

Name(s)  
▶

Social Security Number (SSN) or  
Federal Employer Identification Number (FEIN)  
▶

Industry in which researching business is engaged (see instructions)  
▶

Pass-through entity legal name (if applicable)  
▶

Pass-through FEIN      Tax Period End Date  
▶      ▶

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**PART I - Eligibility**

1a. Are you only filing this IA 128 to claim a pass-through credit received from another entity?

Yes ▶  Continue to Part III, line 37.  
No ▶  Continue to 1b.

1b. Are you an ineligible business? (see Industry in which the researching business is engaged – ineligible businesses in instructions)

Yes ▶  You are not eligible for the Iowa Research Activities Tax Credit (RAC). Stop.  
No ▶  Continue to 1c.

1c. Did you claim the federal research credit for this same tax year?

Yes ▶  Continue to 1d  
No ▶  You are not eligible for the Iowa RAC. Stop.

1d. Did you or will you file an IA 128 claiming an Iowa RAC on Part III, line 34 or 35, by the due date of your original return, including extensions?

Yes ▶  Continue to 1e.  
No ▶  You are not eligible for the Iowa RAC. Stop.

1e. If this is an amended IA 128 to increase your Iowa RAC for this tax year, are you filing this amended IA 128 either 1) within six months of the due date of your original return, including extensions; or 2) because your Iowa RAC claim was increased by a federal Internal Revenue Service audit or Iowa Department of Revenue audit?

Not Applicable ▶  Continue to Part II, line 2.  
Yes ▶  Continue to Part II, line 2.  
No ▶  You are not eligible to increase your Iowa RAC. Stop.





SSN or FEIN

▶

**PART III – Calculation of Tax Credit Based on Percentage of Research Occurring within Iowa**

Use Dollars and Cents

17. Basic research payments to qualified organizations in Iowa.....	▶ 17		
18. Iowa apportioned qualified organization base period amount.....	▶ 18		
19. Subtract line 18 from line 17. If zero or less, enter zero.....	▶ 19		
20. Multiply line 19 by 6.5% (0.065).....	▶ 20		
21. Wages for qualified research services performed in Iowa.....	▶ 21		
22. Non qualifying Iowa wages. See instructions.....	▶ 22		
23. Qualifying Iowa wages. Subtract line 22 from line 21.....	▶ 23		
24. Cost of supplies used in conducting qualified research in Iowa.....	▶ 24		
25. Eligible cost of Iowa supplies. Multiply line 24 by 40% (.40).....	▶ 25		
26. Applicable portion of contract research expenses incurred in Iowa.....	▶ 26		
27. Non qualifying Iowa contract research expenses. See instructions.....	▶ 27		
28. Qualifying Iowa contract research expenses. Subtract line 27 from line 26.....	▶ 28		
29. Total Iowa qualified research expenses. Add lines 23, 25, and 28.....	▶ 29		
30. Total U.S. qualified research expenses. Add lines 2 and 9.....	▶ 30		
31. Iowa share of research. Divide line 29 by line 30, enter percentage to the nearest hundredth of a percent (ex. 72.18%).....	▶ 31		%
32. Expenses allocable to Iowa. Multiply line 16 by the percentage on line 31.....	▶ 32		
33. Multiply line 32 by 6.5% (0.065).....	▶ 33		
34. Iowa RAC. Add lines 20 and 33. If you are computing the credit as a controlled group or group of businesses under common control per Internal Revenue Code section 41(f)(1), complete Schedule A and proceed to line 35. Otherwise, this is your tax credit. See Where to Report this Tax Credit in instructions.....	▶ 34		
35. Share of Iowa RAC for members of a controlled group or group of businesses under common control. Enter your share of the Iowa RAC from Schedule A, Column E. See Where to Report this Tax Credit in instructions.....	▶ 35		
36. Iowa Supplemental RAC. See Where to Report this Tax Credit in instructions.....	▶ 36		
37. Pass-through Iowa RAC received from partnership, LLC, S corporation, estate, or trust. See Where to Report this Tax Credit in instructions.....	▶ 37		
38. Pass-through Iowa Supplemental RAC received from partnership, LLC, S corporation, estate, or trust. See Where to Report this Tax Credit in instructions.....	▶ 38		

Include this form with your return.





## Recent Changes

2022 Iowa Acts House File 2317 enacted several changes to the Iowa Research Activities Credit (RAC) that apply to tax years beginning on or after January 1, 2023. These changes include:

- Researching businesses have new time restrictions on claiming or increasing the Iowa RAC. See *When and How to File this Form* below for additional information.
- Researching businesses must use the same method (regular method or alternative simplified method) to calculate their Iowa RAC as they elected or were required to use in calculating their federal research credit.
- Expenses for the use of a third party's computers in the conduct of qualified research under Internal Revenue Code section 41(b)(2)(A)(iii) no longer qualify as Iowa qualified research expenses.
- New restrictions apply to the calculation of Iowa qualified research expenses for wages paid to an employee. See the Line 22 instructions for additional information.
- New restrictions apply to the calculation of Iowa qualified research expenses for contract research expenses. See the line 27 instructions for additional information.
- For tax year 2025, only 40% of the amounts paid for supplies related to research performed in Iowa will qualify as Iowa qualified research expenses. This allowable percentage will decrease in the future.
- For tax year 2025, a taxpayer may only receive a refund for 70% of the amount of the Iowa RAC, and 85% of the Iowa Supplemental RAC, that exceeds the taxpayer's Iowa tax liability. These allowable refund percentages will decrease in the future. Any credit amount that exceeds these refund limitations for the tax year cannot be carried forward to another tax period.

This form also includes new procedures for calculating and reporting the Iowa RAC for businesses that compute the federal research credit as a controlled group or as a group of businesses under common control per Internal Revenue Code (IRC) section 41(f) (1). These businesses must complete Schedule A to report certain information about all members of the group, and report their share of the Iowa RAC on Part III, line 35.

## Who must file this form

Taxpayers who claim the regular Research Activities Tax Credit must use the IA 128. Taxpayers who claim the Alternative Simplified Research Activities Tax Credit must use the IA 128S. The taxpayer must use the same method used in computing the federal research tax credit for the tax year.

Research expenses qualified for the Iowa RAC are based on the rules governing the federal research tax credit under IRC section 41, with certain adjustments required under Iowa law. A taxpayer may only claim the Iowa RAC if the business conducting the research does all of the following:

- Timely files an IA 128 or 128S. See *When and How to File this Form* below.
- Claims and is allowed the federal research credit for the same taxable year.
- Is engaged in an eligible industry in Iowa. See *Industry in Which the Researching Business is Engaged—Ineligible Businesses* below.

The Iowa credit equals 6.5% of increased research expenses over the base amount in Iowa plus 6.5% of increased basic research expenses in Iowa.

## When and how to file this form

A taxpayer may only claim the Iowa RAC if the business conducting the qualified research properly files an IA 128 claiming a credit amount on Part III, line 34 or 35, by the due date of the researching business's Iowa tax return, including extensions. If properly claimed, the researching business may only increase its Iowa RAC claim under two circumstances:

1. The increased Iowa RAC claim is filed within six months of the due date of the researching business's Iowa return, including extensions; or
2. The increased Iowa RAC claim results from a federal Internal Revenue Service audit or an Iowa Department of Revenue audit.

These limitations do not apply to Iowa RAC reductions. If the researching business, or a pass-through claimant, discovers that their Iowa RAC claim was overstated, the taxpayer must reduce that Iowa RAC claim on an amended Iowa return.

Include this form, the Federal 6765, and the 2025 IA 148 Tax Credits Schedule (41-148) with your IA 1040 Individual Income Tax Return (41-001), IA 1041 Iowa Fiduciary Tax Return (63-001), or IA 1120 Iowa

Corporation Tax Return (42-001).

Include this form and the Federal 6765 with your IA 1065 Iowa Partnership Return (41-016) or IA 1120S Iowa Income Tax Return of S Corporation (42-004).

### **Industry in which the researching business is engaged – ineligible businesses**

You must report the industry in which the business conducting the research is engaged. A taxpayer may only claim the Iowa RAC 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, 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 an Iowa RAC 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 128 must be completed to account for these costs, which can be included on lines 5 and 21 of the separate form. The amount of the additional tax credit relating to these costs is not eligible for the Iowa Supplemental RAC.

Example: An eligible business with gross receipts of \$20 million or less earns an Iowa RAC of \$50,000, excluding any costs relating to innovative renewable energy generation components. The business is allowed a supplemental credit of \$76,923, which would result in an Iowa tax credit of \$126,923. The Iowa RAC relating 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 RAC of \$151,923.

### **Trades or businesses under common control**

For a controlled group or a group of trades or businesses under common control (whether or not incorporated), the Iowa RAC is calculated as if all the organizations are one trade or business in accordance with IRC section 41(f)(1). The tax credit calculated for the group must be shared among the members on the basis of each member's proportionate contribution to the increase in research expenses. For more information, see the instructions below for line 35 and for Schedule A.

### **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 35 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 128 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 IA 128, lines 2 through 34 (or 35), and also enter the pass-through tax credit on line 37. Report each tax credit separately.

### **Iowa Supplemental RAC**

Businesses with tax incentive contracts under the High Quality Jobs Program can be awarded an Iowa Supplemental RAC by the Iowa Economic Development Authority (IEDA). The total available Iowa Supplemental RAC award is provided in the contract along with the tax credit certificate number. A business's allowable Iowa supplemental RAC is the lesser of their available award from IEDA or their maximum Iowa supplemental

RAC as described in this section. The maximum Iowa supplemental RAC is different depending on whether or not the business's annual gross receipts (as reported on line 11) exceed \$20 million.

**If gross receipts do not exceed \$20 million:** The maximum Iowa supplemental RAC equals 10% of the sum of lines 19 and 32 [i.e.  $.10 \times (\text{line } 19 + \text{line } 32)$ ]. If the taxpayer is a member of a controlled group or group under common control, the maximum Iowa supplemental RAC must be determined by multiplying the result in the previous sentence by the taxpayer's % share of total Iowa QREs from Schedule A, Column D.

**If gross receipts exceed \$20 million:** The maximum Iowa supplemental RAC equals 3% of the sum of lines 19 and 32 [i.e.  $.03 \times (\text{line } 19 + \text{line } 32)$ ]. If the taxpayer is a member of a controlled group or group under common control, the maximum Iowa supplemental RAC must be determined by multiplying the result in the previous sentence by the taxpayer's % share of total Iowa QREs from Schedule A, Column D.

If the Iowa Supplemental RAC is earned by a pass-through entity, report the RAC credit to the Department and to members as instructed below (see Where to Report this Tax Credit).

### 2025 IA 128 line instructions

Provide your name, Social Security Number (SSN) or Federal Employer Identification Number (FEIN), tax period ending date, and qualified 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: Eligibility

Even if a researching business meets the industry requirements under Iowa law noted above (see Industry in Which Researching Business is Engaged—Ineligible businesses), Iowa law imposes other requirements that must be satisfied before the researching business may claim an Iowa RAC. Answer questions 1a through 1e related to eligibility.

#### 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; lines 5-7 equal federal lines 42-44; line 8 equals federal line 47.

#### Line 10: Fixed-base percentage

Use the same fixed-base percentage calculated for the federal research tax credit, rounded to the nearest hundredth of a percent (e.g. 12.34%), not to exceed 16.00%.

#### Line 11: 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 Iowa Supplemental RAC, if applicable.

#### Line 17: 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 18: 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 amount on line 17 divided by the amount on line 3 [i.e.  $\text{line } 4 \times (\text{line } 17 / \text{line } 3)$ ].

#### Line 21: Iowa expenses on research wages

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

#### Line 22: Non qualifying Iowa wages

From the total amount of Iowa wages entered on line 21, enter on this line the amount of any wages that must be excluded pursuant to the "majority work" or "substantially all" limitations described here.

**"Majority work" limitation.** Wages paid to an employee for qualified research services performed in Iowa will only qualify as Iowa qualified research expenses if, during the period of the tax year that the business is engaging in one or more research projects, a majority (greater than 50%) of the total services performed by that employee are directly related to those research projects.

**Example:** Taxpayer, a calendar year filer, engages in two qualified research projects during tax year 2025. Project 1 goes from January through March. Project 2 goes from November through February of 2026. This means the applicable period upon which this limitation is measured is the 5-month period of January through March and November through December. In order for Employee A's wages for services performed in Iowa to qualify as Iowa qualified research expenses, Employee A must have spent a majority of that 5-month applicable period performing services that were directly related to the Taxpayer's research projects. This is true even if Employee A only worked on Project 1. Employee A's hours worked on Project 1 during January through March must be greater than 50% of the total hours worked by Employee A during the entire 5-month applicable period.

**“Substantially all” limitation.** The “substantially all” rule for determining wages paid for qualified services, as described in IRC section 41(b)(2)(B) and Treas. Reg. section 1.41-2(d)(2), does not apply to the calculation of Iowa qualified research expenses. In other words, if an employee's wages allocated to qualified services constitute at least 80% of the employee's total wages during the tax year, the business is not permitted to round such wage allocation up to 100% for purposes of calculating Iowa qualified research expenses. Instead, the business must use the employee's actual wage allocation.

#### **Line 24: Iowa expenses on research supplies**

Enter the amounts paid or incurred for supplies directly related to qualified research performed in Iowa.

#### **Line 25: Eligible cost of Iowa supplies**

For tax years beginning during 2025, Iowa law limits the eligible cost of Iowa supplies to 40% of the amount directly related to qualified research performed in Iowa. Multiply the amount on line 24 by 40% (.40).

#### **Line 26: 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 17, not to exceed the base period amount on line 18, subject to the 65% or 75% limitation.

#### **Line 27: Non qualifying Iowa contract research expenses**

From the total amount of Iowa contract research expenses entered on line 26, enter on this line the amount of any expenses that must be excluded pursuant to the “majority work” limitation described here.

**“Majority work” limitation.** Contract research expenses paid to a third party for a person to perform qualified research services in Iowa will only qualify as Iowa qualified research expenses if, during the period of the tax year that the third party is performing research services for the taxpayer, a majority (greater than 50%) of the total services performed by that person for the third party are directly related to those research projects of the taxpayer.

**Example:** Taxpayer, a calendar year filer, contracts with Third Party to do qualified research for Taxpayer. Third Party performs this qualified research for Taxpayer during January through June of the Taxpayer's tax year. This means the applicable period upon which this limitation is measured is the 6-month period of January through June. Person A, who works for Third Party, performed qualified research services for Third Party pursuant to its contract with Taxpayer. In order for the contract payments applicable to Person A's services in Iowa to qualify as Iowa qualified research expenses, Person A must have spent a majority of the 6-month applicable period performing services that were directly related to the qualified research that Third Party was doing for Taxpayer under contract.

#### **Line 34: Iowa RAC**

Add lines 20 and 33. If you are computing the credit as a controlled group or group of businesses under common control per IRC section 41(f)(1), complete Schedule A and proceed to line 35. Otherwise, this is your tax credit amount. See Where to Report This Tax Credit below.

#### **Line 35: Share of Iowa RAC for members of a controlled group or group of businesses under common control**

For the group member filing this IA 128, enter on this line that group member's share of the Iowa RAC from Schedule A, Column E. This is that group member's tax credit amount. See Where to Report This Tax Credit below.



**Line 36: Iowa Supplemental RAC**

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

**Line 37: Pass-through RAC**

If the taxpayer has received any pass-through Iowa RAC from a partnership, LLC, S corporation, estate, or trust, indicate that amount on this line.

File a separate IA 128 for each pass-through RAC received, and provide the required information regarding the pass-through entity. See Where to Report This Tax Credit below.

**Line 38: Pass-through Supplemental RAC**

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

**Schedule A Instructions**

A taxpayer computing the Iowa RAC as a controlled group or group of businesses under common control per IRC section 41(f)(1) must complete Schedule A and include the relevant information for each member of the group.

**Columns A and B:** Enter the name and FEIN of each member of the group on separate rows.

**Column C:** Enter the Iowa qualified research expenses (QREs) for each group member, and sum the Column C amounts for all group members in the "Totals" field. The sum of the total Iowa QREs in Column C must equal the total Iowa qualified research expenses in Part III, line 29.

**Column D:** For each group member, divide the member's Iowa QREs from the applicable row in Column C by the Total Iowa QREs for Column C. Enter this as a percentage rounded to the nearest hundredth of a percent (ex. 72.18%). Sum the Column D percentages for all group members in the "Totals" field. The sum of the total percentages in Column D must equal 100%.

**Column E:** For each group member, multiply the member's % share of total Iowa QREs from Column D by the Iowa RAC reported in Part III, line 34. The group member filing this IA 128 must enter their share of the Iowa RAC from Column D on Part III, line 35.

**Where to Report This Tax Credit:**

Iowa Form:	Enter amounts from lines 34 (or 35), 36, 37, and 38 on:	Additional Instructions:
1040	IA 148 Tax Credits Schedule	<ul style="list-style-type: none"> <li>Report line 34 (or 35) and 37 amounts on the IA 148, Part V, using tax credit code 58. List each tax credit claim earned or received separately.</li> <li>Report line 36 and 38 amounts on the IA 148, Part V, 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.</li> <li>For line 37 and 38 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.</li> </ul>
1120		
1041 (amounts claimed at entity level)		
1041 (amounts allocated to beneficiaries)	IA 1041 Schedule K-1	<ul style="list-style-type: none"> <li>Report the allocated share of line 34 (or 35) and 37 amounts on each beneficiary's IA 1041 Schedule K-1 using tax credit code 58. List each tax credit claim earned or received separately.</li> <li>Report the allocated share of line 36 and 38 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.</li> <li>Instruct the beneficiaries to report their allocated tax credit on line 37 or 38 of form IA 128 as appropriate, and include the IA 128 with their tax return.</li> </ul>
1065	IA 1065, Schedule B  <b>and</b>  IA 1065 Schedule K-1	<ul style="list-style-type: none"> <li>Report line 34 (or 35) and 37 amounts on the IA 1065, Schedule B as earned by the entity (line 34 or 35) or received from another pass-through entity (line 37), 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.</li> <li>Report line 36 and 38 amounts on the IA 1065, Schedule B as earned by the entity (line 36) or received from another pass-through entity (line 38), 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.</li> <li>Instruct the members to report their allocated tax credit on line 37 or 38 of form IA 128, as appropriate, and include the IA 128 with their tax return.</li> </ul>
1120S	IA 1120S, Schedule B  <b>and</b>  IA 1120S Schedule K-1	<ul style="list-style-type: none"> <li>Report line 34 (or 35) and 37 amounts on the IA 1120S, Schedule B as earned by the entity (line 34 or 35) or received from another pass-through entity (line 37), 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.</li> <li>Report line 36 and 38 amounts on the IA 1120S, Schedule B as earned by the entity (line 36) or received from another pass-through entity (line 38), 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.</li> <li>Instruct the members to report their allocated tax credit on line 37 or 38 of form IA 128, as appropriate, and include the IA 128 with their tax return.</li> </ul>