Legislative Services Agency
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Fiscal Services Division

Fiscal Topic

Tax Credit: Innovation Fund Tax Credit

November 10, 2026

Purpose

The Innovation 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 tax, individual income tax, franchise tax, insurance premium tax, and moneys and credits tax. The credit has a joint award cap of $10.0 million with the Seed Investor Tax Credit and is included under the $110.0 million cumulative tax credit cap for IEDA business development tax credits. The IEDA Board determines the allocation of the $10.0 million cap between the Innovation Fund Tax Credit and the Seed Investor Tax Credit each year.

The Innovation Fund Tax Credit was preceded by two similar programs that have since been repealed, the Iowa Fund of Funds Tax Credit Program and the Venture Capital Fund Tax Credit.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 (FY 2012 Economic Development Appropriations 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)(h) — Moneys and Credits Tax
- Administrative State Agencies: IEDA and Iowa Department of Revenue (IDR)
- Sunset Date: No new funds can be certified after June 30, 2028. However, investment in existing funds can be made and tax credit certificates can be 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: None

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 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. During the 2023 Legislative Session, the wait list was eliminated and the deadline to certify new funds was extended from June 30, 2023, to June 30, 2028.

Effective July 1, 2025, the $8.0 million award cap was modified to a $10.0 million joint award cap with the Seed Investor Tax Credit. The cumulative tax credit limit for IEDA business development tax credits was decreased from $170.0 million to $110.0 million. The minimum binding investments and commitments for innovation funds to be certified was decreased from $15.0 million to $3.0 million.

Tax Credit Review, Usage, and Future Liability

The following is based on an IDR review of the Innovation Fund Tax Credit released in December 2022:

- As of FY 2022, there have been 1,130 Innovation Fund Tax Credit awards totaling $20.5 million.
- Two hundred fifty-one Innovation Fund Tax Credit awards have been transferred, representing 19.6% of credits awarded.
- The Innovation Fund Tax Credit has incented investment in 56 companies.

The IDR reports on the annual credit usage for the Innovation Fund 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 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.

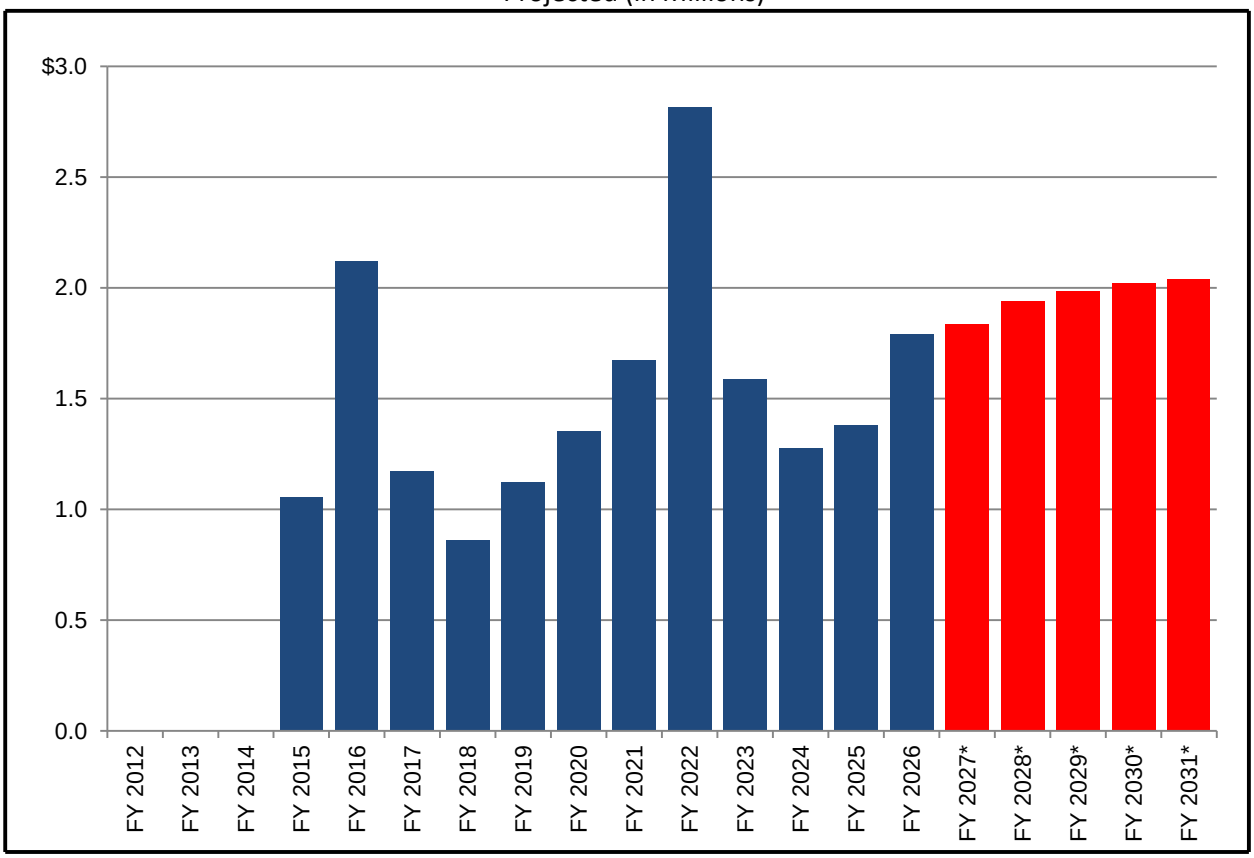
Figure 1 — Innovation Fund Tax Credit History

*Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2012	$ 0	FY 2022	$ 2,812,035
FY 2013	0	FY 2023	1,588,447
FY 2014	0	FY 2024	1,273,743
FY 2015	1,054,904	FY 2025	1,379,214
FY 2016	2,119,660	FY 2026	1,790,243
FY 2017	1,173,973	FY 2027*	1,835,520
FY 2018	861,527	FY 2028*	1,941,159
FY 2019	1,120,645	FY 2029*	1,985,504
FY 2020	1,351,977	FY 2030*	2,019,782
FY 2021	1,672,471	FY 2031*	2,035,856

Figure 2 — Innovation Fund 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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