

Research Activities Credit Annual Report

For the Period January 1 – December 31, 2010

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. This report considers claims filed during calendar year 2010.

As required by the legislation the report includes:

- The total amount of 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 Research Activities Tax Credit. The credit equals 6.5 percent of the Iowa apportioned share of the increase in research expenditures 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, for awards made prior to July 1, 2010, the supplemental credit may equal an additional 6.5 percent of qualifying incremental research expenditures made in the State, but may be subject to a per project cap set by the Department of Economic Development. After July 1, 2010, supplemental awards to businesses with annual gross revenues less than \$20 million can result in a supplemental credit up to an additional 10 percent of qualifying incremental research expenditures made in the State. For businesses with annual gross revenues \$20 million or more, the supplemental credit is up to an additional 3 percent.

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

Although Research Activities Tax Credits are only eligible for qualifying business research 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 earned by one or more businesses. In addition to filing the IA 1040 for individuals and form IA 1120 for corporations the following supporting forms must be filed in order to claim a Research Activities Tax Credit.

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

Information provided on the three forms listed above provides the basis for this report. Some data from tax returns filed between January 1 and December 31, 2010 may be missing from the report because data from these tax credit forms filed with paper returns may not yet have been 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 January 1, 2010 and December 31, 2010.

Table 1. Research Activities Tax Credit Claims and Refunds

1/1/2010 - 12/31/2010

	Tax Credit Claims					
	Individual		Corporate		Total	
	Number	Amount	Number	Amount	Number	Amount
Research Activities Tax Credits	665	\$2,855,836	160	\$29,318,232	825	\$32,174,068
Supplemental Research Activities Tax Credits	96	\$379,781	17	\$15,907,882	113	\$16,287,663
Total Research Activities Tax Credits		\$3,235,617		\$45,226,114		\$48,461,731

	Tax Credit Refunds					
	Individual		Corporate		Total	
	Number	Amount	Number	Amount	Number	Amount
Research Activities Tax Credits	181	\$1,057,699	133	\$27,308,295	314	\$28,365,994
Supplemental Research Activities Tax Credits	33	\$273,196	17	\$15,724,359	50	\$15,997,555
Total Research Activities Tax Credits		\$1,330,895		\$43,032,654		\$44,363,549

Note: Individual credit claim numbers are preliminary.

Summary for Selected Tax Credit Claimants

Nine companies filed claims for Research Activities Tax Credits in excess of \$500,000 between January 1, 2010 and December 31, 2010. Information for these companies is provided below. Three of the companies from last year's report did not meet the filing requirements for the report this year.

Table 2. Research Activities Tax Credit Large Claimant Details

1/1/2010-12/31/2010

Claimant	Claim Amount
Rockwell Collins Inc & Subsidiaries	\$14,213,205
Deere & Company	\$12,797,619
El DuPont De Nemours And Company Inc	\$5,949,495
John Deere Construction & Forestry Company	\$2,198,830
Monsanto Company	\$1,848,480
Pfizer Inc & Subsidiaries	\$942,184
Skyworks Solutions Inc	\$896,127
Vermeer Manufacturing Company And Subsidiaries	\$862,725
Interstate Power And Light Company	\$576,438
Total	\$39,708,665

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