
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Innovation Fund Tax Credit

The Innovative Fund Tax Credit allows a 25.0% tax credit for investments in an innovation fund certified by the Iowa Economic Development Authority (IEDA). The certified innovation funds make investments in early-stage companies that have a principal place of business in the State. The credit can be used against corporate income, individual income, franchise, insurance premium, and moneys and credits taxes. The program has an award cap of \$8.0 million per fiscal year and falls under the cumulative tax credit for certain tax credits awarded by the IEDA. This program was preceded by two similar programs that have since been repealed, the Iowa Fund of Funds Tax Credit Program and the Venture Capital Fund Tax Credit.

Tax Credit Background

- Enabling Legislation: 2011 Iowa Acts, chapter [130](#) (Appropriations — Economic Development Act)
- Iowa Code Citations:
 - Section [15.119](#) — Awards Limitation
 - Section [15E.52](#) — Program Description
 - Section [422.11Z](#) — Individual Income Tax
 - Section [422.33](#)(13) — Corporation Income Tax
 - Section [422.60](#)(11) — Franchise Tax
 - Section [432.12M](#) — Insurance Premium Tax
 - Section [533.329](#)(2)(j) — Moneys and Credits Tax
- Administrative State Agencies: Iowa Economic Development Authority and Iowa Department of Revenue
- Sunset Date: No new funds can be certified after June 30, 2023. However, investment in existing funds can be made and tax credit certificates issued after that date.
- Transferable: Yes
- Refundable: No
- Carryforward: Credits in excess of tax liability may be carried forward for up to five years.
- Tax Review Committee Review Year: 2022

Legislative History

The Innovation Fund Tax Credit went into effect on January 1, 2011 with an initial tax credit rate of 20.0%, and taxpayers were required to wait three years after receiving an award for a qualifying investment to

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/reports?term_node_tid_depth=79

Department of Revenue Tax Credit Review: tax.iowa.gov/sites/default/files/2019-08/Innovation%20Fund%20Tax%20Credit%20Evaluation%20Study.pdf

Department of Revenue Tax Credit Users' Manual: tax.iowa.gov/sites/default/files/2020-11/TaxCreditsUsersManual2020.pdf

Legislative Services Agency Individual Income Tax Guide:
www.legis.iowa.gov/docs/publications/LG/711304.pdf

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claim the tax credit. During the 2013 Legislative Session, the tax credit rate was increased to 25.0%, the tax credit was permitted to be claimed in the year in which the investment was made, and the tax credit was made transferable. During the 2018 Legislative Session, the deadline to certify new funds was extended from June 30, 2018, to June 30, 2023.

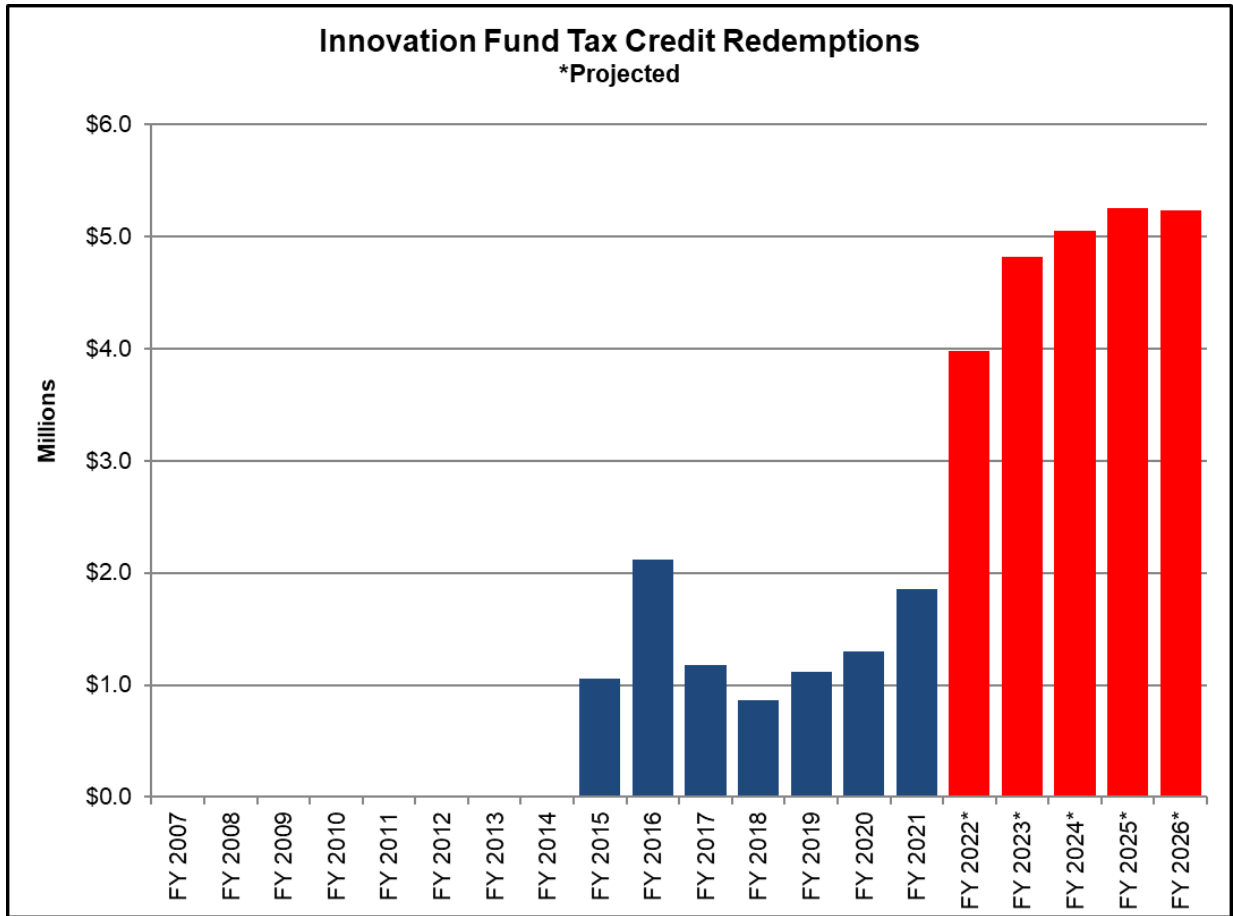
Tax Credit Review, Usage, and Future Liability

The following is based on a Department of Revenue (IDR) review of the Innovation Fund Tax Credit released December 2017:

- As of FY 2017, the Iowa Innovation Fund Tax Credit has incented investment in seven companies.
- The companies receiving investment were primarily involved in information technology and were located in central Iowa.
- The majority of companies receiving investment had been in existence for five years or less.

The IDR reports on the annual credit usage for the Innovation Fund Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 9 of the report, the following table and graph provide credit redemption history and projections for the program on a fiscal year basis. The blue bars of the graph indicate the actual credit redemptions, while the red bars are the IDR projections of future redemptions.

Innovation Fund Tax Credit History			
* Projected			
<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>	<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>
FY 2007	\$ 0	FY 2017	\$ 1,173,973
FY 2008	0	FY 2018	861,527
FY 2009	0	FY 2019	1,120,645
FY 2010	0	FY 2020	1,297,796
FY 2011	0	FY 2021	1,852,989
FY 2012	0	FY 2022*	3,977,799
FY 2013	0	FY 2023*	4,816,461
FY 2014	0	FY 2024*	5,055,536
FY 2015	1,054,904	FY 2025*	5,256,035
FY 2016	2,119,660	FY 2026*	5,231,364



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