

CERTIFICATION OF QUALIFYING BUSINESSES CHECKLIST

Eligibility for certification as a qualifying business



A business shall meet all of the criteria in Iowa Code section 15E.28 to be eligible for certification as a qualifying business.

To determine whether a business is a qualifying business, a business shall submit an application to the authority that is accompanied by a nonrefundable application fee.

A business must be certified by the authority as a qualifying business in order for an investor's equity investment to qualify for a tax credit.



A Qualified Business must:

1. Apply to IEDA to get certified
2. Pay a one-time nonrefundable \$200 application fee to IEDA upon application and contracting
3. Take on the burden of proof to demonstrate that it is qualified under the law
4. Notify IEDA if anything changes to the qualifications of the business or the investors
5. Submit the tax credit application(s) during the annual filing window of Sept 1 – Dec 31 with the list of calendar-year investments that could be tax credit eligible
6. Submit an annual application that shows continued eligibility and necessary reporting data by December 31 each year

QUALIFIED BUSINESS CHECKLIST FOR ELIGIBILITY AND CERTIFICATION

In order to be a qualifying business, a business must meet all of the following criteria:

- The principal business operations, and a majority of employees of the business are located in this state.**

"Principal business operations" means the location at which at least 50 percent of a qualified business's employees are employed, the location at which employees representing at least 50 percent of a qualified business's payroll are employed, or the home office for a substantial amount of executive employees.
Administrative Rule 261 – 114.1

- The business has been in operation for five years or less.**

Length of Business Operations (Administrative Rule 261 – 114.2(2)) For the purposes of determining whether a business has been in operation for five years or less as required by Iowa Code section 15E.28(2)"b" as enacted by 2025 Iowa Acts, Senate File 657, the authority will consider the following factors:

- The date of incorporation or organization;
- The date on which the business began the sale of goods or services;
- The date on which the business first hired employees;
- The date of execution of business contracts; and
- Any other information that indicates the date on which the business began materially engaging in commercial activity.

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The business has at least one full-time equivalent employee.

“Full-time equivalent employee” means a non-part-time position for the number of hours or days per week considered to be full-time work for the kind of service or work performed for an employer.

Typically, a full-time equivalent position requires 2,080 hours of work in a calendar year, including all paid holidays, vacations, sick time, and other paid leave. Administrative Rule 261 – 114.1

The business’s primary operations are in advanced manufacturing, bioscience, insurance and finance, and technologies.

The business shall not be primarily engaged in retail sales, real estate, the provision of health care, or the provision of services that require a professional license.

In determining whether a business is primarily engaged in advanced manufacturing, biosciences, insurance and finance, or technologies, the authority shall consider the business’s North American industry classification system code, the business’s main sources of revenue, and the business’s customer base.

The business is an independent organization that is not part of, or an affiliate of, a business that is not a qualifying business.

The business shall establish that its owners, directors, officers, and employees have an appropriate level of experience consistent with the nature of the business.

The authority may consult with outside service providers to determine whether a business meets the requirement of this paragraph.

The business shall not have a net worth that exceeds ten million dollars.

Net worth is what your business owns minus what it owes (assets minus liabilities); to qualify for this program that amount must be \$10 million or less as required by Iowa Code § 15E.28(2)(g) and verified with a balance sheet under Administrative Rule 261 – 114.2(3)(h).

The business shall have secured all of the following at the time of application for certification.

1. At least two outside investors.

For purposes of this subparagraph, “investor” includes a person who executes a binding investment commitment to a qualifying business, and does not include an affiliate of a qualifying business or an affiliate of a qualifying business’s principals.

Investments in the form of cash from a State of Iowa program do not count towards the \$500k threshold. Examples include: InnoVenture Iowa, and the VentureNet Innovation Funding Continuum.

2. Total equity financing, binding investment commitments, or some combination thereof, equal to at least five hundred thousand dollars, from investors.

This cannot include money invested by the business principals, affiliates of the business, or affiliates of the business’s principals.

This also cannot include any funding from a State of Iowa organization that includes the Venture Net Innovation Continuum or the InnoVenture Venture Fund.