

IOWA **Department of REVENUE**

Iowa's 2006 Tax Credit Claims

Tax Credits Program Report

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I. Introduction

During the 2005 Legislative Session, the Tax Credit Tracking and Analysis Program (TCTAP) was established. As a result of this program, the IA 148 Tax Credits Schedule was created to allow the Department of Revenue to track the various nonrefundable and refundable tax credits claimed by Iowa taxpayers. This form was introduced in tax year 2006 and is required for all taxpayers making a claim of certain tax credits. The IA 148 schedule and its instructions can be found in the appendix of this paper. This paper reports on the key details about claims of “Other Nonrefundable” and “Other Refundable” tax credits made by taxpayers for the 2006 tax year, which is the most complete tax year currently available.

These details include information about tax credit claims by tax type and tax credit type. For nonrefundable tax credit claims information about the amount of credits carried forward from previous tax years, the amount of new tax credits available, the amount of tax credits used to reduce tax liability, the amount of tax credits expired, and the amount of tax credits carried forward to subsequent tax years is provided. For refundable tax credits, the amount of claims for the current tax year are provided, as well as additional information about the amount of the credit actually refunded to the taxpayer claiming the credit.

For awarded tax credits, taxpayers receive tax credit certificates to include with their tax return. As part of the TCTAP, each of these tax credit certificates is now required to have a unique twelve digit tax credit certificate number. This certificate number should also be included on the IA 148 schedule.

In order for the data from the IA 148 to be useful for tracking claims, statistics, and accurate reporting about those claims, it was necessary to clean and verify the data that was collected. Every tax credit claim reported on the IA 148 was examined and corrections were made to the claims when errors were identified. In some cases, cleaning the data involved looking at the filed tax return in order to attempt to identify which tax credit type the taxpayer intended to claim. For tax credit claims where the certificate number had inadvertently been omitted, the missing tax credit certificate number was determined and added to the claim when possible.

In some instances it was determined that a tax credit was claimed in error. In these cases, the TCTAP and the Compliance Division of the Department of Revenue have been working together to correct these incorrect claims. Some billings have been sent to taxpayers for the errors made on their tax returns. This effort will be continued in future tax years. Because of these efforts, it is possible that as billings are paid and the corresponding tax credit claims are corrected and as more returns are reviewed that the numbers in this report may change. The amounts and statistics presented in this report are based on the data available in January 2009.

This report contains a brief description of the tax credits that must be reported on the IA 148. The more intricate details about the various tax credits can be found in the Tax Credit User’s Manual which is located on the Web at: <http://www.state.ia.us/tax/taxlaw/IDRTaxCreditsUsersManual.pdf>.

II. Nonrefundable Tax Credit Claims

There were over sixteen thousand nonrefundable tax credit claims made against all tax types in 2006. These claims totaled over \$110 million in reduced tax liability. Claims were made against individual income tax, corporate income tax, franchise tax (paid by banks in Iowa), and insurance premium tax. There was \$135.6 million in nonrefundable tax credits that were carried forward to subsequent tax years.

Nonrefundable Administrative Tax Credits

There are three nonrefundable tax credits that are considered administrative because they exist to prevent double taxation or the taxation of income earned outside of Iowa. These tax credits are the Franchise Tax Credit, the Minimum Tax Credit, and the S-Corporation Apportionment Tax Credit. All three of these tax credits can be claimed against individual income tax, but only the Franchise Tax Credit and the Minimum Tax Credit can be claimed against corporate income tax. Because these tax credits are not the focus of the Tax Credit Tracking and Analysis Program, the information provided will not be as thorough as the information provided on the other State tax credits.

These administrative tax credit claims totaled \$64,491,364 in tax year 2006, with just over \$62 million of that amount being claimed against individual income tax. Nonrefundable administrative credits accounted for 52.2 percent of the number of tax claims and 58.3 percent of the nonrefundable tax credit dollars claimed.

Franchise Tax Credit

In tax year 2006, there were 2,104 claims of the Franchise Tax Credit made against both tax types. There were 2,088 claims totaling \$10,912,196 made against individual income tax and 16 claims totaling \$22,273 made against corporate income tax. The Franchise Tax Credit can be taken by the shareholders in a bank when the bank is organized as an S corporation or as a limited liability company. The amount of the credit is equal to the pro-rata share of the Iowa franchise tax paid by the institution.

Minimum Tax Credit

Minimum Tax Credit claims totaled \$4,068,499 in tax year 2006. This total was comprised of 3,904 claims against individual income tax totaling \$1,630,159 and 67 claims against corporate income tax totaling \$2,438,340.

S-Corporation Apportionment Tax Credit

The total number of S-Corporation Apportionment Tax Credit claims against individual income tax in tax year 2006 was 2,359. These claims totaled \$49,488,396.

Nonrefundable Tax Credit Claims by Tax Type

In tax year 2006, there were 7,720 “other nonrefundable” tax credit claims made against Iowa taxes, including corporate income, franchise, individual income, and insurance premium taxes. Of the \$174.2 million of credits reported by taxpayers as available to be claimed in 2006, \$46.2 million were claimed, \$5.5 million expired, and \$122.7 million were carried forward to subsequent tax years. These numbers do not include the nonrefundable administrative tax credit claims.

Tax Type	Number of Tax Credit Claims	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	250	\$76,241,608	\$18,809,986	\$95,051,594	\$15,381,034	\$3,223,456	\$76,447,104
Franchise Tax	16	\$0	\$717,169	\$717,169	\$717,169	\$0	\$0
Individual Income Tax	7,441	\$23,105,480	\$51,675,823	\$74,781,303	\$26,788,248	\$2,230,733	\$45,844,548
Insurance Premium Tax	13	\$0	\$3,702,963	\$3,702,963	\$3,278,104	\$0	\$424,859
All	7,720	\$99,347,088	\$74,905,941	\$174,253,029	\$46,164,555	\$5,454,189	\$122,716,511

Corporate Income Tax

One-third of the dollars claimed using other nonrefundable tax credits were claimed against corporate income tax. The number of tax credits claimed against corporate income tax accounted for just over three percent of the number of tax credit claims. The average tax credit claim applied to tax liability was \$61,524.

There were \$95.1 million available to be claimed against corporate income tax in 2006. Eighty percent of these dollars (\$76.2 million) were carried forward from previous tax years and \$18.8 million were tax credits first available for tax year 2006. Of the \$95.1 million available, only \$15.4 million (16.2 percent) were able to be applied toward tax year 2006 tax liability. \$3.2 million of credits expired and \$76.4 million were carried forward.

In addition to the claims in the table above, there were two tax credit claims made against the corporate income tax that were not included because the taxpayers did not indicate which tax credit was being claimed or they attempted to claim a type of credit for which no awards had been made and the correct type of claim could not be determined during the verification process. These tax credit claims totaled \$13,711. Because of the lack of detail, they will not be included in any further analysis.

Franchise Tax

Tax credit claims against franchise tax accounted for only 0.2 percent of the number of tax credit claims and 1.6 percent of the dollars of tax credit claims in 2006. The average tax credit claim reducing the tax liability against franchise tax was \$44,823.

There were sixteen tax credit claims made against franchise tax in 2006. All of the \$717 thousand of credits available were new credits in 2006. All of the credits available were used to reduce tax liability and therefore none expired and none were carried forward.

As with corporate income tax, there was also a tax credit claim made against the franchise tax that was not included because the taxpayer did not indicate which tax credit was being claimed and the correct tax credit type could not be determined. This tax credit claim totaled \$150. Because of the lack of detail, this claim will not be included in any further analysis.

Individual Income Tax

The majority (96.4 percent) of other nonrefundable claims were made against individual income tax. Claims against individual income tax accounted for 58.0 percent of the dollars of nonrefundable tax credit claims. The average tax credit claim for individuals claiming tax credits was \$3,600.

There was \$74.8 million in credits reported by taxpayers as available to be taken against individual income tax in 2006. \$23.1 million of those credits had been carried forward from a previous tax year and \$51.7 million were new credits available for 2006. Of the \$74.8 million credits available, nearly 36 percent or \$26.8 million were applied to reducing tax liability, \$2.2 million expired, and \$45.8 million (61.3 percent) of credits were carried forward to subsequent tax years.

In addition to the amounts claimed in the table above, there were 293 tax credit claims made against individual income tax that were not included because taxpayers did not indicate which tax credit was being claimed or they attempted to claim a type of credit for which no awards had been made and the correct type of claim could not be determined during the verification process. These tax credit claims totaled \$927,992. Because of the lack of detail, they will not be included in any further analysis. In future tax years TCTAP will be working with the Compliance Division of the Iowa Department of Revenue to verify and determine tax credit claim types.

Insurance Premium Tax

Over seven percent of the dollar amount of tax credit claims made in 2006 was made against insurance premium taxes, but only accounted for 0.2 percent of the number of claims. The average tax credit claim made against insurance premium tax was \$252,162, which is much higher than the average claim made against all other tax types.

There were \$3.7 million dollars in tax credits available in 2006 and none of these credits had been carried forward from previous tax years. Over 88 percent (\$3.3 million) of these credits were claimed and the remaining \$425 thousand were carried forward.

Nonrefundable Tax Credit Claims by Credit Type

There were fifteen nonrefundable tax credits that could be claimed using the IA 148 Tax Credits Schedule against various tax types in tax year 2006. Three of these are the three administrative credits that were addressed in a previous section and will not be discussed again below.

Economic Development Region Revolving Fund Tax Credit

An Economic Development Region Revolving Fund Tax Credit is issued to taxpayers who contribute to an economic development region revolving fund. The amount of the credit is equal to twenty percent of the contribution. Tax credit awards are issued by the Department of Economic Development.

There were no awards made under this program for the 2006 tax year. Therefore, no credit claims were allowed for this tax credit. If an attempt was made by a taxpayer to claim this credit, additional information provided in the claim was used to determine the proper tax credit claim type. If there was no additional information available the tax credit code was set to missing.

Endow Iowa Tax Credit

An Endow Iowa Tax Credit is awarded to taxpayers who make an endowment gift (up to \$100,000 for a single taxpayer) to a qualified community foundation. The tax credit is equal to twenty percent of the endowment gift. The total amount of tax credits awarded was capped at \$2 million for the 2006 tax year. The tax credits are awarded by the Department of Economic Development.

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	4	\$0	\$16,900	\$16,900	\$3,867	\$0	\$13,033
Franchise Tax	4	\$0	\$544	\$544	\$544	\$0	\$0
Individual Income Tax	513	\$355,734	\$1,829,861	\$2,185,595	\$1,721,581	\$0	\$464,014
Insurance Premium Tax	1	\$0	\$113	\$113	\$113	\$0	\$0
Total	522	\$355,734	\$1,847,418	\$2,203,152	\$1,726,105	\$0	\$477,047

In tax year 2006, Endow Iowa Tax Credit claims were made by 522 taxpayers. These taxpayers claimed 638 credits totaling \$1.7 million dollars. Over 98 percent of the tax credits were claimed by individual income tax taxpayers. The average claim per individual income tax taxpayer was \$3,356. Of the total amount of credits available, just over 78 percent of the credits were applied to reduce tax liability and about 22 percent were carried forward to a subsequent tax year.

Because this tax credit is an awarded tax credit, tax credit claims should have a certificate number included in the claim on the IA 148 Tax Credits Schedule. The claims with certificate numbers accounted for over 88 percent of the dollars claimed. Most of the claims without certificate numbers were carried forward from a previous tax year and therefore may never have been assigned a certificate number. There were 515 tax credit awards claimed. The disparity in the number of claims and the number of awards claimed is because some of the awards were made to pass-through entities.

Historic Preservation and Cultural and Entertainment District Tax Credit

In tax year 2006, the Historic Preservation and Cultural and Entertainment District (HPCED) Tax Credit was a nonrefundable tax credit although the credit could be claimed as a refundable credit, but at a discounted rate. The refundable credit will be addressed in a later section of this paper. The credit is equal to 25 percent of qualified expenses used to preserve historic property in the state of Iowa. In fiscal year 2006, the tax credit was capped at \$6.4 million. The tax credits are issued by the Department of Cultural Affairs.

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	3	\$0	\$136,399	\$136,399	\$136,399	\$0	\$0
Franchise Tax	4	\$0	\$556,122	\$556,122	\$556,122	\$0	\$0
Individual Income Tax	9	\$3,430	\$389,079	\$392,509	\$379,022	\$0	\$13,487
Insurance Premium Tax	1	\$0	\$174,125	\$174,125	\$174,125	\$0	\$0
Total	17	\$3,430	\$1,255,725	\$1,259,155	\$1,245,668	\$0	\$13,487

The nonrefundable HPCED Tax Credit was claimed by 17 taxpayers in 2006. These taxpayers claimed 19 credits which totaled \$1.2 million. Nearly 45 percent of the credits were claimed against franchise tax and an additional 30 percent were claimed by individual income tax taxpayers. The average tax credit claim reducing tax liability for all tax types was \$73,275. Of all the credits available, nearly 99 percent of those credits were applied against 2006 tax liability and only one percent was carried forward.

Like the Endow Iowa Tax Credit, the HPCED Tax Credit is also an awarded tax credit and should therefore have an issued certificate number included on the IA 148. Almost half of the HPCED claims reported a certificate number. The low share is likely due to the fact that some of these credits had been carried forward from previous tax years and the taxpayers did not have a certificate number on their tax credit certificate. The other explanation is that some of these credits, while newly available in 2006, were issued years before the tax year in which they can be claimed and so it is likely that the award they received did not have a certificate number printed on the tax credit certificate.

Enterprise Zone Housing Investment Tax Credit

The Housing Investment Tax Credit is a credit issued under the Enterprise Zone Program. The credit is equal to ten percent of investment directly related to the building or rehabilitating of single-family homes or multiple dwelling units in an area designated as an Enterprise Zone by the Department of Economic Development. The tax credits are issued to taxpayers by the Department of Economic Development.

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	5	\$169,636	\$104,004	\$273,640	\$216,953	\$54,716	\$1,971
Franchise Tax	1	\$0	\$140,000	\$140,000	\$140,000	\$0	\$0
Individual Income Tax	47	\$691,917	\$603,291	\$1,295,208	\$409,850	\$2,441	\$882,917
Insurance Premium Tax	4	\$0	\$2,805,198	\$2,805,198	\$2,744,225	\$0	\$60,973
Total	57	\$861,553	\$3,652,493	\$4,514,046	\$3,511,028	\$57,157	\$945,861

Over \$3.5 million in Housing Investment Tax Credits were claimed in 2006. These credits were claimed by 57 taxpayers claiming 62 credits. The average tax credit claimed against 2006 tax liability by a taxpayer was \$61,597. The average claim not including the many small claims made by individual income tax taxpayers was over \$310 thousand. It was reported that just over one percent

of the available credits in 2006 expired and about 20 percent were carried forward to subsequent tax years.

Claims for this credit should include a certificate number. Just over 60 percent of the claims made had a valid certificate number for their claim, which accounted for over 90 percent of the dollars claimed. There were 33 different awarded Housing Investment Tax Credit claims made. About half of the claims that did not have certificate numbers were carrying credits forward from a previous tax year.

Investment Tax Credit

An Investment Tax Credit (ITC) is awarded by the Department of Economic Development to businesses who complete an agreement to create or expand their business and/or create jobs in the state of Iowa. The amount of the credit is generally no more than ten percent of the business' investment. An Investment Tax Credit can be awarded under four different tax incentive programs. These programs are: the Enterprise Zone Program, the High Quality Job Creation Program, the New Capital Investment Program, and the New Jobs and Income Program. More detailed information on these programs can be found in the Tax Credits User's Manual.

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	132	\$67,860,806	\$16,608,428	\$84,469,234	\$12,095,762	\$3,168,740	\$69,204,732
Individual Income Tax	3,841	\$18,924,703	\$44,444,225	\$63,368,928	\$20,307,861	\$2,228,264	\$40,832,567
Insurance Premium Tax	1	\$0	\$411,150	\$411,150	\$47,264	\$0	\$363,886
Total	3,974	\$86,785,509	\$61,463,803	\$148,249,312	\$32,450,887	\$5,397,004	\$110,401,185

Nearly four thousand taxpayers claimed \$32.5 million in Investment Tax Credits in tax year 2006. The claims were made against corporate income tax, individual income tax and insurance premium tax, with the majority of claims being taken against individual income tax. The average claim per taxpayer was \$8,166. The large number of individual income tax claims and the small average claim is likely due to pass-through entities passing the credit through to shareholders. Almost 75 percent of available credits were carried forward to a subsequent tax year. Nearly 22 percent of credits were applied to 2006 tax liability and just over three percent of credits expired.

Of the 4,255 tax credit claims made by 3,974 taxpayers, less than 1.5 percent included the required tax credit certificate number. The claims with certificate numbers accounted for over 35 percent of the dollars applied toward tax liability. The certificate numbers that were provided attributed claims to 62 different tax credit awards. One possible reason for a lack of certificate numbers is that of the 2,700 claims that do not have certificate numbers, nearly 1,300 are credits carried forward from previous years and so the taxpayer may not have been assigned or informed of the tax credit certificate number. Another potential reason is that pass-through entities are not informing the shareholders of the certificate number they should use to claim their tax credit. It is hoped that as taxpayers get used to the new process of using tax credit certificate numbers more taxpayers will complete their IA 148 properly.

Program	Count by Certificate Number	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Enterprise Zone Program	294	\$2,616,877	\$3,327,292	\$5,944,169	\$1,662,759	\$455,537	\$3,825,873
High Quality Job Creation Program	8	\$290,000	\$1,833,064	\$2,123,064	\$1,082,155	\$0	\$1,040,909
New Capital Investment Program	174	\$525,026	\$1,599,824	\$2,124,850	\$998,628	\$1,312	\$1,124,910
New Jobs and Income Program	1,037	\$3,993,316	\$5,660,949	\$9,654,265	\$3,428,047	\$22,741	\$6,203,477
Unknown Program	2,742	\$79,360,290	\$49,042,674	\$128,402,964	\$25,279,298	\$4,917,414	\$98,206,016
Total	4,255	\$86,785,509	\$61,463,803	\$148,249,312	\$32,450,887	\$5,397,004	\$110,401,185

Of the Investment Tax Credit claims that can be attributed to a particular tax incentive program, the majority of claims were awarded under the New Jobs and Income Program (NJIP). Excluding the claims that could not be attributed to a tax incentive program, nearly half of the ITC dollars claimed were awarded under the NJIP while almost 30 percent of the dollars claimed were awarded under the Enterprise Zone Program. Credits claimed under NJIP and Enterprise Zone awards also reported the largest amount of credits carried forward. The High Quality Job Creation Program had the largest average tax credit claim at over \$135 thousand. The program with the next highest average tax credit claim was the New Capital Investment Program with an average claim of just over \$5,700.

Iowa Industrial New Jobs (260E) Tax Credit

In addition to the withholding tax credits that are issued under the Iowa Industrial New Jobs Training Program (260E), income tax credits that can be claimed against individual and corporate income taxes are also issued. The program's goal is to assist businesses that create new positions with new employee training. The tax credits are issued to businesses that enter into a 260E agreement with Iowa Community Colleges. The program is monitored by the Department of Economic Development.

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	72	\$8,202,678	\$968,590	\$9,171,268	\$1,951,311	\$0	\$7,219,957
Individual Income Tax	1,149	\$3,017,302	\$1,478,378	\$4,495,680	\$1,241,943	\$28	\$3,253,709
Total	1,221	\$11,219,980	\$2,446,968	\$13,666,948	\$3,193,254	\$28	\$10,473,666

Just over 1,200 taxpayers claimed 260E tax credits in 2006. All 260E tax credit claims totaled \$3.2 million in reduced tax liability. Individual income tax taxpayers claimed over 94 percent of the number of claims, but corporate income tax taxpayers claimed 61.1 percent of the dollars claimed under this program. The average claim for taxpayers filing an individual income tax return was almost \$1,100. The average claim for corporate income tax taxpayers was over \$27,100. Over 75 percent of the tax credits available in 2006 were carried forward to subsequent tax years.

Renewable Energy Tax Credit

The Renewable Energy Tax Credit is available for a producer or purchaser of energy from an eligible renewable energy facility. The amount of the credit depends on the amount of energy generated. The facilities must be approved by the Iowa Utilities Board, but the tax credit awards are issued by the Department of Revenue.

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	2	\$0	\$960,970	\$960,970	\$960,970	\$0	\$0
Total	2	\$0	\$960,970	\$960,970	\$960,970	\$0	\$0

Renewable Energy Tax Credits were only claimed by taxpayers filing corporate income tax returns. There were two corporations which claimed five different credits totaling nearly \$1 million. All of the tax credits available in 2006 were used and none were carried forward. All of the tax credit claims were filed with the required certificate number.

School Tuition Organization Tax Credit

The School Tuition Organization Tax Credit is available to taxpayers who make a voluntary cash contribution to a school tuition organization (STO). The amount of the credit is equal to 65 percent of the contribution made to the STO. The tax credits are awarded by the STO to which the contribution is made. The first year the tax credit was available was tax year 2006. In that year there was a cap of \$2.5 million for the STO Tax Credit. The credit can only be claimed against individual income tax.

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Individual Income Tax	1,075	\$0	\$2,386,342	\$2,386,342	\$2,177,877	\$0	\$230,867
Total	1,075	\$0	\$2,386,342	\$2,386,342	\$2,177,877	\$0	\$230,867

In 2006, there were 1,075 taxpayers who claimed 1,096 tax credits. Total tax credit claims were nearly \$2.2 million. The average claim per taxpayer was \$2,026. There were 1,044 tax credit awards claimed of the 1,125 awards issued. The 81 awards that do not appear in the data will likely be carried forward to subsequent tax years, but that amount is not reflected in the carry forward shown in the table above. Because the cap on the program was \$2.5 million in 2006, it is likely that the additional carry forward will be in the vicinity of \$115 thousand.

Note that the sum of tax credits applied to tax liability in 2006 and the carry forward to subsequent tax years is greater than the amount of credits available for the tax year. The reason for this is that some taxpayers incorrectly claimed more tax credits than they were awarded. The Compliance Division is working on recovering the amounts that were over-claimed; once the funds are received the claim amounts will be revised to reflect the correct tax credit claim.

Once again, this is an awarded credit and a certificate number is supposed to be used to claim the credit. Because there was access to the information of all awards made for 2006, if a taxpayer did not include the certificate number, it was added to the claim while the data was being cleaned. If an award could not be found for the taxpayer or the taxpayer's spouse then the tax credit claim type was set to missing.

Venture Capital Tax Credit – Iowa Fund of Funds

The Venture Capital Tax Credit – Iowa Fund of Funds is a tax credit that is awarded to investors in the Iowa Fund of Funds when the return on their investments that does not meet the guaranteed rate of return. If a taxpayer qualifies for the tax credit, awards will be issued by the Department of Revenue.

There were no awards made under this program for the 2006 tax year. Therefore, no credit claims were allowed for this tax credit. If an attempt was made by a taxpayer to claim this credit, additional information provided in the claim was used to determine the proper tax credit claim type. If there was no additional information available, the tax credit code was set to missing.

Venture Capital Tax Credit – Qualified Business or Community-Based Seed Capital Fund

The Venture Capital Tax Credit – Qualified Business or Community-Based Seed Capital Fund (VC-QBCSC) is awarded to taxpayers who make an equity investment into a qualifying business or community-based seed capital fund that is approved by the Iowa Capital Investment Board. The amount of the credit is equal to 20 percent of the investment.

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	5	\$514	\$8,171	\$8,685	\$7,123	\$0	\$1,562
Franchise Tax	7	\$0	\$20,503	\$20,503	\$20,503	\$0	\$0
Individual Income Tax	233	\$28,604	\$499,297	\$527,901	\$378,299	\$0	\$149,602
Insurance Premium Tax	1	\$0	\$12,377	\$12,377	\$12,377	\$0	\$0
Total	246	\$29,118	\$540,348	\$569,466	\$418,302	\$0	\$151,164

In tax year 2006, 246 taxpayers claimed 274 VC-QBCSC tax credits. These tax credit claims totaled just over \$400 thousand. Most of the claims were made against individual income tax with the average claim by an individual being \$1,624. This program had a cap of \$3 million for investments made in 2003 (there is a three year delay between when the investment is made and the award can be claimed), but the amount awarded for contributions in 2003 was only \$2.275 million. This means that about 80 percent of potential awards were claimed in 2006.

Of the credits available to be claimed in 2006, nearly 75 percent were applied toward 2006 tax liability and just over 25 percent of the credits were carried forward. Only six of the claims included tax credit certificate numbers. A likely reason for the lack of certificate numbers is that when these credits were issued the program that requires the certificate numbers was not yet in place.

Venture Capital Tax Credit – Venture Capital Funds

The Venture Capital Tax Credit – Venture Capital Funds (VC-VCF) is a tax credit equal to six percent of the equity investment made in a venture capital fund approved by the Iowa Capital Investment Board. Like the VC-QBCSC, the VC-VCF also requires taxpayers to wait three years before claiming the tax credit. The Department of Revenue issues the tax credit awards to the taxpayer.

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	1	\$7,974	\$0	\$7,974	\$2,125	\$0	\$5,849
Individual Income Tax	21	\$64,430	\$50,583	\$115,013	\$100,097	\$0	\$14,916
Insurance Premium Tax	1	\$0	\$300,000	\$300,000	\$300,000	\$0	\$0
Total	23	\$72,404	\$350,583	\$422,987	\$402,222	\$0	\$20,765

Only 23 taxpayers claimed 27 VC-VCF tax credits in 2006. The tax credit claims totaled \$400 thousand. Over 95 percent of the credits available in 2006 were applied to 2006 tax liability and only five percent were carried forward. The average claim for a taxpayer filing an individual income tax return was \$4,767. Certificate numbers are required for this awarded tax credit, but none of the claims were made using the certificate number and it was not possible to determine the certificate number that was tied to the claims. This is likely due to the fact that the credit eligible to be taken in the 2006 tax year were awarded in 2003 before the tax credit certificate numbering system had been established.

Wind Energy Production Tax Credit

The Wind Energy Production Tax Credit is issued to electrical production facilities that produce electricity from wind. The credit is equal to \$0.01 per kilowatt-hour of electricity sold or generated for on-site consumption. The facilities are approved through the Iowa Utilities Board, but the credits are issued by the Department of Revenue.

There were no awards made under this program for the 2006 tax year. Therefore, no credit claims were allowed for this tax credit. If an attempt was made by a taxpayer to claim this credit, additional information provided in the claim was used to determine the proper tax credit claim type. If there was no additional information available the tax credit code was set to missing.

III. Refundable Tax Credit Claims

There were over 2,600 refundable tax credit claims made in 2006. These claims totaled over \$60 million. Claims were made against individual income tax and corporate income tax.

Refundable Administrative Tax Credit

The only refundable administrative tax credit is the Claim of Right Tax Credit. This credit can be taken if there was income repaid in the current tax year that was reported and taxed on a prior lowa tax return. The credit can only be claimed against individual income tax. In tax year 2006, there were twenty claims totaling \$12,452.

Refundable Tax Credit Claims by Tax Type

In 2006, there were 2,612 "other refundable" tax credit claims made against lowa taxes. This number does not include the refundable administrative tax credit claims. Refundable tax credit claims were made only against individual and corporate income taxes. These claims totaled over \$60 million.

Tax Type	Number of Tax Credit Claims	Amount of Tax Credit Claims
Corporate Income Tax	478	\$53,550,573
Individual Income Tax	2,134	\$7,210,592
Total	2,612	\$60,761,165

Corporate Income Tax

Other refundable tax credit claims made against corporate income tax in 2006 totaled over \$53.5 million. These claims accounted for 88.1 percent of the dollars claimed and 18.3 percent of the number of claims made. The average claim was \$112,030.

In addition to the amounts claimed in the table above, there were three tax credit claims made against the corporate income tax that were not included because taxpayers did not indicate which tax credit was being claimed or they attempted to claim a type of credit for which no awards had been awarded and the correct type of claim could not be determined during the verification process. These tax credit claims totaled \$12,467. Because of the lack of detail, they will not be included in any further analysis.

Individual Income Tax

There were over 2,100 refundable tax credit claims made against individual income tax in 2006. These claims totaled \$7.2 million or 11.9 percent of refundable tax credit claim dollars. The average claim was \$3,379.

As with corporate income tax, there were also 51 tax credit claims made against individual income tax that were not included because taxpayers did not indicate which tax credit was being claimed or they attempted to claim a type of credit for which no awards had been awarded and the correct type of claim could not be determined. These tax credit claims totaled \$82,424. Because of the lack of detail, these claims will not be included in any further analysis.

Refundable Tax Credit Claims by Credit Type

There were thirteen refundable tax credits that could be claimed using the IA 148 Tax Credits Schedule against various tax types in tax year 2006. This includes the one administrative credit that will not be addressed in this section.

Assistive Device Tax Credit

The Assistive Device Tax Credit is available to taxpayers who operate a small business and purchase, rent or modify an assistive device or make workplace modifications for an individual with a disability who is employed or will be employed by the small business. The credit is limited to 50 percent of the first \$5,000 paid for the device or modification. The awards are issued by the Department of Economic Development.

There were no awards made under this program for the 2006 tax year. Therefore, no credit claims were allowed for this tax credit. If an attempt was made by a taxpayer to claim this credit, additional information provided in the claim was used to determine the proper tax credit claim type. If there was no additional information available the tax credit code was set to missing.

Biodiesel Blended Fuel Tax Credit

The Biodiesel Blended Fuel Tax Credit is available to retail dealers who sell biodiesel blended fuel through motor fuel pumps during the tax year. The credit is equal to \$0.03 per gallon of biodiesel blended fuel sold. No award is required for this tax credit. The taxpayer claims the credit, if eligible, on the individual income tax or corporate income tax return.

Tax Type	Number of Taxpayers	Amount of Tax Credits Applied in Current Tax Year
Corporate Income Tax	29	\$1,314,945
Individual Income Tax	40	\$339,754
Total	69	\$1,654,699

There were 69 taxpayers who claimed 71 Biodiesel Blended Fuel Tax Credits in 2006. These tax credit claims totaled almost \$1.7 million. Of the \$1.7 million claimed, just over \$825 thousand (50 percent) were issued in refunds to the taxpayer. Individual income tax filers claimed nearly 60 percent of the number of credits, but only 20 percent of the amount of dollars claimed. The average claim for an individual income tax taxpayer was almost \$8,500 and the average claim for a corporate income tax taxpayer was over \$45,300.

Ethanol Blended Gasoline Tax Credit

The Ethanol Blended Gasoline Tax Credit is available to service stations at which more than 60 percent of the total gasoline sold is ethanol blended gasoline. The credit is equal to \$0.025 for each gallon sold in excess of 60 percent. No award is required for this tax credit. The taxpayer claims the credit, if eligible, on the individual income tax or corporate income tax return.

Tax Type	Number of Taxpayers	Amount of Tax Credits Applied in Current Tax Year
Corporate Income Tax	154	\$3,906,462
Individual Income Tax	682	\$2,352,677
Total	836	\$6,259,139

In tax year 2006, there were 836 taxpayers who claimed 933 Ethanol Blended Gasoline Tax Credits. The total amount of tax credits claimed totaled almost \$6.3 million. Sixty percent of the dollars claimed (\$3.8 million) were paid to taxpayers as refunds. Once again, individual income tax taxpayers had a large percentage of the number of claims (81.6) but a drastically smaller percentage of the dollars claimed (37.6). The average claim for corporate taxpayers was over \$25,300 while the average claim for individual income tax taxpayers was \$3,450.

E85 Gasoline Promotion Tax Credit

The E85 Gasoline Promotion Tax Credit is available to retail dealers of gasoline who sell E85 gasoline through motor fuel pumps during the tax year. The credit is equal to \$0.25 per gallon of E85 gasoline sold during calendar years 2006 and 2007. No award is required for this tax credit. The taxpayer claims the credit, if eligible, on the individual income tax or corporate income tax return.

Tax Type	Number of Taxpayers	Amount of Tax Credits Applied in Current Tax Year
Corporate Income Tax	31	\$366,401
Individual Income Tax	75	\$148,934
Total	106	\$515,335

There were 106 taxpayers who claimed 109 E85 Gasoline Promotion Tax Credits in 2006. These tax credit claims totaled over \$500 thousand, of which \$222 thousand was paid out in refunds. Individual income tax filers claimed over 70 percent of the number of credits, but only 29 percent of the amount of dollars claimed. The average claim for an individual income tax taxpayer was almost \$2,000 and the average claim for a corporate income tax taxpayer was over \$11,800.

Historic Preservation and Cultural and Entertainment District Tax Credit – Discounted Refund

In tax year 2006 the HPCED credit was available as a refundable credit, but only if the taxpayer discounted the amount of the credit. The amount of the discount was dependent on Iowa Department of Revenue interest rates; in 2006, taxpayers received \$0.747 per dollar. Like the nonrefundable HPCED credit, the awards are issued by the Department of Cultural Affairs.

Tax Type	Number of Taxpayers	Amount of Tax Credits Applied in Current Tax Year
Corporate Income Tax	4	\$3,609,217
Individual Income Tax	2	\$176
Total	6	\$3,609,393

There were six taxpayers that claimed eight HPCED credits totaling \$3.6 million, as a discounted refund, in 2006. Nearly all of the claims of this credit were paid to taxpayers as a refund. Most of the claims were made against corporate income tax. The average claim for corporate taxpayers was just over \$900 thousand. Of the eight tax credit claims, six included an issued certificate number.

Refundable Investment Tax Credit

A Refundable Investment Tax Credit is available under some of the economic development programs. The refundable credits are only issued to projects that are value-added agricultural or biotechnology projects. Refundable Investment Tax Credits are issued under the Enterprise Zone Program and the High Quality Job Creation Program; both programs have an annual cap of \$4 million. The credits are issued by the Department of Economic Development.

Tax Type	Number of Taxpayers	Amount of Tax Credits Applied in Current Tax Year
Corporate Income Tax	2	\$934,181
Individual Income Tax	94	\$375,378
Total	96	\$1,309,559

In tax year 2006, there were 96 taxpayers who claimed 102 Refundable Investment Tax Credit claims. The claims of these tax credits totaled \$1.3 million. Less than \$200 thousand of these tax credit claims were paid to taxpayers as a tax refund. The average claim by a taxpayer filing an individual income tax return was almost \$4,000. In contrast, the average claim for corporate taxpayer was nearly \$470 thousand. These tax credits were claimed under ten different certificate numbers which accounted for almost 95 percent of the dollars claimed.

Research Activities Tax Credit

The Research Activities Tax Credit is available to taxpayers conducting research activities in the state of Iowa. The credit is equal to 6.5 percent of Iowa's apportioned share of qualifying expenditures for increasing research activities. If a taxpayer is eligible for the credit, it can be claimed by completing either the IA 128 or the IA 128A tax forms. There is also \$1 million in Research Activities Tax Credits available to companies conducting research in renewable energy. This research need not qualify under the federal credit and the company must be approved through the Department of Economic Development.

Tax Type	Number of Taxpayers	Amount of Tax Credits Applied in Current Tax Year
Corporate Income Tax	160	\$27,448,175
Individual Income Tax	701	\$3,011,458
Total	861	\$30,459,633

There were 861 taxpayers claiming 895 Research Activities Tax Credits. These tax credit claims totaled nearly \$30.5 million in tax year 2006. The amount refunded to taxpayers in 2006 was \$21.0 million or 69 percent of the dollars claimed. Individual income tax taxpayers accounted for over 80 percent of the number of claims, but less than ten percent of the dollars claimed. The average claim for a taxpayer filing individual income taxes was \$4,296 while the average claim for a corporate taxpayer was \$171,551.

Supplemental Research Activities Tax Credit

The Supplemental Research Activities Tax Credit is available to taxpayers who have been approved by the Department of Economic Development under the Enterprise Zone Program, the High Quality Job Creation Program, the New Capital Investment Program, or the New Jobs and Income Program. The supplemental credit allows taxpayers to claim an additional amount up to equal to their Research Activities Tax Credit, depending on their agreement with the Department of Economic Development.

Tax Type	Number of Taxpayers	Amount of Tax Credits Applied in Current Tax Year
Corporate Income Tax	25	\$13,176,521
Individual Income Tax	62	\$202,984
Total	87	\$13,379,505

In tax year 2006, there were 87 taxpayers who claimed 90 Supplemental Research Activities Tax Credits totaling \$13.4 million. \$13.1 million of those claims were paid as tax refunds to the taxpayers. Similar to the Research Activities Tax Credit, individual taxpayers accounted for over 70 percent of the number of claims, but less than two percent of the dollars claimed. Because the supplemental credit is an awarded credit, the claims should have included a tax credit certificate number, but less than 50 percent of the dollars claimed included that certificate number.

Soy-Based Cutting Tool Oil Tax Credit

The Soy-Based Cutting Tool Oil Tax Credit is available to manufacturers that transition from using nonsoy-based cutting tool oil to using soy-based cutting tool oil. The amount of the credit is equal to the purchase and replacement costs relating to the transition. These costs cannot exceed \$2 per gallon and the number of gallons eligible for the credit cannot exceed 2,000 gallons.

Tax Type	Number of Taxpayers	Amount of Tax Credits Applied in Current Tax Year
Individual Income Tax	7	\$4,659
Total	7	\$4,659

The Soy-Based Cutting Tool Oil Tax Credit was only claimed against individual income tax in 2006. There were seven taxpayers who claimed seven tax credits. None of the tax credit claims for this credit were paid as a refund to the taxpayer. The total amount of tax credits claimed was almost \$4,700. The average claim per taxpayer was \$666.

Soy-Based Transformer Fluid Tax Credit

The Soy-Based Transformer Fluid Tax Credit is available to electric utilities that transition from using nonsoy-based transformer fluid to using soy-based transformer fluid. The amount of the credit is equal to the purchase and replacement costs relating to the transition. These costs cannot exceed \$2 per gallon and the number of gallons eligible for the credit cannot exceed 20,000 gallons per electric utility and cannot exceed 60,000 gallons in the aggregate. The tax credit awards are issued by the Department of Revenue.

There were no Soy-Based Transformer Fluid Tax Credit awards claimed in tax year 2006. There were awards made that could potentially have been included on some returns in the 2006 tax year, but it is possible that the timing of the award did not correspond with the recipient's 2006 tax year.

Third Party Sales Tax Tax Credit

A Third Party Sales Tax Tax Credit is available to third-party developers involved in High Quality Job Creation Program, New Capital Investment Program or New Jobs and Income Program projects. The developer must submit completed forms to the Department of Economic Development for approval of the credit. The tax credit award is then issued, with a certificate number, by the Department of Economic Development.

There were no awards claimed for this credit in 2006. To the best of the author's knowledge there were not any awards made for this tax credit by the Department of Economic Development. There were no attempts by any taxpayer to claim this tax credit.

Wage-Benefit Tax Credit

The Wage-Benefit Tax Credit is available to businesses which create new jobs related to the location or expansion of a business in Iowa. The amount of the credit depends on the amount of annual wages and benefits, as a percent of the average county wage, paid to the employee hired. In fiscal year 2007, the first year of the tax credit, the amount of awards was capped at \$10 million. The tax credit awards are issued by the Department of Revenue.

Tax Type	Number of Taxpayers	Amount of Tax Credits Applied in Current Tax Year
Corporate Income Tax	36	\$2,794,671
Individual Income Tax	142	\$742,685
Total	178	\$3,537,356

There were 178 taxpayers who claimed 301 Wage-Benefit Tax Credits in tax year 2006. The claims totaled just over \$3.5 million which likely indicates that the remainder of the \$10 million awarded in fiscal year 2007 will show up in tax year 2007 claims or that claims were filed without a tax credit type on the 2006 tax returns. Of the \$3.5 million claimed, over \$3.1 million was paid to taxpayers as a tax refund. The average claim for a corporate taxpayer was \$77,630 while individual income tax taxpayers' average claim was \$5,230. 99 percent of the 178 claims were filed with the required tax credit certificate number.

IV. Results Summary

The summary of the tax credit claims made in tax year 2006 are separated into nonrefundable and refundable tax credit claims. For the nonrefundable tax credit claims, the table includes not only the amount of tax credits used to reduce tax liability in 2006, but also the amount being carried forward to subsequent tax years. The table for refundable tax credit claims includes both the amount of the claims made and the amount of claims that were refunded to taxpayers in 2006.

Summary of Nonrefundable Tax Credit Claims

	Amount of Tax Credits Applied in Current Tax Year	Amount of Tax Credits Carried Forward to Next Tax Year
Economic Development Region Revolving Fund Tax Credit	\$0	\$0
Endow Iowa Tax Credit	\$1,726,105	\$477,047
Franchise Tax Credit	\$10,934,469	\$0
Historic Preservation and Cultural and Entertainment District Tax Credit	\$1,245,668	\$13,487
Enterprise Zone Housing Investment Tax Credit	\$3,511,028	\$945,861
Investment Tax Credit	\$32,450,887	\$110,401,185
Iowa Industrial New Jobs (260E) Tax Credit	\$3,193,254	\$10,473,666
Minimum Tax Credit	\$4,068,499	\$12,934,165
Renewable Energy Tax Credit	\$960,970	\$0
S Corporation Apportionment Tax Credit	\$49,488,396	\$0
School Tuition Organization Tax Credit	\$2,177,877	\$230,867
Venture Capital Tax Credit - Iowa Fund of Funds	\$0	\$0
Venture Capital Tax Credit - Qualified Business or Community-Based Seed Capital Fund	\$418,302	\$151,164
Venture Capital Tax Credit - Venture Capital Funds	\$402,222	\$20,765
Total	\$110,577,677	\$135,648,207

Summary of Refundable Tax Credit Claims

	Amount of Tax Credits Applied in Current Tax Year	Amount Refunded
Assistive Device Tax Credit	\$0	\$0
Biodiesel Blended Fuel Tax Credit	\$1,654,699	\$826,519
Ethanol Blended Gasoline Tax Credit	\$6,259,139	\$3,768,550
E85 Gasoline Promotion Tax Credit	\$515,335	\$221,577
Historic Preservation and Cultural and Entertainment District Tax Credit - Discounted Refund	\$3,609,393	\$3,590,701
Refundable Investment Tax Credit	\$1,309,559	\$193,954
Research Activities Tax Credit	\$30,459,633	\$20,960,889
Supplemental Research Activities Tax Credit	\$13,379,505	\$13,054,519
Soy-Based Cutting Tool Oil Tax Credit	\$4,659	\$0
Soy-Based Transformer Fluid Tax Credit	\$0	\$0
Third Party Sales Tax Tax Credit	\$0	\$0
Wage-Benefit Tax Credit	\$3,537,356	\$3,136,564
Total	\$60,729,278	\$45,753,273

V. Appendix (2006 IA 148 Form and Instructions)



2006 IA 148 Tax Credits Schedule

Name(s)	Taxpayer Identification Number (SSN or FEIN)
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Part I — Nonrefundable Credits

	A Tax Credit Code (see instr.)	B Certificate Number (if applicable)	C Amount Carried Forward From Prior Years	D Current Year Amount (earned by taxpayer or received from pass-through entity)	E Total Credit Available (C+D=E)	F Amount Applied Current Year (may not exceed total tax liability)	G Expired Credit Amount	H Amount Carried Forward to Future Years (E-F-G=H)
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								

Part II — Refundable Credits

	I Tax Credit Code (see instr.)	J Certificate Number (if applicable)	K Current Year Amount (earned by taxpayer or received from pass-through entity)
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Part I Total (Sum of column F; enter amount on line 54 of IA1040, line 10 of IA1040C, or line 2 of schedule C1 of IA1120 or line 13 of IA 1120A)

Part III — Total Credits
(Does not apply to individual income tax)

(Sum of Totals Part I and Part II; enter amount on line 17 of IA1120F, line 30 of IA1041, or the miscellaneous line of the Iowa Insurance Premium Tax Return)

Part II Total (Sum of column K; enter amount on line 66 of IA1040, line 14 of IA1040C, or line 3 of schedule C1 of IA1120 or line 14 of IA 1120A)

Part IV — Pass -Through Entity Schedule

L Line Number from Part I or Part II Above	M Pass-Through Entity Name	N Pass-Through Entity Federal ID Number	O Taxpayer's Percentage Share of Credit Earned by Pass-Through Entity

Instructions for IA 148 Tax Credits Schedule

Attach the Tax Credits Schedule to the tax return on which tax credits are being claimed. The tax credits schedule is used to claim tax credits against individual income tax, fiduciary income tax, corporation income tax, franchise tax, and insurance premium tax liabilities. Each credit should be entered on a separate line. Also, a separate line should be used for each unique tax credit certificate number.

Part I: Nonrefundable Tax Credits

Column A: Enter the tax credit code from the table below for the credit claimed on each line.

- 02 Economic Development Region Revolving Fund Credit
- 03 Endow Iowa Credit
- 04 Franchise Tax Credit (refer to worksheet IA 147)
- 05 Historic Preservation Credit
- 06 Housing Investment Tax Credit
- 07 Investment Tax Credit (attach form IA3468)
- 08 Iowa New Jobs Credit (attach form IA133)
- 09 Minimum Tax Credit (attach form IA8801 to IA1040 and IA1041; or form IA8827 to IA1120)
- 10 Renewable Energy Credit (476C)
- 11 S Corporation Apportionment Credit (attach form IA134)
- 12 School Tuition Organization Credit
- 13 Venture Capital Credit-Fund of Funds
- 14 Venture Capital Credit-Qualified Business or Seed Capital Fund
- 15 Venture Capital Credit-Venture Capital Funds
- 16 Wind Energy Production Credit (476B)

Column B: Enter the tax credit certificate number received from the agency or organization that awarded the tax credit. Tax credits awarded before July 2006 may not have a certificate number. Several credits do not require the award of a tax credit certificate and/or number from an agency or organization. The following nonrefundable credits do not require a certificate number: franchise tax credit, minimum tax credit, and S corporation apportionment credit. If the tax credit certificate does not have a certificate number, leave blank. For non-awarded credits, leave blank.

Column C: Enter any amount carried forward from previous tax years for each of the credits being claimed.

Column D: Enter the total amount of credit you earned directly or received from a pass-through entity (see definition of pass-through entity in instructions for Part IV) during the current tax year. The table for column A indicates if a credit requires a separate form. If the credit you are claiming lists a form number, please attach that form to your tax return. If a credit is received from a pass-through entity, Part IV must also be completed for the credit.

Column E: Add column C plus column D and enter total in column E.

Column F: Enter the amount of each credit being applied to the current tax year. If credits available (the sum of column F) exceed total liability (i.e., from line 53 of the IA1040 for the individual income tax), credits are to be claimed in the order provided in Iowa Administrative Rule 701-42.23 for individual income tax and fiduciary income tax and Iowa Administrative Rule 701-52.12 for corporation income tax, franchise tax, and insurance premiums tax. (To view the text of these rules, go to www.legis.state.ia.us/ACO/IAChtml/701.htm and scroll down to 42.23 or 52.12). The total of column F may not exceed total tax liability.

Column G: If the entire credit is not claimed by the end of the carryforward period, the remaining credit expires. Enter the amount of any credit that has expired.

Column H: Enter the amount from column E less any amount from column F and/or column G.

Part II: Refundable Tax Credits.

Column I: Enter the tax credit code from the table below for the credit claimed on each line.

- 51 Assistive Device Credit
- 52 Biodiesel Blended Fuel Credit (attach form IA 8864)
- 53 Claim of Right Credit
- 54 Ethanol Blended Gasoline Credit (attach form IA6478)
- 55 E85 Gasoline Promotion Credit (attach form IA 135)
- 56 Historic Preservation Credit Discounted Refund
- 57 Refundable Investment Tax Credit (attach form IA 3468)
- 58 Research Activities Credit (attach form IA128 or Form IA128A)
- 59 Additional Research Activities Credit (attach form IA128 or form IA128A)
- 60 Soy-Based Cutting Tool Oil Credit
- 61 Soy-Based Transformer Fluid Credit
- 62 Third Party Sales Tax Credit
- 63 Wage-Benefit Credit

Column J: Enter the tax credit certificate number received from the agency or organization that awarded the tax credit. Tax credits awarded before July 2006 may not have a certificate number. Several credits do not require the award of a tax credit certificate and/or number from an agency or organization. The following refundable credits do not require a certificate number: biodiesel blended fuel credit, claim of right credit, E85 gasoline promotion credit, ethanol blended gasoline credit, research activities credit (if not doubled under an Iowa Department of Economic Development program), and soy-based cutting tool oil credit. If the tax credit certificate does not have a number, leave blank. For non-awarded credits, leave blank.

Column K: Enter the total amount of credit you earned directly or received from a pass-through entity (see definition of pass-through entity in instructions for Part IV) during the current tax year. The table for column I indicates if a credit requires a separate form. If the credit you are claiming lists a form number, please attach that form to your tax return. If a credit is received from a pass-through entity, Part IV must also be completed for the credit.

Part III: Total Credits

Enter the sum of the total boxes for Part I and Part II. This total is entered on line 17 of IA1120F, line 30 of IA1041 or the miscellaneous line of the Iowa Insurance Premium Tax Return.

Part IV: Pass-Through Entity Schedule

Businesses that are organized as pass-through entities (such as partnerships, limited liability companies, cooperatives, S corporations, etc.) earn tax credits at the business level, but the credits are claimed by individuals and businesses that are

members of the ownership group. For each line in Part I or Part II with a credit received from a pass-through entity, complete a corresponding line in Part IV to indicate the source of the credits.

Column L: Enter the line number from Part I or Part II that includes credits received from a pass-through entity. This includes any carryforward (column C) claimed from credits received in prior years from a pass-through entity.

Column M: Enter the name of the pass-through entity from which credits were received.

Column N: Enter the Federal Employer Identification Number (FEIN) of the pass-through entity from which credits were received. This FEIN should be the same number provided to the awarding agency or organization. It also should be the same FEIN used to complete any required information returns (such as Form IA1065 and Schedule K-1 for partnerships).

Column O: Enter the percentage share of credits earned by the pass-through entity that you are claiming. Enter the percentage with one decimal place.

Special Instructions

Related to Individual Income and Fiduciary Tax:

Individuals using filing status 3 (married filing separately on this combined return) must complete a separate Form IA148 for each spouse with credits to claim.

The list of credits included in the instructions for column A and column I include tax credits for all types of taxpayers. In 2006, individuals are allowed to claim all credits except renewable energy credit, wind energy production credit, and third party sales tax credit. All credits except renewable energy credit, wind energy production credit and third party sales tax credit may also be claimed on fiduciary tax returns.

Related to Corporate Income Tax:

The list of credits included in the instructions for column A and column I include tax credits for all types of taxpayers. All of the credits except the claim of right credit, S corporation apportionment credit, and school tuition organization credit are allowed to be claimed on corporate income tax returns.

Related to Franchise Tax:

The list of credits included in the instructions for column A and column I include tax credits for all types of taxpayers. The following nonrefundable credits may be claimed against the franchise tax: economic development region revolving fund credit, endow Iowa credit, historic preservation credit, housing investment tax credit, investment tax credit, renewable energy credit, venture capital credit-fund of funds,

venture capital credit-qualified business or seed capital fund, venture capital credit-venture capital funds, and wind energy production credit. The following refundable credits may be claimed against the franchise tax: historic preservation credit discounted refund, refundable investment tax credit, third party sales tax credit, and wage-benefit tax credit. The minimum tax credit is reported on line 16 of the IA1120F and will not appear on the IA148.

Related to Insurance Premium Tax:

Currently, no refunds are issued for the insurance premium tax if payments and credits exceed tax liability. For insurance companies claiming credits that are refundable for other taxes, use Part II even though credits in excess of tax liability will not actually generate a refund.

The list of credits included in the instructions for column A and column I include tax credits for all types of taxpayers. The following nonrefundable credits may be claimed against the insurance premium tax: economic development region revolving fund credit, endow Iowa credit, historic preservation credit, housing investment tax credit, investment tax credit, renewable energy credit, venture capital credit-fund of funds, venture capital credit-qualified business or seed capital fund, venture capital credit-venture capital funds, and wind energy production credit. The following refundable credits may be claimed against the insurance premium tax: historic preservation credit discounted refund, refundable investment tax credit, third party sales tax credit, and wage-benefit tax credit.