

IOWA'S LEADERSHIP IN RESEARCH AND DEVELOPMENT

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Facts About Iowa's Research Activities Credit

► REFUNDABLE RESEARCH ACTIVITIES CREDIT ENSURES RESEARCH IS MORE PROFITABLE IN IOWA

Pentagon-classified navigation systems are designed and tested. Genetically-superior, drought resistant triple-stacked corn hybrids exponentially improve corn and soybean yields. Scientists discover a simple flower, the marigold, unlocks astonishing potential as a change agent to improve the world's health. All achieved or discovered in Iowa, the common denominator among all of these extraordinary activities is the intensive research and development efforts involved in bringing them to market. For businesses heavily dependent on research and development, one of their strategic advantages of conducting that world-changing research in Iowa is the state's Research Activities Credit, commonly referred to as the Research and Development tax credit.

Whether a company's specific strategy is planting a stake into emerging markets, expanding its market leadership position, or paving technological inroads to gain market share, the success of those efforts is largely dependent on the company's preceding work in research and development. Iowa recognizes how significant these resulting innovations are to long-term business growth and stability. **Even though the federal research credits have fluctuated with intermittent expiration dates and reinstatement periods, Iowa has remained consistent in its support for the Research Activities Credit over the years.**

"Superior research is essential to providing new and better products to Pioneer customers. The Iowa Research Activities Credit has enabled Pioneer to significantly grow our research investment, which benefits our customers."

- Curtis Rouse, Senior Finance Director
Pioneer Hi-Bred International, Inc., a DuPont Subsidiary

Iowa's Research Activities Credit is Refundable

Iowa sets itself apart, being one of only two states in the contiguous United States that offers a refundable research activities credit. For their research and development investments, Iowa companies earn refundable tax credits that may be paid directly in cash to the company once its tax liabilities are met. This is a critical difference and a huge benefit in Iowa because each research or development decision depends on a delicate balance between the inherent financial risk and the return of potential profitability. In Iowa the weight of that risk is mitigated with the refundable aspect of its Research Activities Credit.

"In the changing global economy, the State of Iowa's refundable Research Activities Credit remains a tremendous strategic asset to companies and industries with intensive research demands. Technology innovation fuels our future growth and is what will differentiate our company in tomorrow's highly competitive global marketplace. The refundability of the research and development tax credit is a significant stimulus for further economic development that encourages the retention and development of high quality jobs."

- Cheryl Woods, Manager, State Tax
Rockwell Collins

Iowa adopts the federal IRS Code when it comes to qualifying applicable research expenditures. The federal credit equals up to 20% of qualified research expenditures and in addition, Iowa's credit equals up to 6.5% of expenditures spent in the state. Iowa's Research Activities Credit may be doubled up to 13% of qualified expenditures when a business participates in the State's High Quality Job Creation Program or the Enterprise Zone Program. And in Iowa, if a company did not file for the Research Activities Credit on a prior year's tax return, amended returns can be filed for the credit within a three-year statute of limitation for the refund and any applicable interest.

