

15.335 Research activities credit.

1. An eligible business may claim a corporate tax credit for increasing research activities in this state during the period the eligible business is participating in the program. For purposes of this section, "*research activities*" includes the development and deployment of innovative renewable energy generation components manufactured or assembled in this state. For purposes of this section, "*innovative renewable energy generation components*" does not include a component with more than two hundred megawatts of installed effective nameplate capacity. The tax credits for innovative renewable energy generation components shall not exceed one million dollars.

a. The credit equals the sum of the following:

(1) Six and one-half percent of the excess of qualified research expenses during the tax year over the base amount for the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

(2) Six and one-half percent of the basic research payments determined under section 41(e)(1)(A) of the Internal Revenue Code during the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to total qualified research expenditures.

b. In lieu of the credit amount computed in paragraph "a", subparagraph (1), an eligible business may elect to compute the credit amount for qualified research expenses incurred in this state in a manner consistent with the alternative incremental credit described in section 41(c)(4) of the Internal Revenue Code. The taxpayer may make this election regardless of the method used for the taxpayer's federal income tax. The election made under this paragraph is for the tax year and the taxpayer may use another or the same method for any subsequent year.

c. For purposes of the alternate credit computation method in paragraph "b", the credit percentages applicable to qualified research expenses described in clauses (i), (ii), and (iii) of section 41(c)(4)(A) of the Internal Revenue Code are one and sixty-five hundredths percent, two and twenty hundredths percent, and two and seventy-five hundredths percent, respectively.

2. The credit allowed in this section is in addition to the credit authorized in section 422.10 and section 422.33, subsection 5. However, if the alternative credit computation method is used in section 422.10 or section 422.33, subsection 5, the credit allowed in this section shall also be computed using that method.

3. If the eligible business is a partnership, S corporation, limited liability company, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, S corporation, limited liability company, or estate or trust.

4. For purposes of this section, "*base amount*", "*basic research payment*", and "*qualified research expense*" mean the same as defined for the federal credit for increasing research activities under section 41 of the Internal Revenue Code, except that for the alternative incremental credit such amounts are for research conducted within this state.

For purposes of this section, "*Internal Revenue Code*" means the Internal Revenue Code in effect on January 1, 2006.

5. Any credit in excess of the tax liability for the taxable year shall be refunded with interest computed under

section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on its final, completed return credited to the tax liability for the following year.

94 Acts, ch 1008, §12; 94 Acts, ch 1165, §44; 96 Acts, ch 1199, §4; 97 Acts, ch 135, §1, 9; 98 Acts, ch 1078, §1, 10, 14; 99 Acts, ch 95, §1, 12, 13; 2000 Acts, ch 1146, §1, 9, 11; 2000 Acts, ch 1194, §1, 21; 2001 Acts, ch 127, §1, 9, 10; 2002 Acts, ch 1069, §1, 10, 14; 2003 Acts, ch 139, §1, 11, 12; 2004 Acts, ch 1073, §1; 2005 Acts, ch 24, §1, 10, 11; 2005 Acts, ch 150, §70; 2006 Acts, ch 1140, §1, 10, 11

Footnotes

Internal Revenue Code definition is updated regularly; for applicable definition in a prior tax year, refer to Iowa Acts and Code for that year

2006 amendment to subsection 4 takes effect May 30, 2006, and applies retroactively to January 1, 2005, for tax years beginning on or after that date; 2006 Acts, ch 1140, §10, 11