

Who Must File this Form

Taxpayers who elect to claim the Alternative Simplified Research Activities Tax Credit must use the IA 128S. Taxpayers who elect to claim the regular Research Activities Tax Credit must use the IA 128. The taxpayer may elect to use either method regardless of the method used in computing the federal research credit. The taxpayer is not required to use the same method in computing the Research Activities Tax Credit for subsequent years.

Research expenses qualified for the Iowa Research Activities Tax Credit are based on the rules governing the federal research tax credit. See Internal Revenue Code (IRC) section 41. A taxpayer may only claim the Iowa tax credit if the business conducting the research also claims and is allowed the federal research credit for the same taxable year and is engaged in an eligible industry in Iowa.

The Iowa credit equals 4.55% of increased research expenses plus 6.5% of increased basic research expenses in Iowa. Any tax credit in excess of tax liability can be refunded or credited to tax liability for the following year.

Industry in Which the Researching Business is Engaged

You must report the industry in which the business conducting the research is engaged. A taxpayer may only claim the Iowa tax credit if the business conducting the qualified research is engaged in manufacturing, life sciences, agriscience, software engineering, or the aviation and aerospace industry. For definitions of these industries, please see Iowa Administrative Code rule 701—304.11.

Ineligible businesses include, but are not limited to, those engaged in agricultural production, an agricultural cooperative, a finance or investment company, a retailer, a wholesaler, a publisher, a transportation company, a real estate company, a collection agency, an accountant, an architect, a contractor, a subcontractor, or a builder, or a business that engages in commercial and residential repair and installation including but not limited to heating or cooling installation and repair, plumbing and pipe fitting, security system installation, and electrical installation and repair.

Innovative Renewable Energy Generation

Under the High Quality Jobs Program, taxpayers may be awarded a Research Activities Tax Credit for the development and deployment costs of innovative renewable energy generation components manufactured or assembled in Iowa. This cannot include components with more than 200 megawatts of installed effective nameplate capacity. These costs are not eligible for the federal research tax credit. A separate IA 128S must be completed to account for these costs, which can be included on line 14 of the separate form. The amount of the additional tax credit relating to these costs is not eligible for the Supplemental Alternative Simplified Research Activities Tax Credit.

Example: An eligible business with annual gross receipts of \$20 million or less earns an Iowa Alternative Simplified Research Activities Tax Credit of \$50,000, excluding any costs relating to innovative renewable energy generation components. The business is allowed a supplemental tax credit of \$76,923, which would result in an Iowa tax credit of \$126,923. The Iowa tax credit related to innovative renewable energy generation components is \$25,000. This can be added to the regular and supplemental tax credit, resulting in a total Iowa Alternative Simplified Research Activities Tax Credit of \$151,923.

Trades or Businesses under Common Control

For a group of trades or businesses under common control (whether or not incorporated), the Iowa Alternative Simplified Research Activities Tax Credit is calculated as if all the organizations are one trade or business. The tax credit calculated for the group must be shared among the members of the group on the basis of each member's proportionate contribution to the increase in research expenses.

Adjustments for Certain Acquisitions and Dispositions

If a major portion of a trade or business is acquired or disposed of, adjustments must be made to research expenses for the period before or after the acquisition or disposition.

Short Tax Year

For any short tax year, qualified research expenses are annualized.

Pass-Through Entities - Allocation of Tax Credit

The tax credit calculated on lines 2 through 23 by a pass-through entity (partnership, LLC, S corporation, estate, or trust) is allocated to the members. The tax credit allocation must be in the ratio of each member's share of the earnings of the entity to the entity's total earnings. Special allocations are not permitted. The pass-through entity must file the IA 128S and the Federal 6765 with its return. Report the tax credit to the Department and to members as instructed below (see Where to Report This Tax Credit).

If the taxpayer earns a tax credit by conducting research and is a member of a pass-through entity that has passed through a tax credit to the taxpayer, calculate the tax credit on the IA 128S, lines 2 through 23, and also enter the pass-through tax credit on line 25. Report each separately.

Supplemental Research Activities Tax Credit

Businesses with tax incentive contracts under the High Quality Jobs Program or the Enterprise Zone Program can be awarded a Supplemental Research Activities Tax Credit by the Iowa Economic Development Authority (IEDA). The maximum eligible supplemental tax credit is provided in the contract along with the tax credit certificate number. For businesses with annual gross receipts of \$20 million or less (as reported on line 9), the maximum supplemental tax credit is calculated by multiplying line 21 by 7% or line 18 by 3%, plus 10% of line 12. For businesses with annual gross receipts exceeding \$20 million, the maximum supplemental tax credit is calculated by multiplying line 21 by 2.1% or line 18 by 0.9%, plus 3% of line 12. The amount claimed cannot exceed the amount awarded by IEDA. If the Supplemental Research Activities Tax Credit is earned by a pass-through entity, report the supplemental tax credit to the Department and to members as instructed below (see Where to Report This Tax Credit).

2022 IA 128S Line Instructions

Provide your name, Social Security Number (SSN) or Federal Employer Identification Number (FEIN), tax period ending date, and industry. If you are claiming a tax credit amount received from a pass-through entity, enter the name and FEIN of the pass-through entity.

Line 1: Claim to federal research credit

Iowa law requires that the researching business must claim and be allowed the Federal Credit for Increasing Research Activities under IRC section 41 for the same taxable year in order for the business to be eligible to claim the Iowa credit. Even if this is true, the researching business must also meet the industry requirements under Iowa law noted above (see Industry in Which Researching Business is Engaged).

Lines 2 through 8: U.S. qualified research expenses

Enter amounts from the Federal Credit for Increasing Research Activities, federal form 6765. Lines 2-4 are the same as federal lines 1-3 or 18-20 (as applicable); lines 5-8 equal federal lines 5-8 or 24-27 (as applicable).

Line 9: Average U.S. annual gross receipts

Enter the average U.S. annual gross receipts for the four tax years preceding the tax year for which the tax credit is being determined. For any short year you may be required to annualize gross receipts. See IRC sections 41(c)(1)(B) and 41(f)(4) and Treas. Reg. section 1.41-3 for details. Use this value to determine the calculation of the Supplemental Research Activities Tax Credit if applicable.

Line 10: Iowa basic research payments

Corporations other than S corporations, personal holding companies, service organizations, LLCs, and partnerships, enter cash payments, pursuant to a written contract, made to a qualified university or scientific research organization in Iowa for basic research. See IRC section 41(e) for details.

Line 11: Iowa base period amount

Enter the qualified organization base period amount based on minimum basic research amounts for the preceding three years, see IRC section 41(e) for details. For purposes of apportionment, multiply the amount on line 4 by the quotient of the amount on line 10 divided by the amount on line 3 [i.e. line 4 x (line 10 / line 3)].

Line 14: Iowa expenses on research wages

Enter any wages paid to an employee for qualified research services performed in Iowa.

Line 15: Iowa expenses on research supplies

Enter the amounts paid or incurred for supplies used to conduct qualified research in Iowa.

Line 16: Iowa research expenses on computers

Enter the amount paid or incurred to another person for the right to use computers to conduct qualified research in Iowa. This entry must be reduced by any amount received or accrued from any other person for the right to use substantially identical personal property.

Line 17: Iowa contract research expenses

Include 65% of qualified research performed on your behalf in Iowa. Use 75% for payments made to a qualified research consortium and 100% for payments made for qualified energy research performed by an eligible small business, university, or federal laboratory. Include payments to those same entities to the extent they are included as basic research payments on line 10, not to exceed the base period amount on line 11, subject to the 65% or 75% limitation.

Line 19: Prior research

Enter the total qualified research expenses in Iowa for the three years before the year in which the tax credit is being determined. If you had no qualified research expenses in Iowa during any one of the prior three years, enter zero. For example, if you had qualified research expenses in Iowa during 2019 and 2021 but did not do research in Iowa during tax year 2020, enter zero. For any short year, see Treas. Reg. section 1.41-9(c)(3)(i).

Line 23: Iowa Alternative Simplified Research Activities Tax Credit

Add lines 13 and 22. See Where to Report This Tax Credit below.

Line 24: Supplemental Research Activities Tax Credit

If you have a Supplemental Research Activities Tax Credit award from IEDA and earned a Supplemental Research Activities Tax Credit, indicate the amount earned on this line, not to exceed the maximum awarded amount. See above for information on calculating the Supplemental Research Activities Tax Credit. See Where to Report This Tax Credit below.

Line 25: Pass-through Alternative Simplified Research Activities Tax Credit

If the taxpayer has received any pass-through Alternative Simplified Research Activities Credit from a partnership, LLC, S corporation, estate, or trust, indicate that amount on this line. File a separate IA 128S for each pass-through Alternative Simplified Research Activities Tax Credit received, and provide the required information regarding the pass-through entity. See Where to Report This Tax Credit below.

Line 26: Pass-through Supplemental Research Activities Tax Credit

If the taxpayer has received any pass-through Supplemental Alternative Simplified Research Activities Credit from a partnership, LLC, S corporation, estate, or trust, indicate that amount on this line. File a separate IA 128S for each pass-through Supplemental Research Activities Tax Credit received, and provide the required information regarding the pass-through entity. See Where to Report This Tax Credit below.

Include this form, the Federal 6765 and the 2022 IA 148 Tax Credits Schedule with your IA 1040, IA 1041, or IA 1120.

Include this form and the Federal 6765 with your IA 1065 or IA 1120S.

Where to Report This Tax Credit:

Iowa Form:	Enter amounts from lines 23, 24, 25, or 26 on:	Additional Instructions:
1040	IA 148 Tax Credits Schedule	<ul style="list-style-type: none"> Report line 23 and 25 amounts on the IA 148, Part II, using tax credit code 58. List each tax credit claim earned or received separately. Report line 24 and 26 amounts on the IA 148, Part II, using tax credit code 59 and the tax credit certificate number from the tax credit certificate issued by IEDA. List each tax credit claim earned or received separately. For line 25 and 26 amounts from another pass-through entity, report required information about the pass-through entity on the IA 148, Part IV. List each pass-through tax credit claim separately.
1120		
1041 (amounts claimed at entity level)		
1041 (amounts allocated to beneficiaries)	IA 1041 Schedule K-1	<ul style="list-style-type: none"> Report the allocated share of line 23 and 25 amounts on each beneficiary's IA 1041 Schedule K-1 using tax credit code 58. List each tax credit claim earned or received separately. Report the allocated share of line 24 and 26 amounts on each beneficiary's IA 1041 Schedule K-1 using tax credit code 59 and the tax credit certificate number from the tax credit certificate issued by IEDA. List each tax credit claim earned or received separately. Instruct the beneficiaries to report their allocated tax credit on line 25 or 26 of form IA 128S as appropriate, and include the IA 128S with their tax return.
1065	IA 1065, Schedule B and IA 1065 Schedule K-1	<ul style="list-style-type: none"> Report line 23 and 25 amounts on the IA 1065, Schedule B as earned by the entity (line 23) or received from another pass-through entity (line 25), and use tax credit code 58. Also, report each member's allocated share of the tax credit on the IA 1065 Schedule K-1 using tax credit code 58. List each tax credit claim earned or received separately on the Schedule B and Schedules K-1. Report line 24 and 26 amounts on the IA 1065, Schedule B as earned by the entity (line 24) or received from another pass-through entity (line 26), and use tax credit code 59 and the tax credit certificate number from the tax credit certificate issued by IEDA. Also, report each member's allocated share of the tax credit on the IA 1065 Schedule K-1 using tax credit code 59 and the tax credit certificate number. List each tax credit claim earned or received separately on the Schedule B and Schedules K-1. Instruct the members to report their allocated tax credit on line 25 or 26 of form IA 128S, as appropriate, and include the IA 128S with their tax return.
1120S	IA 1120S, Schedule B and IA 1120S Schedule K-1	<ul style="list-style-type: none"> Report line 23 and 25 amounts on the IA 1120S, Schedule B as earned by the entity (line 23) or received from another pass-through entity (line 25), and use tax credit code 58. Also, report each member's allocated share of the tax credit on the IA 1120S Schedule K-1 using tax credit code 58. List each tax credit claim earned or received separately on the Schedule B and Schedules K-1. Report line 24 and 26 amounts on the IA 1120S, Schedule B as earned by the entity (line 24) or received from another pass-through entity (line 26), and use tax credit code 59 and the tax credit certificate number from the tax credit certificate issued by IEDA. Also, report each member's allocated share of the tax credit on the IA 1120S Schedule K-1 using tax credit code 59 and the tax credit certificate number. List each tax credit claim earned or received separately on the Schedule B and Schedules K-1. Instruct the members to report their allocated tax credit on line 25 or 26 of form IA 128S, as appropriate, and include the IA 128S with their tax return.