Legislative Services Agency
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Fiscal Services Division

Fiscal Topic

Tax Credit: Angel Investor Tax Credit

November 4, 2026

Purpose and History

The Angel Investor Tax Credit, also known as the Investments in Qualifying Businesses Tax Credit, is equal to 25.0% of the equity investment made into a qualifying business approved by the Iowa Economic Development Authority (IEDA). The tax credit may be claimed against various tax types, including individual income tax, corporate income tax, franchise tax, insurance premium tax, and moneys and credits tax. Investors must apply to the IEDA within 120 days of the initial investment.

The total amount of Angel Investor Tax Credits is capped at $2.0 million per fiscal year. The maximum amount of tax credits for an investor is $100,000 per year, including awards to the investor's spouse or dependents. The maximum amount of tax credits awarded for investments in a qualifying business in a year is limited to $500,000. To be eligible to receive tax credits, investors must make investments in the form of cash for equity and must have less than a 70.0% ownership in the qualifying business. To be certified as a qualifying business whose investors are eligible to receive a tax credit, businesses must satisfy the following criteria at the time an investment is made:

- The business's principal operations must be located in Iowa.
- The business must have been in operation for six years or less.
- The business must participate in an entrepreneurial assistance program or have other applicable experience.
- The business cannot be primarily engaged in retail sales, real estate, health care, or other services requiring a professional license.
- The business's net worth must be no more than $10.0 million.
- The business must have secured at least two investors and total equity financing or binding investment commitments of at least $500,000.

Tax Credit Background

- Enabling Legislation: 2002 Iowa Acts, chapter 1006 (Investment Tax Credits — Qualifying Businesses — Community-Based Seed Capital Funds Act)
- Iowa Code Citations:
  - Section 15.119 — Awards Limitation (repealed)
  - Sections 15E.41, 15E.42, 15E.43, 15E.44, 15E.45, 15E.46 — Program Description (repealed)
  - Section 422.11F(1) — Individual Income Tax (repealed)
  - Section 422.33(12) — Corporate Income Tax (repealed)
  - Section 422.60(5)(a) — Franchise Tax (repealed)
  - Section 432.12C(1) — Insurance Premium Tax (repealed)
  - Section 533.329(2)(f) — Moneys and Credits Tax (repealed)

- Administrative State Agencies: Iowa Capital Investment Corporation, IEDA, Iowa Department of Revenue (IDR)
- Sunset Date: None
- Transferable: No
- Refundable: Credits against corporation income, franchise, insurance premium, and moneys and credits taxes are nonrefundable. Credits in excess of tax liability may be carried forward for up to three years. Tax credit claims against individual income tax are refundable.
- Tax Review Committee Review Year: None

Legislative History

The Angel Investor Tax Credit became effective January 1, 2002, and was also available to investments in community-based seed capital funds. Effective January 1, 2011, the program was capped at an award level of $2.0 million per fiscal year, and the administration of the credit was moved to the IEDA. During the 2014 Legislative Session, tax credits issued for an equity investment in a qualifying business no longer had a three-year wait before the claim; however, awards for a qualifying equity investment made on or after January 1, 2014, could not be claimed prior to January 1, 2016.

During the 2015 Legislative Session, community-based seed capital funds were eliminated as eligible investments under the program, and the award rate for investments made on or after July 2, 2015, increased from 20.0% to 25.0%. The credit was made refundable against individual income tax, and the carryforward period for nonrefundable credits was reduced to three years. A $100,000 annual award cap was introduced for each taxpayer, and a $500,000 annual award cap was introduced for investments made in each qualifying business.

Two other venture capital incentive tax credits have been discontinued: the Venture Capital Tax Credit — Iowa Fund of Funds and the Venture Capital Tax Credit — Venture Capital Funds.

The Angel Investor Tax Credit was repealed effective July 1, 2025. A credit issued on or before June 30, 2026, remains valid according to the terms of any contractual agreement between the business and the IEDA.

Tax Credit Review, Usage, and Future Liability

The IDR reports on the annual credit usage for the Angel Investor Tax Credit in its periodic Contingent Liabilities Report. Based on Table 8 of the report, the following figures provide credit redemption history and projections for the credit 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.

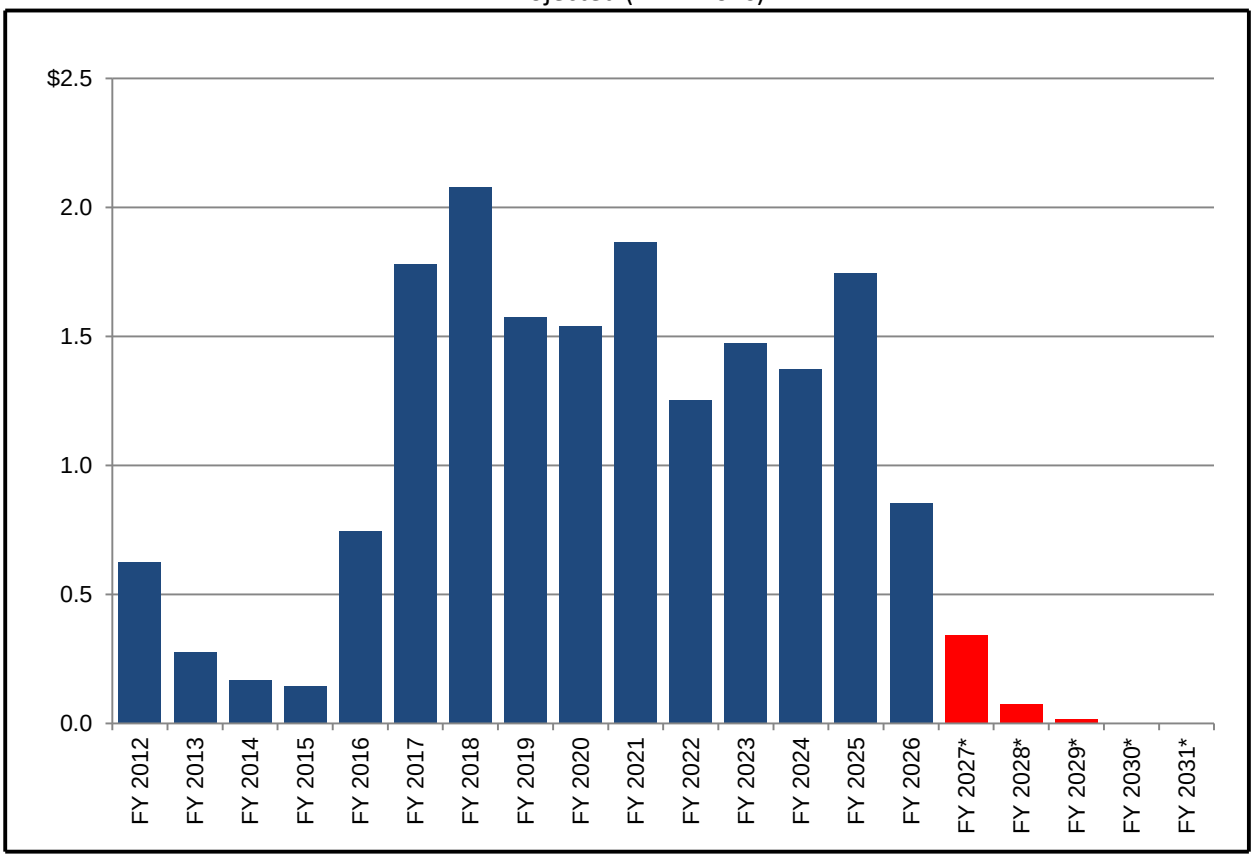
Figure 1 — Angel Investor Tax Credit History

*Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2012	$ 625,122	FY 2022	$ 1,251,922
FY 2013	275,302	FY 2023	1,471,843
FY 2014	166,435	FY 2024	1,371,417
FY 2015	144,577	FY 2025	1,744,442
FY 2016	746,523	FY 2026	851,560
FY 2017	1,779,091	FY 2027*	344,234
FY 2018	2,077,398	FY 2028*	74,028
FY 2019	1,574,956	FY 2029*	14,883
FY 2020	1,538,792	FY 2030*	796
FY 2021	1,863,929	FY 2031*	0

Figure 2 — Angel Investor Tax Credit Redemptions

*Projected (in Millions)



Additional Information

For additional information, visit:

- Iowa Department of Revenue Contingent Liabilities Report
- Iowa Department of Revenue Tax Credit Review
- Iowa Department of Revenue Tax Credit Users' Manual
- Legislative Services Agency Individual Income Tax Guide

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