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## FISCAL TOPICS

Fiscal Services Division

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## Tax Credit: Accelerated Career Education Program

The Accelerated Career Education (ACE) Program allows participating companies to divert a portion of the company's current Iowa individual income withholding tax to Iowa's community colleges for establishment or expansion of programs that train individuals in the occupations most needed by Iowa businesses. As part of the agreement with the community college, the employer agrees to interview graduating participants for full-time positions with the employer and to provide future hiring preferences to graduates of the ACE Program provided for in the agreement.

The amount of withholding tax diverted is based on the number of seats the company sponsors in a training program, up to an annual capped award amount. Businesses participating in the Program divert taxes up to 10.0% of the hiring wage that a sponsoring business would pay to an individual who completes the Program's requirements. The hiring wage must be a minimum wage level of no less than 200.0% of the federal poverty level for a family of two. The business must also provide cash or in-kind contributions equal to at least 20.0% of the Program costs. To be eligible for the Program, a business must be engaged in interstate or intrastate commerce for the purpose of manufacturing, processing, or assembling products; construction; conducting research and development; or providing services in interstate or intrastate commerce.

### Tax Credit Background

- Enabling Legislation: 1999 Iowa Acts, chapter [179](#) (Accelerated Career Education Program Act)
- Iowa Code Citations:
  - Chapter [260G](#) — Program Description
  - Section [422.16](#) — Withholding Tax
- Administrative State Agencies: Iowa Department of Revenue (IDR) and Iowa Workforce Development
- Sunset Date: None
- Transferable: No
- Refundable: No
- Carryforward: No
- Tax Review Committee Review Year: None scheduled

### Legislative History

The ACE Program became effective on July 1, 2000, and had an initial award cap of \$3.0 million. The cap was increased to \$4.0 million in FY 2004 and increased to \$6.0 million in FY 2005. The cap was lowered to \$5.4 million in FY 2011.

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### More Information

Department of Revenue Contingent Liabilities Report: [revenue.iowa.gov/media/4301/download?inline](https://revenue.iowa.gov/media/4301/download?inline)

Department of Revenue Tax Credit Users' Manual: [revenue.iowa.gov/media/3380/download?inline](https://revenue.iowa.gov/media/3380/download?inline)

Legislative Services Agency Individual Income Tax Guide:

[legis.iowa.gov/docs/publications/LG/711304.pdf](https://legis.iowa.gov/docs/publications/LG/711304.pdf)

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**Tax Credit Review, Usage, and Future Liability**

The IDR reports on the annual credit usage for the ACE Program in its periodic [Contingent Liabilities Report](#). Based on Table 8 of the report, the following figures provide credit redemption history and projections for the Program on a fiscal year basis. The blue bars of **Figure 2** indicate the actual credit redemptions, while the red bars are the IDR projections of future redemptions.

**Figure 1 — Accelerated Career Education Program Tax Credit History**  
\*Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2011	\$ 3,480,838	FY 2021	\$ 4,017,638
FY 2012	4,253,150	FY 2022	4,498,792
FY 2013	3,947,564	FY 2023	4,370,427
FY 2014	3,762,781	FY 2024	5,430,249
FY 2015	4,134,286	FY 2025	3,786,542
FY 2016	4,357,315	FY 2026*	4,218,546
FY 2017	4,246,321	FY 2027*	4,218,546
FY 2018	4,253,415	FY 2028*	4,218,546
FY 2019	4,069,332	FY 2029*	4,218,546
FY 2020	4,513,175	FY 2030*	4,218,546

**Figure 2 — Accelerated Career Education Program Tax Credit Redemptions**  
\*Projected (in Millions)

