

## IOWA RESEARCH & DEVELOPMENT (R&D) TAX CREDIT PROGRAM

### PROGRAM OVERVIEW

The Iowa Research and Development Tax Credit (R&D) is an annual tax credit based on qualified expenses as allowed under section 26 USC 41 of the Internal Revenue Code (IRC). There is a two-step process. Businesses must first be certified by the Iowa Economic Development Authority (the Authority) as a qualified industry to apply for the credit. The Authority will allocate available tax credits on a pro rata basis to businesses actively investing in innovation that occurs within the State of Iowa. Tax credits are refundable, but not transferable.

### Certification as Qualified Business

Certification Application Open	February 2
Certification Application Deadline	September 30
Certification Determination Anticipated	Within 90 days of complete submission
Maximum Certification period	5 years
Annual Report deadline	January 31

### Qualified Business Tax Credit Application

Tax Credit Application Open	September 1
Tax Credit Application Deadline	January 31
Tax Credit Allocation Determination Anticipated	April 1
Maximum Allowable Tax Credit	3.5%
Aggregate Tax Credit Amount Available pursuant to Iowa Code 15.119	\$40,000,000

### Origin References

Iowa Code	<a href="#">Chapter 15, part 35</a>
Iowa Administrative Code	<a href="#">261-Chapter 82</a>

## PROGRAM GUIDANCE

### Step 1: Certification as Qualified Business

#### Who Qualifies

The R&D tax credit is only available to businesses in certain industries and sectors performing qualified research and development.

#### Eligible Industries

- Advanced Manufacturing
- Bioscience
- Insurance and Finance
- Technology and Innovation

#### Eligible Sectors of Eligible Industries:

- Second-generation food innovation
- Hybrid seed technologies
- Food ingredients and supplements
- Diagnostic analytics and immunotherapies
- Crop protection
- Chip technologies and microelectronics
- Medical equipment and supplies
- Software and technology
- Aerospace
- Pharmaceuticals
- Consumer products

#### Ineligible Businesses

Include, but are not limited to, those primarily engaged in:

- Agriculture production
- Finance or investment
- Agriculture cooperative
- Publishing
- Accounting
- Real estate
- Architecture
- Retail
- Collection
- Transportation
- Construction
- Wholesale
- Ethanol Biorefinery

#### How to Apply

Certification applications will be accepted through the Opportunity Iowa Portal: [Iowa Research and Development Tax Credit Program Detail](#) beginning February 2, 2026.

1. The certification application is submitted on behalf of the entire filing group. For consolidated/combined filers, the common parent (the Iowa income tax filing entity) should be listed as the applicant. Subsidiaries, affiliates, and disregarded entities conducting qualified research will be listed within the single certification application.
2. Required information to be submitted in the online certification application includes:
  - a. General business and contact information
  - b. Subsidiary, affiliate, and disregarded entity information including a description for each entity of their operations and types of qualified research and development undertaken by the entity

- c. Pages 1-5/6 of most recent filed federal tax return (1120, 1120s or 1065) including: Form 6765, Form 851, Form 3800
  - d. Pages 1-9 of most recent filed state of Iowa tax return (IA 1120, 1120s or 1065) including: Iowa Corporation Schedule H and corresponding Form 148
  - e. Articles of Incorporation and Bylaws
  - f. Certificate of Existence from Iowa Secretary of State
3. Certification applications are anticipated to be reviewed by the Authority within 90 days of receiving complete submission.
4. The Authority reserves the right to request additional information or conduct site visits to verify the requirements of the program are met prior to certification determination.
5. Applicants will execute an agreement with the Authority to receive official Certification Letter. Iowa Research and Development Tax Credit Certification contract is non-negotiable.

## Step 2: Application for R&D Tax Credit

### Who Qualifies

Applicant must successfully complete Step 1: Certification as Qualified Business to be eligible to apply for R&D Tax Credit.

### How to Apply

Iowa R&D Tax Credit applications will be accepted through the Opportunity Iowa Portal beginning September 1, 2026.

1. Once an applicant has received Iowa Research and Development Tax Credit Certification letter, they may submit an Iowa R&D Tax Credit application through the online portal for each tax year in the certification period.
2. Tax Credit applications must be submitted no later than January 31 following the most recently filed and accepted federal tax return; however, applications should make their best effort to submit their application for Iowa R&D tax credit no later than 90 days after the date its federal return is filed and accepted.
3. The R&D tax credit application is submitted on behalf of the entire filing group. For consolidated/combined filers, the common parent (the Iowa income tax filing entity) should be listed as the applicant. Subsidiaries, affiliates, and disregarded entities conducting qualified research will be listed within the single R&D tax credit application.
4. Required information to be submitted in the online R&D tax credit application includes:
  - a. General business and contact information
  - b. Eligible Iowa expenditures by entity and expense type
  - c. Eligible Iowa expenditures by business component
  - d. Schedule of qualified supply expenses
  - e. Schedule of qualified wages
  - f. Schedule of qualified contract research expenses
  - g. Schedule of qualified rental or lease cost of computers expenses

- h. Amount of requested Iowa R&D credit
  - i. Pages 1-5/6 of most recent filed federal tax return (1120, 1120s or 1065) including: Form 6765, Form 851, Form 3800
  - j. Pages 1-9 of most recent filed state of Iowa tax return (IA 1120, 1120s or 1065 – excluding K-1s) including: Iowa Corporation Schedule H and corresponding Form 148
  - k. Iowa Research and Development Tax Credit Program CPA Verification Form available at [Iowa Research and Development Tax Credit Program | Economic Development & Finance Authority](#)
5. The Authority reserves the right to request additional information or conduct site visits to verify the requirements of the program are met prior to tax credit award determination.
  6. R&D credit award determinations are anticipated by April 1<sup>st</sup> of each year. Tax credit certificates will be issued to the qualified businesses indicating the amount of credit available to be claimed.

## Calculation of Award

If there are R&D credit applications for the Iowa Research and Development Tax Credit Program that exceed the annual amount available of \$40,000,000, eligible applicants will be issued credits on a pro-rata basis. The annual tax credit award for each qualified business shall equal its unadjusted credit or its adjusted credit, whichever is less.

- The unadjusted credit for a qualified business equals its eligible expenditures multiplied by the tax credit rate provided in the agreement, not to exceed 3.5 percent.
- To calculate the pro-rata adjusted credit for a qualified business, first divide the qualified business's eligible expenditures by the total eligible expenditures incurred by all qualified businesses with approved tax credit applications for the fiscal year. Next, multiply that quotient by the amount of tax credits available pursuant to section 15.119 for the fiscal year after reduction for the set aside, if any, of tax credits for additional awards pursuant to subrule 82.3(4). That product, plus any additional tax credits awarded to the qualified business for the fiscal year pursuant to subrule 82.3(4), equals a qualified business's adjusted credit.

### Sample Calculation

Certified Business	Eligible Expenditures	Contracted TC Rate (Assumed 3.5%)	Unadjusted Tax Credit	% of Aggregate EXP	Adjusted Tax Credit	Effective Rate
A	100,000,000	3.50%	3,500,000.00	5.66%	2,264,365.00	2.26%
B	50,000,000	3.50%	1,750,000.00	2.83%	1,132,182.00	2.26%
C	60,000,000	3.50%	2,100,000.00	3.40%	1,358,619.00	2.26%
D	1,000,000,000	3.50%	35,000,000.00	56.61%	22,643,646.00	2.26%
E	5,000,000	3.50%	175,000.00	0.28%	113,218.00	2.26%
F	10,000,000	3.50%	350,000.00	0.57%	226,436.00	2.26%
G	20,000,000	3.50%	700,000.00	1.13%	452,873.00	2.26%
H	1,500,000	3.50%	52,500.00	0.08%	33,966.00	2.26%
I	400,000,000	3.50%	14,000,000.00	22.64%	9,057,458.00	2.26%
J	120,000,000	3.50%	4,200,000.00	6.79%	2,717,237.00	2.26%
	<u>1,766,500,000</u>		<u>61,827,500.00</u>	<u>100.00%</u>	<u>40,000,000.00</u>	

## **When and How to Use Credits**

Awarded tax credits must be claimed in the tax year immediately following the tax year during which the eligible expenditures were incurred. The qualified business that is issued a tax credit certificate will claim the credit on Form 148 Tax Credits Schedule Part II on the taxpayer's Iowa income tax return. For recipients who are S corporations, LLCs, or partnerships: It is your responsibility to ensure that your members have these instructions to properly claim their credits. Please see the IA 148 instructions for more information. Credits are refundable but not transferable. In lieu of claiming a refund, taxpayer may elect to have the overpayment credited to the tax liability for the following year.

## **Compliance and Annual Reporting**

Failure to comply with any requirements of the program or agreement may result in revocation of certification and ineligibility or repayment of R&D tax credits.

Annual Reports are due January 31 of each year in the Opportunity Iowa Portal. Data required includes, but is not limited to, total amount of investment made in research and development, qualified location in Iowa where R&D occurred and number of jobs created, wages paid and employee residence locations. Annual report data is used to evaluate the program and is reported in aggregate to the General Assembly.

## **Additional Information**

The Authority at its sole discretion reserves the right to reject all applications; to reject individual applications for failure to meet any requirement; to award in part or total, and to waive minor defects and non-compliance. Such a waiver will not modify the program requirements or excuse the applicant from full compliance with program specifications or agreement requirements if awarded. Submission of an application confers no right to an award.

All application submissions become the property of the Authority.

## **Confidentiality**

All information or records in the possession of the Authority with respect to this program shall be presumed by the Authority to be a trade secret protected under chapter 550 or common law and shall be kept confidential by the Authority unless otherwise ordered by the court. The identity of a tax credit recipient and the amount of the tax credit issues shall be considered public information under Iowa code chapter 22.

The Authority is not obligated to award any tax credits under this program, to pay any costs incurred by the applicant in the preparation and submission of an application or pay any tax credit-related costs incurred. All Authority decisions are final.

## Example Timeline Charts

Filing date of Iowa R&D Tax Credit applications must follow the most recent filed and accepted federal tax return. Extension of Federal Return will impact the R&D Tax Credit application filing date.

Certified as Qualified Business January 1, 2026 - December 31, 2026	<b>C CORP</b> Tax Year Dates	Tax Year R&D Expenditures incurred	Tax Year to claim awarded Iowa R&D Tax Credit	IRS Filing Deadline	Iowa Research & Development Tax Credit Application Deadline
	07/01/24 to 06/30/25	2024	NA- file IA 128	10/15/2025	NA- file IA 128
	01/01/25 to 12/31/25	2025	NA- file IA 128	4/15/2026	NA- file IA 128
	07/01/25 to 06/30/26	2025	NA- file IA 128	10/15/2026	NA- file IA 128
Year 1	01/01/26 to 12/31/26	2026	2027	4/15/2027	1/31/2028
	07/01/26 to 06/30/27	2026	2027	10/15/2027	1/31/2028
Year 2	01/01/27 to 12/31/27	2027	2028	4/15/2028	1/31/2029
	07/01/27 to 06/30/28	2027	2028	10/15/2028	1/31/2029
Year 3	01/01/28 to 12/31/28	2028	2029	4/15/2029	1/31/2030
	07/01/28 to 06/30/29	2028	2029	10/15/2029	1/31/2030
Year 4	01/01/29 to 12/31/29	2029	2030	4/15/2030	1/31/2031
	07/01/29 to 06/30/30	2029	2030	10/15/2030	1/31/2031
Year 5	01/01/30 to 12/31/30	2030	2031	4/15/2031	1/31/2032
	07/01/30 to 06/30/31	2030	2031	10/15/2031	1/31/2032

Certified as Qualified Business January 1, 2026 - December 31, 2026	<b>S CORP PARTNERSHIP</b> Tax Year Dates	Tax Year R&D Expenditures incurred	Tax Year to claim awarded Iowa R&D Tax Credit	IRS Filing Deadline	Iowa Research & Development Tax Credit Application Deadline
	07/01/24 to 06/30/25	2024	NA- file IA 128	9/15/2025	NA- file IA 128
	01/01/25 to 12/31/25	2025	NA- file IA 128	3/15/2026	NA- file IA 128
	07/01/25 to 06/30/26	2025	NA- file IA 128	9/15/2026	NA- file IA 128
Year 1	01/01/26 to 12/31/26	2026	2027	3/15/2027	1/31/2028
	07/01/26 to 06/30/27	2026	2027	9/15/2027	1/31/2028
Year 2	01/01/27 to 12/31/27	2027	2028	3/15/2028	1/31/2029
	07/01/27 to 06/30/28	2027	2028	9/15/2028	1/31/2029
Year 3	01/01/28 to 12/31/28	2028	2029	3/15/2029	1/31/2030
	07/01/28 to 06/30/29	2028	2029	9/15/2029	1/31/2030
Year 4	01/01/29 to 12/31/29	2029	2030	3/15/2030	1/31/2031
	07/01/29 to 06/30/30	2029	2030	9/15/2030	1/31/2031
Year 5	01/01/30 to 12/31/30	2030	2031	3/15/2031	1/31/2032
	07/01/30 to 06/30/31	2030	2031	9/15/2031	1/31/2032