
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Angel Investor Tax Credit

The Angel Investor Tax Credit is equal to 25.0% of the equity investment made into a qualifying business approved by the Iowa Economic Development Authority (IEDA). The tax credit may be claimed against various tax types including individual income tax, corporate income tax, franchise tax, insurance premium tax, and moneys and credits tax. Investors must apply to the IEDA within 120 days of the initial investment.

The total amount of Angel Investor Tax Credits is capped at \$2.0 million per fiscal year. The maximum amount of tax credits for an investor is \$100,000 per year, including awards to the investor's spouse or dependents. The maximum amount of tax credits awarded for investments in a qualifying business in a year is limited to \$500,000. To be eligible to receive tax credits, investors must make investments in the form of cash for equity and must have less than a 70.0% ownership in the qualifying business. To be certified as a qualifying business whose investors are eligible to receive a tax credit, businesses must satisfy the following criteria at the time an investment is made:

- The business's principal operations must be located in Iowa.
- The business must have been in operation for six years or less.
- Business principals must participate in an entrepreneurial assistance program or have other applicable experience.
- The business cannot be primarily engaged in retail sales, real estate, health care, or other services requiring a professional license.
- The business's net worth must be no more than \$10.0 million.
- The business must have secured at least two investors and total equity financing or binding investment commitments of at least \$500,000.

Tax Credit Background

- Enabling Legislation: 2002 Iowa Acts, chapter [1006](#) (Investment Tax Credits — Qualifying Businesses — Community-Based Seed Capital Funds Act)
- Iowa Code Citations:
 - Section [15.119](#) — Awards Limitation
 - Sections [15E.41](#), [15E.42](#), [15E.43](#), [15E.44](#), [15E.45](#), [15E.46](#) — Program Description
 - Section [422.11F](#)(1) — Individual Income Tax
 - Section [422.33](#)(12) — Corporate Income Tax
 - Section [422.60](#)(5)(a) — Franchise Tax
 - Section [432.12C](#)(1) — Insurance Premium Tax
 - Section [533.329](#)(2)(f) — Moneys and Credits Tax
- Administrative State Agencies: Iowa Capital Investment Corporation, Iowa Economic Development Authority, Iowa Department of Revenue (IDR)

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/reports?term_node_tid_depth=79

Department of Revenue Tax Credit Review: tax.iowa.gov/sites/default/files/2020-06/Angel%20Investor%20Evaluation%20Study%202019.pdf

Department of Revenue Tax Credit Users' Manual: tax.iowa.gov/sites/default/files/2022-12/TaxCreditsUsersManual2022.pdf

Legislative Services Agency Individual Income Tax Guide:

legis.iowa.gov/docs/publications/LG/711304.pdf

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- Sunset Date: None
- Transferable: No
- Refundable: Credits against corporation income, franchise, insurance premium, and moneys and credits taxes are nonrefundable, and credits in excess of tax liability may be carried forward for up to three years. Tax credit claims against individual income tax are refundable.
- Tax Review Committee Review Year: 2024

Legislative History

The Angel Investor Tax Credit became effective January 1, 2002, and was originally also available to investments in community-based seed capital funds. Effective January 1, 2011, the program was capped at an award level of \$2.0 million per fiscal year and the administration of the credit was moved to be under the IEDA. During the 2014 Legislative Session, tax credits issued for an equity investment in a qualifying business no longer had a three-year wait before the claim; however, awards for a qualifying equity investment made on or after January 1, 2014, could not be claimed prior to January 1, 2016.

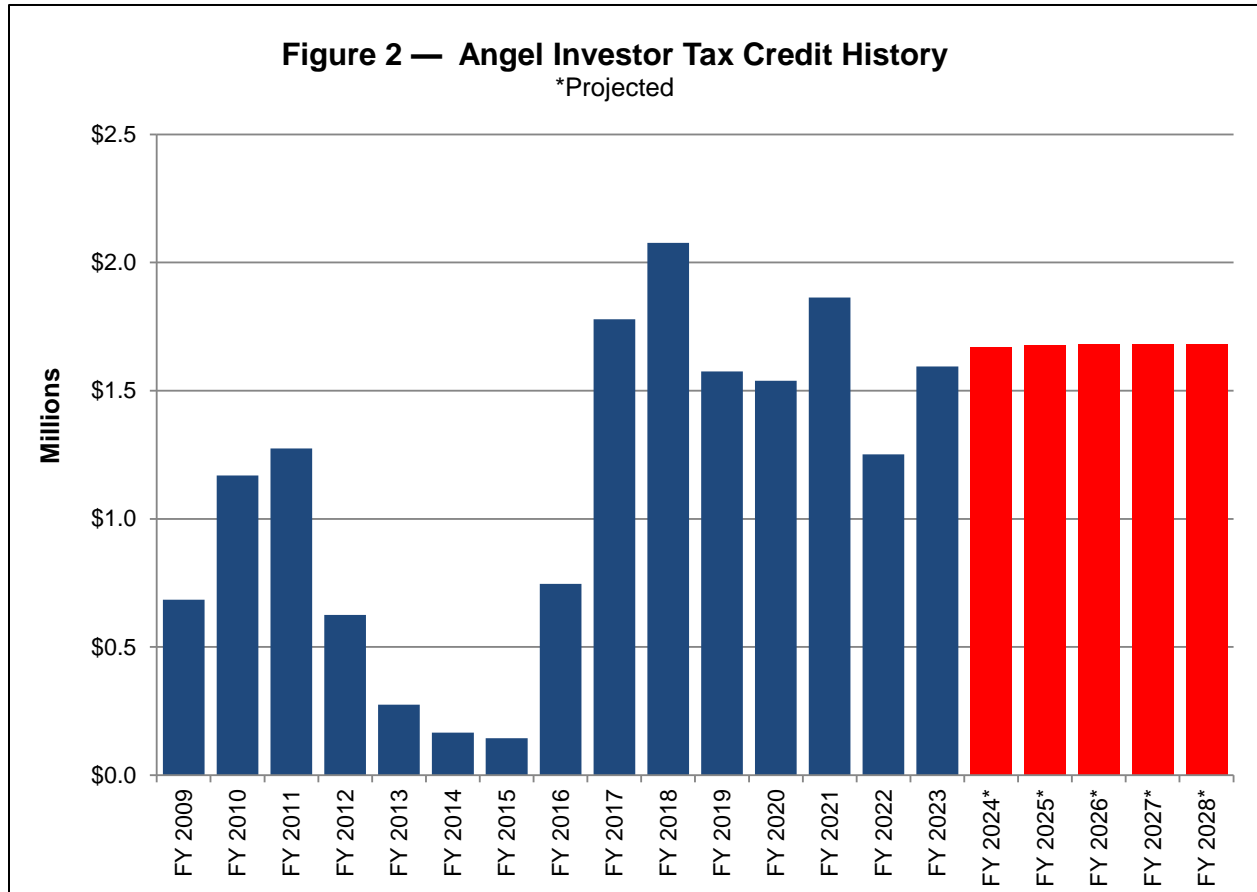
During the 2015 Legislative Session, community-based seed capital funds were eliminated as eligible investments under the program and the award rate for investments made on or after July 2, 2015, increased from 20.0% to 25.0%. The credit was made refundable against individual income tax and the carryforward period for nonrefundable credits was reduced to three years. A \$100,000 annual award cap was introduced for each taxpayer, and a \$500,000 annual award cap was introduced for investments made in each qualifying business.

Two other venture capital incentive tax credits have been discontinued: the Venture Capital Tax Credit — Iowa Fund of Funds and the Venture Capital Tax Credit — Venture Capital Funds.

Tax Credit Review, Usage, and Future Liability

The IDR reports on the annual credit usage for the Angel Investor Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 9 of the report, **Figure 1** provides credit redemption history and projections for the program on a fiscal year basis. The blue bars of **Figure 2** indicate the actual credit redemptions, while the red bars are the IDR projections of future redemptions.

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2009	\$ 684,627	FY 2019	\$ 1,574,956
FY 2010	1,169,182	FY 2020	1,538,792
FY 2011	1,274,507	FY 2021	1,863,929
FY 2012	625,122	FY 2022	1,252,171
FY 2013	275,302	FY 2023	1,594,783
FY 2014	166,435	FY 2024*	1,668,334
FY 2015	144,577	FY 2025*	1,678,161
FY 2016	746,523	FY 2026*	1,680,831
FY 2017	1,779,091	FY 2027*	1,680,836
FY 2018	2,077,398	FY 2028*	1,680,836



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