



Iowa Department of  
**REVENUE**

# Iowa Income Tax Credits Mechanics

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# Outline

- Iowa offers 31 tax credits to claim against income tax returns
  - Five tax credits where program has expired but claims have been made during last three years
  - Also four withholding tax credits claimed by businesses
- Income Tax Credit Concepts
  - Awarded vs. Automatic vs. Administrative
  - Nonrefundable vs. Refundable
  - Transferability
  - Unclaimed credits

# Awarded vs Automatic vs Administrative

- Awarded Credits = 18
  - Automatic Credits = 13
  - Administrative Credits = 5
- Awarded credits require the taxpayer to apply with an agency before doing work and making a claim
  - Code often caps awards on a fiscal year or calendar year basis
  - Automatic credits can be claimed on the return by any eligible taxpayer, completing a form that describes eligibility and calculates the tax credit
  - Administrative credits avoid double taxation

Iowa  
Department of Revenue Iowa Tax Credit Certificate  
*School Tuition Organization Tax Credit*

Certificate Number: \_\_\_\_\_

<p><b>Taxpayer Name</b> _____</p> <p>Address _____</p> <p>City _____ State _____ Zip Code _____</p> <p>Taxpayer Identification No. _____</p> <p><b>For the School Tuition Organization</b></p> <p>Name _____</p> <p>Title _____</p> <p>Signature _____</p> <p>Date _____</p>	<p>Amount of Tax Credit \$ _____</p> <p>Tax Type of Taxpayer _____</p> <p>Can Be Claimed In Tax Years Beginning On or After _____</p> <p>Date Issued _____</p> <p>Name of School Tuition Organization (STO) _____</p> <p>Contribution Year _____</p> <p>Amount of Contribution _____</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>This certificate is being issued by a school tuition organization. The school tuition organization named above did not provide any goods or services in full or partial consideration for the contribution shown above.</p> </div>
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**Tax Credit Certificate Claim Instructions**

This tax credit certificate must be included with the tax return on which the first claim is made for this School Tuition Organization Tax Credit. Complete the IA 148 Tax Credits Schedule Part I using the tax credit code 12, this certificate number, and the amount of the tax credit. Any credit in excess of the tax liability may be carried forward to apply against this tax liability for the next 5 years or until used, whichever is earlier. If the recipient of the tax credit is an S corporation, limited liability company, partnership, estate or trust, it is your responsibility to ensure that the shareholders, members, partners and beneficiaries have instructions to properly claim the credits.

An individual taxpayer who claims this credit may not claim an itemized deduction for charitable contributions for Iowa individual income tax for the amount of the contribution made to the school tuition organization. A corporate taxpayer who claims this credit cannot claim a deduction for charitable contributions for Iowa corporation income tax for the amount of the contribution made to the school tuition organization.

# Refundable vs Nonrefundable

- Nonrefundable credits can only be used to take Iowa tax liability of the claimant to \$0
- Refundable credits that exceed Iowa tax liability will result in the Department sending a check to the taxpayer
- FY 2019 - \$211 million in refundable income tax claims and \$118 million in nonrefundable income tax claims

Iowa Department of **REVENUE** 2016 IA 148  
Iowa Tax Credits Schedule  
<https://tax.iowa.gov>

Name(s) \_\_\_\_\_ SSN or FEIN \_\_\_\_\_

**Part I - Nonrefundable Tax Credits**

A	B	C	D	E	F	G	H
Tax Credit Code	Certificate Number (if applicable)	Amount Carried Forward from Prior Year	Current Year Amount (earned or received from pass-through entity)	Total Available (C+D+E)	Current Year Amount Applied (may not exceed total tax liability)	Expired Amount	Amount Carried Forward to Future Years (E-F-G+H)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							

**Part I Total** - Sum column F and enter on line 52 of IA 1040, line 10 of IA 1040C, or line 2 of schedule C1 of IA 1120.....

# Transferable Tax Credit – Option to sell tax credit to another taxpayer

- Surrender original certificate to Revenue
- Revenue has 30 days to issue replacement certificate to transferee
- Transferee can claim the full tax credit amount on their tax return
- Amounts received from sale of credit not income for Iowa tax purposes
- Amount paid for purchasing tax credit not deductible for Iowa tax purposes



# Transferable Tax Credit – Option to sell tax credit to another taxpayer



- 6 Awarded Tax Credits are Transferable (1 expired)
- ✓ Historic Preservation (refundable)
- ✓ Housing Enterprise Zone (limited transferability on expired program)
- ✓ Innovation Fund
- ✓ Redevelopment (refundable and nontransferable to nonprofits)
- ✓ Renewable Energy
- ✓ Wind Production Energy
- ✓ Workforce Housing
- On average, sold for \$0.90-\$0.95 per dollar

# Unclaimed Credits

- Tax credits can go unclaimed because they expire before the taxpayer has enough tax liability to use the full amount
  - ✓ 0.6% of STO claims expire
- Tax credits go unclaimed because some taxpayers forget to file them
  - ✓ 6.5% of Endow claims from 2014 never claimed (14.5% of awards waitlisted)
  - ✓ 24% of High Quality Job ITC claims expire – 12 year claim period

# Questions?



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