood Mitigation Board](#), which has approved a total of \$595.9 million in sales tax funding for 10 local governments. From FY 2014 through FY 2024, a total of \$275.1 million has been transferred from the General Fund to the Sales Tax Increment Fund, and \$30.0 million was diverted to local governments in FY 2024.
- **Workforce Training Withholding Diversion** — Approximately \$7.8 million is appropriated each year from the Workforce Development Fund (WDF) for the Apprenticeship Training Program (Iowa Code section [84E.3](#)) and Job Training (Iowa Code section [260F.6](#)). The WDF receives funding from the New Jobs Credit (Iowa Code section [422.16A](#)) per the withholding mechanism established in Iowa Code section [260E.5](#), including a job training project funded under Iowa Code section [260J.1](#) or [260J.2](#). After a business's training obligation has been paid, an amount equal to 25.0% of the total amount of withholdings paid by a business for jobs created under the New Jobs Credit Program is diverted each quarter to the WDF for a period of 10 years. Although there was a \$7.8 million appropriation in FY 2024, only approximately \$3.9 million was transferred from income tax withholding to the WDF as identified in the State Accounting System.
- **Iowa Department of Revenue Tax Gap Program** — The [Tax Gap Program](#) allows the IDR to pay for the costs of closing a tax gap consisting of non-filers of tax returns, non-payers of taxes, and identification and prevention of fraudulent refunds through Program activities and collected revenue. Expenditures from the IDR due to the Program totaled \$35.6 million in FY 2024. However, total Program revenues equaled \$92.3 million in FY 2024, creating a net benefit to the General Fund of \$56.7 million.
- **Iowa Department of Revenue Operations** — Each month, the IDR transfers tax revenue out of the General Fund and deposits the moneys to the Department's operations account. The funds are used in the operations budget to finance collections and streamlined sales tax activities. In FY 2024, approximately \$17.8 million was diverted from the General Fund by the IDR for collection purposes, though the revenue collected by IDR and placed in the General Fund is significantly greater than the total amount of diversions.

Tax Refunds

A refund occurs when the State reimburses a taxpayer for an estimated tax overpayment and/or an applied tax credit, if refundable.

The following tax refunds were available against General Fund revenue in FY 2024:

- **Biodiesel Production Credit** — The [Biodiesel Production Credit](#) is available to qualified producers of biodiesel and is equal to \$0.040 per gallon of pure biodiesel produced in the State. There is a \$1.0 million limit in production credits each year per producer, who is paid a

tax credit by the IDR through a sales tax refund process. The credit is refundable, and \$4.3 million was claimed in FY 2024.

- **Sales Tax Financing Programs** — A number of small State-authorized funds outside of the General Fund have received sales tax refunds that are used for small programs, including: Baseball and Softball Complex Tax Rebate Fund, Central Personal Protective Equipment (PPE) Warehouse and Storage Fund, Raceway Facility Tax Rebate Fund, Office of Chief Information Officer (OCIO) Fund, and Fire Service Training Revolving Fund. In FY 2024, sales tax refunds to these funds totaled approximately \$590,000.
- **Barrel Tax Refund** — A distributor that pays a handling fee for beverage containers that used to contain beer may claim a refund of the barrel tax established in Iowa Code section [123.136](#) paid by the distributor in the amount of one cent for each eligible beverage container accepted. [Barrel Tax](#) refunds are funded by a standing unlimited General Fund appropriation. FY 2024 refunds totaled approximately \$3.0 million.

Iowa Form 130 Reimbursement

The [Iowa Form 130](#) allows Iowa residents to receive a tax credit when Iowa-sourced income is taxed by another State or jurisdiction. Since the revenue associated with the credit has likely been paid to both Iowa and the other jurisdiction, the Iowa Form 130 Reimbursement prevents double-taxation from the taxpayer. Many other States and jurisdictions have similar reimbursements.

The following tax reimbursement was available against General Fund revenue in FY 2024:

- **Out-of-State Tax Credit** — Iowa residents or part-year residents with income tax liability outside of Iowa may reduce their Iowa tax liability by claiming the credit which is outlined in Iowa Code section [422.8](#). The Out-of-State Tax Credit is nonrefundable and \$153.4 million was claimed in FY 2024 according to the IDR, the most recent year data is available.

Iowa Form 4136 Credit

The [Iowa Form 4136](#) allows Iowa residents to receive a fuel tax credit when fuel is used for nontaxable purposes, such as for federal government entities.

The following tax credit was available against General Fund revenue in FY 2024:

- **Fuel Tax Credit** — Income tax credits are available in lieu of a fuel tax refund against income tax liability of an individual or corporation. The income tax credit is equal to the Iowa fuel tax paid on fuel purchased by the person or corporation for nontaxable purposes and is subject to conditions in Iowa Code section [452A.17](#). While the original tax paid is deposited into the Road Use Tax Fund (RUTF), the tax credit is distributed from the General Fund, which is reimbursed by the RUTF. The Fuel Tax Credit is refundable, and according to the IDR, \$2.5 million was claimed in FY 2024, the most recent year for which data is available.

Summary

The numerous tax credit programs, deductions, and reimbursements described in this *Fiscal Research Brief* decrease available General Fund revenue by over a billion dollars annually. In FY 2024, approximately \$1,268.3 million was issued in General Fund tax credits, exemptions, abatements, programs or operations, or refunds. Administration of these programs and tax credits varies from local governments, the Iowa Department of Management (DOM), IDR, IWD, and IEDA.

Legislation enacted in recent years by the General Assembly that decreases tax rates, including a decrease of the individual income tax rate to a flat 3.8% as of TY 2025, and a decrease of the corporate income tax to a marginal high tax rate of 7.1% as of TY 2024, decreases the potential of taxpayers to use nonrefundable income tax credits in any given tax year. Under current law, it can be expected that nonrefundable tax credit claims may decrease or stabilize in the coming years due to lower overall State tax liabilities per taxpayer.

Additional Information

Beyond items linked above (including State tax forms), the following resources and agencies were also used to collect information for this **Fiscal Research Brief**:

- Contacts with the [Iowa Department of Revenue \(IDR\)](#)
- IDR's March 2025 Contingent Liabilities Report: revenue.iowa.gov/media/4196/download?inline
- Iowa Department of Management State budget information: dom.iowa.gov/state-government/state-budget
- Iowa Department of Management Property Tax and Tax Replacement: dom.iowa.gov/local-government/property-tax-tax-replacement
- 2025 Iowa Acts, Senate File 657 (Economic Development Programs and Credits Act), **Fiscal Note**: <https://www.legis.iowa.gov/docs/publications/FN/1527991.pdf>
- Iowa's State Accounting System
- Iowa Economic Development Authority (IEDA) website: opportunityiowa.gov/about/iowa-economic-development-authority
- IA 1040 Income Tax Return 2024 Instructions: revenue.iowa.gov/media/4152/download?inline
- Iowa Legislative Services Agency **Fiscal Topics**: <https://www.legis.iowa.gov/publications/fiscal/fiscalTopics>
- Iowa Legislative Services Agency 2025 Fiscal Report: www.legis.iowa.gov/publications/fiscal/fiscalReport
- Iowa Individual Income Tax Annual Statistical Report 2023: revenue.iowa.gov/media/4258/download?inline
- Iowa FY 2024 Flood Mitigation and Reinvestment Distribution: revenue.iowa.gov/media/3864/download?inline
- IDR Tax Credits Users' Manual: revenue.iowa.gov/media/3380/download?inline

Appendices

Appendix A —General Fund Reductions by Program

Tax Credit and Other Tax Financing Revenue Adjustments

How Received	Contingent Liabilities Report Tax Credits	Sunset Date	Refundable?	FY 2024 Cap	FY 2024 Impact
Withholding	Accelerated Career Education Tax Credit	N/A	No	\$5.4 million	\$ 5,430,249
IA Form 148	Adoption Tax Credit	N/A	Yes	N/A	899,021
IA Form 148	Angel Investor (Qualifying Business) Tax Credit	6/30/2025	Yes	\$2.0 million	1,350,030
IA Form 148	Beginning Farmer Tax Credit	12/31/2017	No	\$12.0 million	4,256,262
IA Form 148	Biodiesel Blended Fuel Tax Credit	1/1/2028	Yes	N/A	14,115,145
IA Form 148	Charitable Conservation Contribution Tax Credit	N/A	No	N/A	433,849
IA 1040	Child and Dependent Care Tax Credit	N/A	Yes	N/A	11,137,339
IA Form 148	Custom Farming Contract Tax Credit	12/31/2017	No	N/A	9,318
IA Form 148	E-15 Plus Gasoline Promotion Tax Credit	12/31/2027	Yes	N/A	2,680,761
IA Form 148	E-85 Gasoline Promotion Tax Credit	12/31/2027	Yes	N/A	1,133,812
IA 1040	Early Childhood Development Tax Credit	N/A	Yes	N/A	1,366,903
IA 1040	Earned Income Tax Credit	N/A	Yes	N/A	64,958,861
IA 1040	Employer Child Care Tax Credit	1/1/2026	No	\$2.0 million	0
IA Form 148	Endow Iowa Tax Credit	N/A	No	\$6.0 million	6,497,605
IA Form 148	Enterprise Zone Program (includes Housing Component)	6/30/2014	No	N/A	308,728
IA Form 148	Ethanol Promotion Tax Credit	1/1/2021	Yes	N/A	45,117
IA Form 148	Farm to Food Donation Tax Credit	N/A	No	N/A	27,808
IA Form 148	Geothermal Heat Pump Tax Credit	12/31/2023	No	\$1.0 million	582,585
IA Form 148	Geothermal Tax Credit	1/1/2019	No	N/A	476
Varies	High Quality Jobs Program	12/31/2025	Yes	\$68.0 million	33,570,512
IA Form 148	Historic Preservation Tax Credit	N/A	Yes	\$50.0 million	48,818,853
IA Form 148	Hoover Presidential Library Tax Credit	1/1/2025	No	\$5.0 million*	148,019
IA Form 148	Innovation Fund Tax Credit	6/30/2028	No	\$8.0 million	1,055,908
Withholding	Iowa Industrial New Job Training Program (260E)	N/A	No	N/A	41,391,051
IA Form 148	Public Safety Officer Moving Expense Tax Credit	N/A	Yes	N/A	0
IA Form 148	Redevelopment Tax Credit	6/30/2031	Yes	\$15.0 million	4,486,085
IA Form 148	Renewable Chemical Production Tax Credit	12/31/2035	Yes	\$5.0 million	2,000,000
IA Form 148	Renewable Energy Tax Credit	12/31/2017	No	N/A	818,226
IA Form 148	Research Activities Tax Credit (includes Supplemental)	1/1/2026	Yes	N/A	63,178,069
IA Form 148	School Tuition Organization Tax Credit	N/A	No	\$20.0 million	14,983,198
IA Form 148	Solar Energy System Tax Credit	12/31/2025	No	\$5.0 million	2,679,766
Withholding	Targeted Jobs Withholding Tax Credit	6/30/2027	No	N/A	306,856
IA 1040	Tuition and Textbook Tax Credit	N/A	No	N/A	25,079,199
IA 1040	Volunteer Firefighter and Emergency Medical Services Personnel and Reserve Peace Officer Tax Credit	N/A	No	N/A	3,200,045
IA Form 148	Wind Energy Production Tax Credit	1/1/2012	No	N/A	139,937
IA Form 148	Workforce Housing Tax Incentive Program	N/A	No	\$35.0 million	9,648,240
Total					\$ 366,737,833

How Received	Iowa 1040 Tax Credits	Sunset Date	Refundable?	FY 2024 Cap	FY 2024
IA 1040	Dependent Credit	N/A	No	N/A	\$ 37,463,640
IA 1040	Elderly and/or Blind Personal Credit	N/A	No	N/A	10,628,320
IA 1040	Personal Credit	N/A	No	N/A	96,643,960
Total					\$ 144,735,920

How Received	Other Tax Adjustments	Sunset Date	Refundable?	FY 2024 Cap	FY 2024
Tax Refunds	Biodiesel Production Credit	1/1/2028	Yes	N/A	\$ 4,302,584
Tax Refunds	Sales Tax Financing Programs	N/A	N/A	N/A	590,180
GF Appropriation/Tax Refund	Barrel Tax Refund	N/A	Yes	N/A	3,021,442
From Revenue Stream	Reinvestment Districts Sales Tax Funding	N/A	N/A	\$200.0 million*	4,108,631
From Revenue Stream	Flood Mitigation Program Transfers	July 1, 2035	N/A	\$30.0 million	29,989,706
From Revenue Stream	Workforce Training Withholding Diversion	N/A	N/A	\$7.8 million	3,875,000
From Revenue Stream	Iowa Department of Revenue Tax Gap Program	N/A	N/A	N/A	35,588,661
From Revenue Stream	Iowa Department of Revenue Operations	N/A	N/A	N/A	17,824,756
Total					\$ 99,300,960

*Overall life of program

Property Tax Credits and Exemptions - General Fund

How Received	Appropriation*	Sunset Date	Refundable?	FY 2024 Cap	FY 2024
GF Appropriation	Commercial and Industrial Property Tax Replacement	7/1/2029	N/A	N/A	\$ 64,871,194
GF Appropriation	Business Property Tax Credit	N/A	N/A	N/A	122,350,000
GF Appropriation	Homestead Property Tax Credit	N/A	N/A	N/A	149,044,155
GF Appropriation	Agricultural Land and Family Farm Property Tax Credit	N/A	N/A	N/A	39,097,596
GF Appropriation	Elderly and Disabled Property Tax Credit and Rent Reimbursement	N/A	N/A	N/A	4,252,292
GF Appropriation	Military Service Tax Exemption Tax Credit	N/A	N/A	N/A	1,482,073
GF Appropriation	Tax Increment Financing (TIF) Backfill (school aid)	N/A	N/A	N/A	11,045,999
GF Appropriation	Military Service Exemption (school aid)	N/A	N/A	N/A	1,482,098
GF Appropriation	Urban Revitalization Abatement Program (school aid)	N/A	N/A	N/A	117,497,712
GF Appropriation	Forest and Fruit Tree Exemption (school aid)	N/A	N/A	N/A	21,310,391
GF Appropriation	Various Industrial Exemptions (school aid)	N/A	N/A	N/A	17,298,345
GF Appropriation	Pollution Control and Recycling Exemption (school aid)	N/A	N/A	N/A	10,234,468
GF Appropriation	New Jobs and Income Program Exemption (school aid)	12/31/2025	N/A	N/A	61,083,340
GF Appropriation	Web/Data Centers Exemptions (school aid)	N/A	N/A	N/A	33,651,129
GF Appropriation	Other Property Tax Exemptions (school aid)	N/A	N/A	N/A	2,821,329
Total					\$ 657,522,122

*School Aid property tax exemptions estimated using statewide consolidated rate

Grand Total — General Fund Reductions (Most Recent Year Available) \$ 1,268,296,834

Other - Double Payments or Reimbursements to

How Received	General Fund	Sunset Date	Refundable?	FY 2024 Cap	FY 2024
IA Form 130	Out-of-State Tax Credit	N/A	No	N/A	\$ 153,400,000
IA Form 4136	Fuel Tax Credit	N/A	Yes	N/A	2,520,000
Total					\$ 155,920,000