



## 2020 Tax Credits Review

December 3, 2021  
Karen Tigges  
Fiscal and Policy Analyst

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### Outline

- Fuel Tax Credit
- Claim of Right Tax Credit
- S Corporation Apportionment Tax Credit
- Alternative Minimum Tax Credit
- Assistive Device Tax Credit

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## Fuel Tax Credit

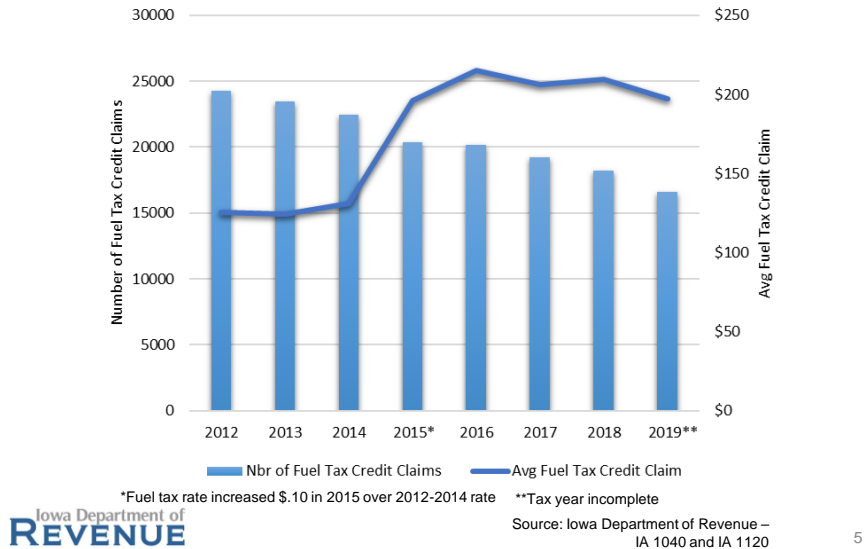
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Karen Tigges  
Fiscal and Policy Analyst

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## Fuel Tax Credit Overview

- Effective for tax years beginning January 1, 1975
- Intended for taxpayers who do not have a motor fuel refund permit
- May claim income tax credit equal to amount of Iowa fuel tax paid for off-road use
- Refundable and nontransferable
- Can be claimed against corporation and individual income taxes

## Individual and Corporate Fuel Tax Credit Number of Claims and Average Claim by Tax Year



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## Fuel Tax Credit Conclusion

- Motor fuel tax credit claim averages 2015-2019\*
  - Number of credit claimants: 19,000 per year
  - Total claims: \$3.9 million per year
  - Average claim: \$200 per claimant
  - 88% of credit claims due to farming

\*Fuel tax rate increased \$.10 in 2015 over 2012-2014 rate

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## Claim of Right Tax Credit

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Karen Tigges  
Fiscal and Policy Analyst

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## Iowa Claim of Right Tax Credit

- Administrative credit available since 1996 tax year
- Eligible if required to repay income in the current tax year that was reported and taxed on a prior Iowa tax return (no minimum threshold)
- Refundable and Nontransferable
- Can only be claimed against individual income tax
- Alternatively, taxpayer can deduct the repaid income from Iowa AGI (no minimum threshold)

## Claim of Right Conclusion

- 2013-2019 Claim of Right Tax Credits and income tax deductions:
  - Repaid income: \$1.1 million per year
  - Average number tax credit claims: 48 per year
  - Average tax credit claim: \$1,200 per claimant
  - Number of taxpayers claiming COR credit or income reduction: 109 per year (48 credit; 61 income)
  - Negative tax impact to General Fund: under \$100,000 per year

## S Corporation Apportionment Tax Credit

Tax Expenditure Committee  
December 3, 2021

Karen Tigges  
Fiscal and Policy Analyst

## S Corporation Apportionment Tax Credit Overview

- Eligible taxpayer:
  - Iowa resident shareholder of an S Corporation that conducts business within and without Iowa
- S Corp Tax Credit:
  - Share of individual income tax bill attributed to S corp income earned outside of Iowa
- Alternative to Out-of-State Tax Credit:
  - Out-of-State Tax Credit may only be claimed if the pass-through income was subject to tax by another state
  - Taxpayers cannot claim Out-of-State Tax Credit on any income from the S corp if S Corp Tax Credit is claimed

## S Corp Tax Credit Conclusion

- S Corp Apportionment Tax Credit  
Averages 2012-2019
  - 2,800 claims per year
  - \$51 million per year
  - \$18,217 per claim
  - Nearly 99 percent of available tax credits claimed

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## Iowa Alternative Minimum Tax Credit

December 3, 2021  
Karen Tigges, Fiscal and Policy Analyst

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## Iowa Alternative Minimum Tax (Iowa AMT) Credit Overview

- Purpose: to allow taxpayers to recoup extra tax paid in prior years due to AMT requirements
- Eligible taxpayers
  - Must have paid AMT in a prior year and
  - Not subject to AMT in the current year
- Credit is allowed up to the amount that regular tax exceeds the minimum tax\*
- Unused credit can carry forward to succeeding tax year(s)\*\*

\*Credit allowed up to regular tax obligation in final year of AMT

\*\*AMT tax credit ends in tax year of AMT repeal

## Corporate AMT Comparison

- **Federal:**
  - AMT – Repealed in tax year 2018
  - AMT Credit –
    - Tax credits allowed in tax years 2017-2022 at 50 percent
    - Fully refundable in 2022
- **Iowa:**
  - AMT - Repealed January 1, 2021
  - AMT Credit available up to difference of regular tax and AMT for tax years 1987-2020
  - Credit allowed up to regular tax obligation for tax year 2021; repealed for tax years thereafter

— Sources: Iowa Code, taxfoundation.org, and bowlesrice.com

## Individual AMT Comparison

- **Federal:** (AMT not repealed; credits do not expire)
  - Exemption amounts increased 2018 - 2025
  - AMT applies to fewer taxpayers due to higher income thresholds
- **Iowa:**
  - AMT repeal scheduled for January 1, 2023
  - AMT Credit available up to difference of regular tax and AMT for tax years 1987-2022
  - Credit allowed up to regular tax obligation for tax year 2023; repealed for tax years thereafter

• Source: Iowa Code and taxfoundation.org



## Alternative Minimum Tax Credit Conclusion

- AMT paid average = \$17 million per year
- AMT credit average = \$7 million per year
- Net taxes collected = \$10 million per year
- Credits carried forward = \$30 million per year
  - Credits expire in tax year following AMT repeal
  - Full amount of carry forward may not get claimed due to repeal

## Assistive Device Tax Credit

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Fiscal and Policy Analyst

## Assistive Device Tax Credit Overview

- Eligibility:
  - Small business located in Iowa
    - 14 or fewer FTEs *or*
    - Gross receipts less than \$3 million in year
    - Purchases, rents, or modifies an assistive device *or*
    - Makes workplace modifications for an employee (or future employee) with a disability
- Limited to 50 percent of the first \$5,000 paid for the assistive device or workplace modification
- May not claim expenses that are deductible for federal income tax purposes

## Assistive Device Tax Credit Claims

- No awards of Iowa Assistive Device Tax Credit since inception (2000)
- Per IEDA, there have been no applications for the credit for many years
  - Low visibility of program
  - Stringent requirements, such as excluding costs taken as federal tax deductions
  - Low reimbursement rates

## Questions?

- Fuel Tax Credit
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**Thank you!**

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