

INNOVATION FUND TAX CREDIT PROGRAM



PROGRAM OVERVIEW

Established under Iowa Code section 15E.52, the Innovation Fund Tax Credit Program is designed to stimulate venture capital investment in innovative Iowa businesses.

The program encourages taxpayers to make equity investments in certified Innovation Funds, helping support early-stage companies with high growth potential and strengthening Iowa's innovation economy. Innovation Funds invest in innovative Iowa businesses engaged in advanced manufacturing, biosciences and information technology.

Rather than providing a tax credit for a direct investment into a startup, the program supports investment into certified Innovation Funds. Once certified, those funds accept qualifying cash equity investments and then invest in innovative businesses with a principal place of business in Iowa.

HOW IT WORKS

An Innovation Fund applies to the Iowa Economic Development Authority (IEDA) for certification and must demonstrate that it meets all criteria in Iowa Code section 15E.52 and 261 Iowa Administrative Code Chapter 116.

Once certified, the fund accepts qualifying cash equity investments from investors. The fund then invests in innovative businesses with a principal place of business in Iowa, helping expand access to early-stage capital for companies with high-growth potential.

Investors submit applications for tax credit certificates during the annual filing window of September 1 through December 31. IEDA reviews submissions and makes recommendations to the IEDA Board for approval. Tax credit certificates are issued on a first-come, first-served basis until the annual maximum allocation is reached. Investors claim the credit by attaching the issued certificate to their Iowa tax return.

AT A GLANCE

- **25% tax credit:** Tax credits are equal to 25% of a taxpayer's eligible cash equity investment in a certified Innovation Fund.
- **\$3 million minimum:** Certified Innovation Funds must propose to obtain at least \$3 million in binding investment commitments and invest a minimum of \$3 million in Iowa businesses.
- **September 1 through December 31:** For fiscal years beginning on or after July 1, 2026, investors must submit applications during the annual filing window.
- **Targeted sectors:** Innovation Funds invest in innovative Iowa businesses, specifically those engaged in advanced manufacturing, biosciences and information technology.
- **Carry forward:** If the credit exceeds the taxpayer's Iowa tax liability, the excess amount may be carried forward for up to five years.

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PROGRAM DETAILS

Investments must be made in cash in exchange for equity. Equity may include stock, membership interests, partnership interests or near equity, and does not include non-cash consideration.

To participate, an Innovation Fund must be certified by the IEDA Board and meet statutory and administrative rule requirements. Eligibility criteria include being organized for the purpose of investing in promising early-stage companies with a principal place of business in Iowa, providing multiple rounds of early-stage funding to innovative businesses with high-growth potential, using a rigorous evaluation approach and collaborating with state and local entities.

Certified Innovation Funds also must collaborate with Iowa regent institutions to potentially commercialize research developed at those institutions and maintain required annual reporting to remain in compliance.



Eligible investments must be equity investments in the form of cash made in a certified Innovation Fund. Investments made more than 120 days before a fund applies for certification are not eligible for tax credits.

Tax credits may be claimed against Iowa individual income tax, corporate income tax, franchise tax, insurance premiums tax and the moneys and credits tax. Tax credit certificates may be transferred once, in whole or in part, in accordance with Iowa Code section 15E.52. Tax credits are not guaranteed and are issued only after review and IEDA Board approval, subject to annual allocation limits and application timing requirements.

APPLICATION AND RESOURCES

Applications for the program are accessed through GovConnectIowa (<https://govconnect.iowa.gov>). There are two applications: one for fund certification and one for individual investors seeking a tax credit certificate.

Program rules, resources and application information are available on the Innovation Fund Tax Credit Program page (<https://opportunityiowa.gov/business/financial-assistance/grants-funding/innovation-fund-tax-credit>).

FOR MORE INFORMATION

For program questions or additional information about other programs available at the Iowa Economic Development Authority, contact Megan Brandt at megan.brandt@iowaeda.com or Melissa Harshbarger at melissa.harshbarger@iowaeda.com.

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