SEED INVESTOR TAX CREDIT PROGRAM

PROGRAM OVERVIEW

The Iowa Seed Investor Tax Credit Program helps early-stage Iowa companies raise capital by offering refundable Iowa tax credits to eligible investors who make cash-for-equity investments in certified qualifying Iowa businesses. The program is administered by the Iowa Economic Development Authority (IEDA) under Iowa Code Chapter 15E.

BY THE NUMBERS

20% Refundable tax credit percentage for qualified investments in **urban businesses in Iowa.**

Urban businesses defined as communities with a population **GREATER THAN 15,000**

35% Refundable tax credit percentage for qualified investments in **rural businesses in Iowa.**

Rural businesses defined as communities with a population **LESS THAN/EQUAL 15,000**

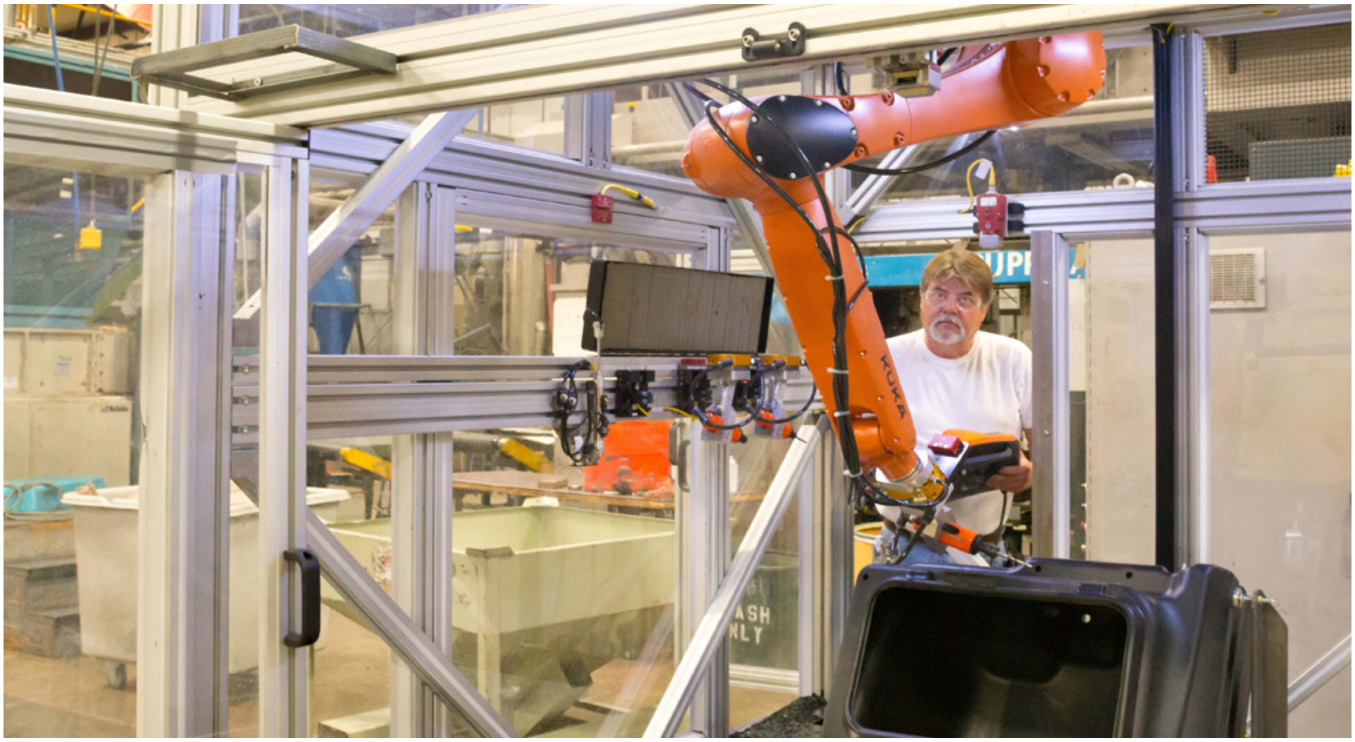
Maximum tax credits per fiscal year for an individual, including spouse and dependents combined, or for a corporation or other entity. **$100,000**

Maximum aggregate tax credits per fiscal year for one qualifying business to award to eligible investors. **$500,000**

Annual filing window for certified businesses to submit calendar-year investments for tax credit review. And to submit annual reporting requirements. **September 1 through December 31**

HOW IT WORKS

- An Iowa startup applies to IEDA to become a certified qualifying business and pays a non-refundable $200 application fee.
- Only eligible investments made after the certification application is submitted may qualify for tax credits.
- Investors make cash investments in exchange for equity ownership, and the business maintains investment records and investor information.
- During the September 1 through December 31 filing window, the certified business submits eligible investments for tax credit review.
- Investors confirm their eligibility and investment information within 30 days of the tax credit application request.
- IEDA reviews continued business eligibility, investor eligibility and investment eligibility. Credits are awarded first come, first served until annual funding is exhausted.
- If approved, tax credit certificates are issued directly to eligible investors.



QUALIFYING BUSINESS REQUIREMENTS

To be certified, a business must meet all program eligibility requirements. A qualifying business must:

- Have principal business operations and a majority of employees located in Iowa.
- Have operated for five years or less and employ at least one full-time equivalent employee.
- Operate primarily in advanced manufacturing, bioscience, finance and insurance, or technology.
- Not be primarily engaged in retail sales, real estate, direct provision of health care, or services that require a professional license.
- Be an independent organization that is not part of, or an affiliate of, a business that is not a qualifying business.
- Demonstrate that owners, directors, officers and employees have experience appropriate to the nature of the business.
- Have a business net worth of $10 million or less.
- Have secured at least two outside eligible investors and at least $500,000 in equity financing, binding investment commitments, or a combination thereof at the time of certification application.

INVESTOR AND INVESTMENT REQUIREMENTS

Eligible investments must satisfy program requirements and be submitted during the first available filing window following the investment.

- The investment must be at least $10,000, made in cash and made in exchange for equity ownership.
- The investment must be made in a certified qualifying business after the business submits its certification application.
- The investor must not be an affiliate of the business or its principals and must not own 70% or more of the business.
- Credits may be claimed against Iowa individual income tax, corporate income tax, financial institution tax, insurance premiums tax, and moneys and credits tax.
- Credits are refundable. If the credit exceeds the taxpayer's Iowa tax liability, the excess may be refunded or applied to the immediately succeeding tax year.
- Credits are not transferable and are not guaranteed until IEDA approves the application and issues a tax credit certificate.

APPLICATION AND ANNUAL REPORTING

Businesses may apply for certification at any time. To maintain eligibility and allow investors to receive tax credits, certified businesses must complete annual reporting and recertification during the September 1 through December 31 filing window.

- Annual reporting includes confirming continued eligibility, reporting ownership and operational changes, submitting investments for tax credit consideration, uploading proof of investments and updating anticipated future investments.
- Failure to submit an investment during its first available filing window will make the investment ineligible for tax credits.
- Failure to complete annual reporting and recertification by December 31 will cause the business to fall out of compliance, making its investors ineligible to receive tax credits for otherwise eligible investments and preventing tax credit certificates from being issued.

IMPORTANT PROGRAM NOTES

- Certification as a qualifying business does not guarantee credits.
- Credits are limited and allocated in the order applications are received, subject to annual program limits.
- Applications that exceed program caps or statutory limitations may be denied in whole or in part.
- Businesses are responsible for demonstrating eligibility and notifying IEDA of changes that may affect business or investor eligibility.
- Most information submitted to IEDA is confidential, but the identity of qualifying businesses, identity of investors and the businesses they invested in, and the number and total dollar amount of tax credits issued are public information.

FOR MORE INFORMATION

Additional information on the Seed Investor Tax Credit can be found at https://opportunityiowa.gov/business/financial-assistance/grants-funding/seed-investor-tax-credit. For program questions, contact Megan Brandt at megan.brandt@iowaeda.com.

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