



Iowa Department of
REVENUE

Contingent Liabilities Report and the Budget

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History

- The first Contingent Liabilities Report was published in April 2007
 - There were 19 awarded credits
 - There were 33 forecasted credits
 - Had only Contingent Liabilities Projection
- The most recent Contingent Liabilities Report was published in October 2019
 - There were 19 awarded credits (6 expired & 6 new credits)
 - There were 37 forecasted credits (9 expired & 13 new credits)
 - Included Expected Claims Projection

Table 8: Contingent Liabilities Projection

Maximum State tax credit liability each fiscal year assuming fully awarded caps and 100% claims

- Capped Programs – Tax credits with legislated limit of the amount of awards that can be issued in a year
- Currently there are 20 capped tax credit programs forecasted
 - 5 of these tax credits will not have any additional awards allocated as they have expired
 - Claims continue to be forecasted for carried forward credits, it is assumed that 100% of awards will be claimed before expiration
 - For the remaining 15 tax credits it is assumed that the full amount of the award cap will be awarded each year
 - It is assumed that 100% of awards will be claimed before expiration

Table 8: Contingent Liabilities Projection

- Uncapped Programs – Tax credits that are automatic or do not have a legislative limit on the amount of awards that can be issued
- Currently there are 20 uncapped tax credit programs forecasted
 - 2 of these tax credits have expired are not expected to have any future claims
 - 1 tax credit has expired, however claims continue to be forecasted for carried forward credits
 - For the remaining 17 tax credits it is assumed that claims will continue to grow based on historical growth rates or as predicted by the IDR individual income tax micro model

Table 9: Expected Claims Projection

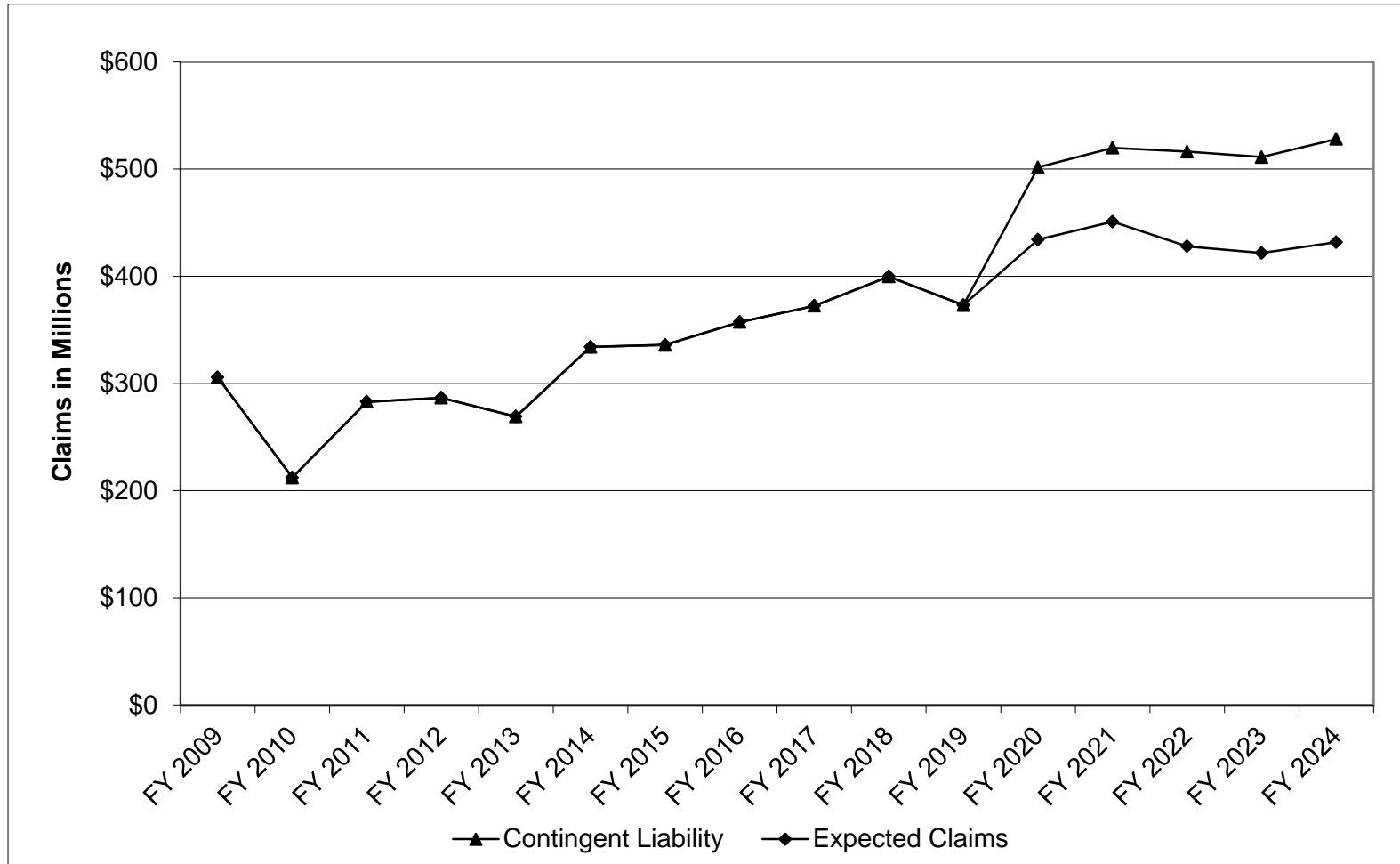
Expected tax credit liability each fiscal year based on historical awards and observed claim utilization

- Capped Programs – Tax credits with legislated limit on the amount of awards that can be issued
- Currently there are 20 tax credit programs forecasted
 - 5 of these tax credits will not have any additional awards allocated as they have expired
 - Claims continue to be forecasted for carried forward credits, historical claim rates are used to assume the percentage of awards that will be claimed before they expire
 - For the remaining 15 tax credits the expected amount of awards is based on historical award amounts (may be less than 100% of cap)
 - Historical claim rates are used to assume the percentage of awards that will be claimed before they expire

Table 9: Expected Claims Projection

- Uncapped Programs – Tax credits that are automatic or do not have a legislative limit on the amount of awards that can be issued
- Currently there are 20 tax credit programs forecasted
 - With the exception of two tax credit programs, the estimated expected claims are the same as the contingent liabilities claims for these programs
 - The other two tax credits are reduced from contingent liabilities claims based on historical claim rates

Difference Between Contingent Liabilities and Expected Claims



What is Provided to the Revenue Estimating Conference Members?

- Members of the REC receive the Contingent Liabilities Report prior to meeting
- In addition to the information provided in the Contingent Liabilities Report, the estimated claim forecasts are provided to members split by tax type

Questions?



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