

Research Activities Credit Annual Report

For the Period July 1 – December 31, 2009

Reporting Requirements

Senate File 478, Sections 232 through 234, enacted by the 2009 General Assembly established the requirement that the Department of Revenue annually report on individuals and companies that claim the Iowa Research Activities Tax Credit. As signed the reporting requirement applied to returns filed on or after July 1, 2009.

As required by the legislation the report includes:

- The total amount of Regular Research Activities Tax Credit claims.
- The total amount of Supplemental Research Activities Tax Credit claims.
- The total amount of Research Activities Tax Credit claims paid as refunds.
- The amounts of Research Activities Tax Credits claimed against corporate income tax and against individual income tax.
- The names of taxpayers and the amounts claimed for taxpayers that claimed in excess of \$500,000 of Research Activities Tax Credits.

Tax Credit Eligibility and Tax Return Filing Requirements

Individuals that satisfy the conditions specified in Iowa Code Section 422.10 (2009), and corporations that satisfy the conditions specified in Iowa Code Section 422.33(5) (2009), may claim the Regular Research Activities Credit. The regular credit amount equals 6.5 percent of the Iowa apportioned share of the increase relative to a base amount of qualifying research expenditures used for federal income tax purposes. The Supplemental Research Activities Credit is only available to companies that receive awards from the Iowa Department of Economic Development under either the Enterprise Zone Program or the High Quality Jobs Program. As specified in Iowa Code Section 15.335 (2009), the supplemental credit may result in up to an additional 6.5 percent of qualifying incremental research expenditures made in the State.

Companies eligible to claim the Research Activities Tax Credit may compute the credit amount using either of two methods. Companies eligible to claim the Supplemental Research Activities Credit must compute the credit amount using the same method used to compute the Regular Research Activities Tax Credit amount.

Although Research Activities Tax Credits are only eligible for qualifying business expenditures, individuals with ownership interests in pass-through entities like limited liability companies, S-corporations, and partnerships may qualify to claim a portion of the credits awarded to one or more businesses. In addition to filing the IA 1040 for individuals and form IA 1120 or form IA 1120A for corporations the following supporting forms must be filed in order to claim Research Activities Tax Credits.

- Form IA 128 – Iowa Research Activities Credit (Regular Calculation Method), or
- Form IA 128A – Iowa Alternative Incremental Research Activities Credit, and
- Form IA 148 – Tax Credits Schedule

Information provided on the three forms listed above provides the basis for this report. Since information from these forms is not automatically captured from paper filed returns some data from tax returns filed between July 1 and December 31, 2009 may be missing from the report because data from subsidiary tax credit forms filed with these returns is not yet entered into the tax credits database. Also, the information reflected in this report is pre-audit. The data has been reviewed and obvious computational errors have been corrected, but corrections of filing errors that can only be determined through the review of returns by either examiners or auditors have not yet been completed.

Summary of Research Activities Tax Credit Claims

The following is a summary of Regular Research Activities Tax Credit and Supplemental Research Activities Tax Credit claims filed between July 1 and December 31, 2009.

Table 1. Research Activities Tax Credit Claims and Refunds

7/1/2009 - 12/31/2009

	Tax Credit Claims					
	Individual		Corporate		Total	
	Number	Amount	Number	Amount	Number	Amount
Regular Research Activities Tax Credits	53	\$129,580	106	\$7,239,539	159	\$7,369,119
Supplemental Research Activities Tax Credits	3	\$82	13	\$1,498,116	16	\$1,498,198
Total Research Activities Tax Credits		\$129,662		\$8,737,655		\$8,867,317

	Tax Credit Refunds					
	Individual		Corporate		Total	
	Number	Amount	Number	Amount	Number	Amount
Regular Research Activities Tax Credits	18	\$77,299	79	\$5,297,420	97	\$5,374,719
Supplemental Research Activities Tax Credits	2	\$74	13	\$1,327,065	15	\$1,327,139
Total Research Activities Tax Credits		\$77,373		\$6,624,485		\$6,701,858

Note: Individual credit claim numbers are preliminary.

Summary for Selected Tax Credit Claimants

Only five companies filed claims for Research Activities Tax Credits in excess of \$500,000 between July 1 and December 31, 2009. Information for these companies is provided below.

Table 2. Research Activities Tax Credit Large Claimant Details

7/1/2009-12/31/2009

Claimant	Claim Amount
Vermeer Manufacturing	\$1,352,069
Hon Industries, Inc	\$892,396
Interstate Power and Light Company	\$576,438
CNH America LLC	\$708,338
Syngenta Seeds, Inc	\$503,748
Total	\$4,032,989

Note: The claim amount includes both the Regular Research Activities Tax Credit and the Supplemental Research Activities Tax Credit.

Reporting Date Recommendation

A reporting date of February 15th does not allow adequate time for the Department to complete the capture and review of data from returns filed through December 31st. We recommend making the reporting date June 30th for tax returns filed during the prior calendar year.