
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Endow Iowa Tax Credit

The Endow Iowa Tax Credit is available for taxpayers who give a qualifying gift to a qualified foundation or community affiliate organization. The credit is equal to 25.0% of the qualifying gift. The total amount of tax credits available in a year for a single taxpayer is \$300,000, and for all taxpayers combined is limited to \$6.0 million per year. Credits are awarded through the [Iowa Economic Development Authority](#) on a first-come, first-served basis. Oversight is a function of Department of Revenue tax return auditing. The tax credit is not refundable or transferable, but unused credits may be carried forward for up to five years. The goal of the Endow Iowa Tax Credit is to encourage Iowans to donate to qualified endowment funds, which reduces the transfer of wealth outside of Iowa.

Tax Credit Background

- Enabling Legislation: 2003 Iowa Acts, First Extraordinary Session, ch. [2](#) (Miscellaneous Appropriations and Revisions Act)
- Iowa Code Citations:
 - Iowa Code section [15E.305](#) (Program Description)
 - Iowa Code section [422.11H](#) (Individual Income Tax)
 - Iowa Code section [422.33](#)(14) (Corporate Income Tax)
 - Iowa Code section [422.60](#)(7) (Franchise Tax)
 - Iowa Code section [432.12D](#) (Insurance Premium Tax)
 - Iowa Code section [533.329](#)(I) (Moneys and Credits Tax)
- Administrative State Agency: Iowa Economic Development Authority
- Sunset Date: None
- Transferable: No
- Refundable: No
- Carryforward: Unused tax credits may be carried forward for up to five years.
- Legislative Tax Expenditure Committee Review Years: 2013

Legislative History

As originally enacted in 2003, the Endow Iowa Tax Credit was limited to \$2.0 million in the aggregate between tax years 2003 and 2004, and the maximum credit was equal to 20.0% of the gift. In 2005, the program was authorized to issue \$2.0 million annually. In 2008, the cap was increased to \$2.0 million plus a percentage of gaming revenues. In 2010, the cap was increased to \$2.7 million plus the percentage of gaming revenues. That year the credit was also increased to 25.0% of the qualifying gift, in addition to removing the ability of the taxpayer to also list the donation as an itemized deduction. In 2011, the cap was increased to \$3.5 million plus the gaming revenues allocation. Beginning in 2012, the cap for the tax credit was increased to \$6.0 million, and the tie to gaming revenues was removed.

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/report/Contingent-Liabilities

Legislative Services Agency Individual Income Tax

Guide: www.legis.iowa.gov/docs/publications/LG/711304.pdf

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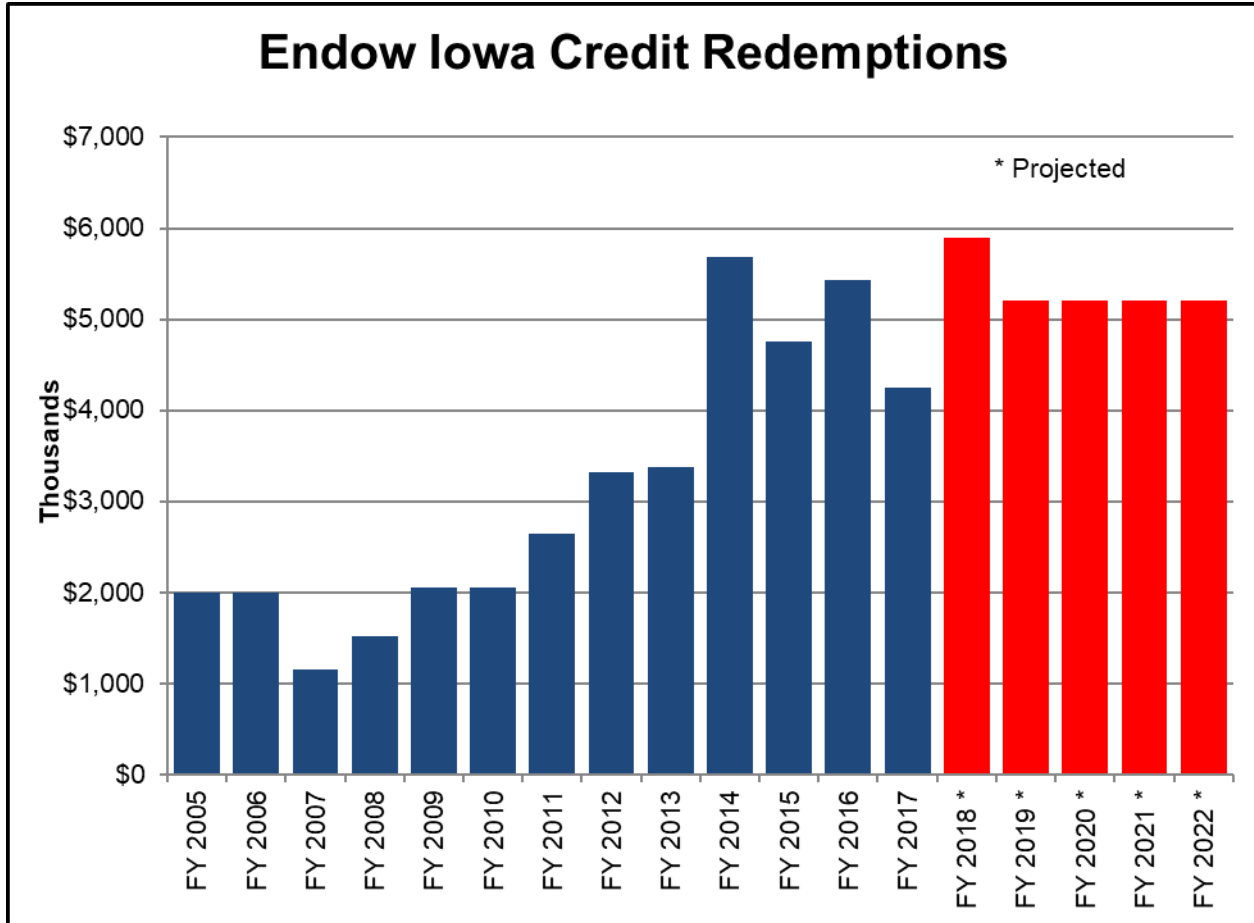
Tax Credit Review, Usage, and Future Liability

The following is based on a Department of Revenue [evaluation study](#) of the Endow Iowa Tax Credit released in December 2013.

- For tax years 2003 through 2012, a total of 14,052 awards were issued, totaling \$26.5 million. The total qualifying donations at this time were \$118.6 million. The average award was \$1,884 and the average donation was \$11,280.
- Between 2006 and 2011, households with Adjusted Gross Incomes (AGI) over \$100,000 made up 61.1% of all awards and 90.6% of all donations. However, households with lower AGI gave a larger percentage of their income to the endowment gift. In 2012, donations under \$30,000 represented 27.2% of all gifts.
- Of the total amount of claims, 2.4% were made by corporate income tax, insurance premium tax, and franchise tax filers.
- On average, 64.9% of awarded tax credits are used to offset tax liability in the first year of issuance. When the report was published, 11.0% of 2006 awards and 18.0% of 2007 awards had expired without being claimed.

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

Endow Iowa Credit History			
* Projected			
Year	Tax Credit Redemptions	Year	Tax Credit Redemptions
FY 2005	\$ 2,000,000	FY 2014	\$ 5,685,974
FY 2006	2,000,000	FY 2015	4,756,854
FY 2007	1,152,017	FY 2016	5,426,914
FY 2008	1,520,196	FY 2017	4,245,302
FY 2009	2,047,805	FY 2018 *	5,895,634
FY 2010	2,054,364	FY 2019 *	5,211,122
FY 2011	2,638,497	FY 2020 *	5,211,757
FY 2012	3,319,270	FY 2021 *	5,211,757
FY 2013	3,374,737	FY 2022 *	5,211,757



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