



Iowa Department of
REVENUE

Iowa Income Tax Credits Evaluations

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Breadth of Evaluations

- Iowa completed 37 income tax credit evaluations since 2007
 - Including one time through the 5-year review schedule established in Iowa Code 2.48 (starting in 2011)
 - Total of 28 income tax credits studied
 - Also reviews of other tax expenditures (Property Tax TIF, property tax credits, and Sales Tax TIF) presented to the Tax Expenditure Committee

National Positive Feedback

- Pew Charitable Trusts often points to Iowa's evaluation process as a leader among the states
 - Established for a decade
 - Regular schedule for reviews
 - Provide a wealth of information on the tax credit program
 - Advisory panels helpful

Advisory Panel

- For nearly all studies, create an Advisory Panel to help the author complete a thorough and non-biased review
 - Tax credit program administrators
 - Statewide stakeholders
 - Academics
- Meets three times during the process
 - Discuss research questions
 - Review status of analysis and provide guidance
 - Review final study

Standard Evaluation Study Review

- Description of the Iowa Tax Credit Program
 - Ideally including the goal of the tax credit
- Comparison to similar programs across States and the federal government
- Data analysis on claims and awards (if applicable)
- Statistics on tax credit claimants
- Economic analysis of the impact of the tax credit when possible

Audit vs Evaluation

- Audit decisions within Compliance Bureau while evaluations completed within Tax Research and Program Analysis Bureau
- Each claim separately reviewed upon receipt to identify certificate number is missing or claim amount is incorrect so taxpayer can be billed and claim corrected
- Systematic review of claims improves accuracy of the information discussed in the evaluation's data analysis section

Oversubscribed Tax Credits

- Awarded credits facing excess demand
 - ✓ Angel Investor Tax Credit fully awarded and waitlisted since made refundable
 - ✓ Redevelopment Tax Credit scoring among projects and fully awarded each year – transferable or refundable
 - ✓ Endow Iowa Tax Credit fully awarded – nonrefundable but with high demand

Undersubscribed Tax Credits

- Awarded credits facing low demand
 - ✓ Farm to Food Donation Tax Credit – only 47 claimants in 5 years for \$75,000 (37% of donors)
 - ✓ High Quality Jobs Program – Economic activity in the State drives demand for State incentives (\$50 M out of \$105 M awarded in average last five years)
 - ✓ Innovation Fund Tax Credit – nonrefundable and transferable, supply of investment is too low
 - ✓ Renewable Chemical Production Tax Credit – only two successful applicants in first two years

Tax Credit Economic Analysis

- Different credit evaluations explored different analysis
 - ✓ Redevelopment Tax Credit – when investment made in brownfield/grayfield property, found property values of nearby properties increased
 - ✓ School Tuition Organization Tax Credit – “cost” of the tax credit claims less than lower public school funding assuming 30% of children receiving scholarships moved to private schools as a result

Not all questions can be answered

- Data is not available to answer all key questions about impacts of Iowa tax credits
 - ✓ Retailer's biofuel tax credits – without price data and sales data across states to compare to Iowa, not able to determine how much of the tax credits are passed through to consumers, increasing demand

Questions?



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