

Iowa Department of Revenue
Revenue Estimating Conference
Tax Credits Contingent Liability Brief
July 17, 2007

The Tax Credits Contingent Liability Brief was created by the Tax Research and Program Analysis Section of the Iowa Department of Revenue (IDR) for the benefit of the Revenue Estimating Conference (REC). This report is part of a project to create the Tax Credits Tracking and Analysis System, which was funded during the 2005 legislative session. The goal of the system is to provide a repository for information concerning the awarding, usage and effectiveness of tax credits.

The system eventually will create three types of reports:

1. Status reports will provide information on the award and usage of tax credits.
2. Evaluation reports will measure the effectiveness of tax credits at meeting their stated purpose.
3. Contingent liabilities reports will provide information on the impact tax credits have on General Fund revenues, historically, at present, and into future years.

Overall, this report presents five different types of data:

1. Tax Credit Awards in State Fiscal Years 2001 through 2007.
2. Tax Credit Claims in Tax Years 2000 through 2006.
3. Withholding Tax Credit Claims by Quarter Since January 2005.
4. Forecast of Potential Contingent Liability Due to Tax Credits through 2011.
5. New Tax Credits Data from Data Entry Project.

All of the data presented points to an increase in the impact of tax credits on General Fund revenues. The number of tax credits is increasing as the Legislature creates additional tax credit programs. The amount of credits claimed for individual tax credit programs is often increasing as more taxpayers learn about the credits. Overall, the data points to tax credits as an increasingly important factor that must be better understood in order to be accurately factored into the revenue estimation process.

Summary

- There has been tremendous growth in the amount of credits awarded since FY 2001. In FY 2001, the amount of awarded credits was just over \$110 million; in fiscal year 2007, over \$450 million in tax credits were awarded.
- The projected liability of tax credits has also continued to increase. In FY 2005, over \$163 million in tax credits were claimed against Iowa taxes. This amount is expected to increase to about \$400 million by FY 2011, which is an increase of approximately 145%. The projected liability amounts for some of the credits awarded by the Department of Economic Development only include credits that have already been awarded and do not attempt to forecast what future awards will be.
- The programs that appear to be having the greatest amount of growth and impact on contingent liabilities are the High Quality Job Creation Program, Enterprise Zone Program, the Iowa Industrial New Jobs Training Program (260E) and the Research Activities Tax Credit.
- Only one new tax credit program was added during the 2007 legislative session. That new program and changes made to existing programs are outlined in this brief.

Tax Credit Awards

In general, Iowa has two types of tax credits: automatic and awarded. Automatic credits are not capped and may be claimed by any eligible taxpayer. Awarded credits require application and a specific award in order for a taxpayer to claim the credit and may be capped or uncapped. More information about Iowa's tax credit programs may be found in the Appendix.

The amount of tax credits awarded has substantially increased between FY 2001 and FY 2006, the last year for which complete data are available. The data for FY 2007 is nearly complete, although there are still some programs which do not yet have final award numbers. The increase is due to increasing utilization of existing programs but also due to new tax credit programs being added. Table 1 summarizes the growth in awarded tax credits.

Tax Credit Claims

Data on tax credit claims is also available. However, this data is limited because credits are aggregated on individual and corporate tax forms. This prevents reporting on all credits individually. Table 2 reports the tax credit claims data that is currently available. Beginning in Tax Year 2006, the IA148 Tax Credits Schedule will ask taxpayers to document what tax credits are taken, which will allow individual reporting for each tax credit. It is anticipated that the data from the IA148 will be collected by the end of the summer. Overall, tax credit claims increased substantially between 2000 and 2005, especially against the individual income tax.

Tax Credits from Withholding

There are five tax credits that can be claimed against the withholding tax. The largest is the Iowa Industrial New Jobs Tax Credit (260E). There is also a Supplemental Jobs Credit, which is part of the 260E program. These two credits allow employers to train new employees. The Housing Assistance Credit is available under the Enterprise Zone Program. The Accelerated Career Education (ACE) credit allows employers to sponsor training slots at community colleges. There are also adjustments that allow for administrative changes. The Targeted Jobs Tax Credit is a withholding tax for jobs meeting certain requirements in targeted communities in the State of Iowa.

The withholding credits are reported on a quarterly basis because that is when taxpayers are required to report their withholding credit claims. Table 3 shows withholding tax credit claims since March 2005. This was the first quarter of the E-File and Pay system, which allowed for taxpayers to file withholding tax returns on a secure Internet website. Table 3 shows an increase in withholding tax credits over time. Figure 1 depicts this increase graphically.

Legislative Changes to Tax Credit in 2007

During the 2007 legislative session, only one new credit was signed into law. The newest tax credit is the "Film, Television, and Video Project Promotion Program" which includes a qualified expenditures tax credit which can be claimed against corporate income, individual income, franchise, insurance premiums and moneys and credits taxes. The program also includes an investment tax credit which can be claimed against corporate income, individual income, franchise, insurance premiums and moneys and credits taxes. There is also a provision of the program in which adjusted gross income of individuals and corporations can be reduced by the amount of tangible personal property or services sold, rented or furnished to the production of a registered project, but this provision is outside the scope of the TCTAS program.

Other legislative changes were made to existing tax credit programs. One of those changes involved the Earned Income Tax Credit, which was made a refundable credit and the amount of the credit was increased from 6.5% of the federal credit to 7%. Another change dealt with the award caps on existing programs. The cap for the School Tuition Organization (STO) Tax Credits was increased from \$5 million to \$7.5 million for

calendar year 2008 and beyond. On the other hand, the cap for the Wage-Benefits Tax Credit was reduced from \$10 million per fiscal year to \$4 million per fiscal year starting in FY 2008.

The only other changes made were to the Historic Preservation and Cultural and Entertainment District Tax Credit. There will no longer be a discounted refund on Historic Preservation and Cultural and Entertainment District Tax Credits that exceed a taxpayer's tax liability, the credits can be fully refunded or carried forward to the following tax year. The amount available to award to projects also increased from \$6.4 million to \$10 million in FY 2008, \$15 million in FY 2009 and \$20 million in FY 2010 and each year thereafter. 10% of the dollar amount of tax credits awarded each fiscal year is for new projects with qualified costs of \$500,000 or less. 40% of the dollar amount of tax credits awarded each fiscal year needs to be awarded to new projects that are located in designated Cultural and Entertainment Districts or locations identified in Iowa Great Places agreements.

Tax Credit Contingent Liability Projection

Table 4 provides forecasts of the potential liability facing General Fund revenues due to tax credits. The amounts of contingent liability were estimated using a number of methods. These methods are listed in the footnotes on the bottom of Table 4. The Appendix includes descriptions of each of the tax credit programs, including its citation in the Code of Iowa.

Overall, total contingent liability due to tax credits in Iowa is growing and is expected to continue to grow into the future, as shown in Table 4 and Figure 2. As with tax credit awards, this increase is due to increasing amounts for individual programs and an increase in the number of tax credit programs.

Tax Credits Data from Data Entry Project

In the fall of 2006 IDR conducted a limited data entry project. The project entailed pulling paper returns for tax years 2002 through 2004 with tax credits claimed and keying selected schedules. The selected schedules focused on three tax credits: research activities credit, ethanol blended gasoline credit, and investment tax credit. The data from the project cannot be viewed as comprehensive for a variety of reasons, such as electronic filing, taxpayer noncompliance, etc. However, it does provide some limited insight. Similar data is expected to be collected for 2005 and 2006 before the end of the year.

For example, the data keyed, shown in Table 5, also shows the dollars claimed generally increasing between 2002 and 2004. Also, the investment tax credit points to another aspect of contingent liability. In many cases, credits are awarded and claimed all in one year. However, in other cases, credits in excess of tax liability are carried forward to future tax years. In the case of the investment tax credit, carryforward increased at a much faster rate than actual tax credit claims. Carryforward from this and other credits is a liability that needs to be factored into revenue estimates.

Additions to Contingent Liability Report for 2007

This Tax Credits Contingent Liabilities Brief is an attempt to synthesize available data on the impact of tax credits on General Fund revenues. In future briefs, additional information will be available. Currently a database is being developed that will merge award data and claim data. Claim data will be available in much more detail because of the IA148. Data will be available on an individual credit level. Data on carryforward, expired credits, and credits claimed via pass-through entities, and potentially other data will be available for the future Tax Credits Contingent Liabilities Briefs.

Table 1. Tax Credit Awards by Fiscal Year

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Accelerated Career Education Program (ACE)*	\$684,059	\$2,784,552	\$2,900,752	\$3,900,872	\$5,814,485	\$6,000,000	\$6,000,000
Agricultural Assets Transfer Tax Credit ¹	n/a	n/a	n/a	n/a	n/a	n/a	\$520,000
Assistive Device Tax Credit	\$0	\$2,500	\$0	\$0	\$0	\$0	\$0
Economic Development Region Revolving Fund Tax Credit*	n/a	n/a	n/a	n/a	n/a	\$0	\$0
Endow Iowa Tax Credit*	n/a	n/a	n/a	\$1,003,773	\$2,000,000	\$2,000,000	\$2,000,000
Enterprise Zone Program	\$21,799,195	\$68,865,745	\$13,282,669	\$20,739,986	\$45,021,409	\$82,471,747	\$116,536,018
Enterprise Zone Program - Housing Component	\$7,428,328	\$9,871,966	\$4,744,197	\$16,460,721	\$16,546,536	\$25,387,544	\$1,684,049
High Quality Job Creation Program	n/a	n/a	n/a	n/a	n/a	\$44,735,648	\$301,779,131
Historic Preservation and Cultural and Entertainment District Tax Credit*	\$2,400,000	\$2,400,000	\$2,400,000	\$2,400,000	\$2,370,000	\$6,400,000	\$6,400,000
Iowa Industrial New Jobs Training Program Credits (260E)	\$38,567,500	\$36,465,750	\$26,705,000	\$26,746,500	\$60,659,000	\$34,860,000	?
New Capital Investment Program	n/a	n/a	n/a	\$20,139,033	\$18,362,971	n/a	n/a
New Jobs and Income Program	\$39,714,446	\$24,995,065	\$47,523,776	\$40,433,473	\$45,518,278	n/a	n/a
Renewable Energy Tax Credit*	n/a	n/a	n/a	n/a	n/a	\$0	\$0
School Tuition Organization Tax Credit*	n/a	n/a	n/a	n/a	n/a	n/a	\$2,500,000
Soy-Based Transformer Fluid Tax Credit	n/a	n/a	n/a	n/a	n/a	n/a	\$17,062
Targeted Jobs Credit from Withholding	n/a	n/a	n/a	n/a	n/a	n/a	\$445,000
Venture Capital Credit - Fund of Funds*	n/a	n/a	n/a	n/a	n/a	\$0	\$0
Venture Capital Credit - Qualified Business or Seed Capital Fund*	n/a	n/a	n/a	n/a	n/a	\$374,419	\$3,192,530
Venture Capital Credit - Venture Capital Fund*	n/a	n/a	n/a	n/a	n/a	\$200,448	\$580,223
Wage-Benefit Tax Credit*	n/a	n/a	n/a	n/a	n/a	n/a	\$10,000,000
Wind Energy Production Tax Credit*	n/a	n/a	n/a	n/a	n/a	\$0	\$0
Total Credits Awarded Each Fiscal Year	\$110,593,528	\$145,385,578	\$97,556,394	\$131,824,358	\$196,292,679	\$202,429,806	\$451,654,013

Source: Awarding Agencies

n/a = program not yet created, or discontinued
 ?=amount not yet determined or unknown
 *=tax credit program that have capped awards

¹ Final award numbers will not be available until the end of 2007 due to some of the awards being based on crop sharing agreements, therefore final award amounts are not determined until after the crops are harvested.

Table 2. Tax Credit Claims by Tax Year

	2000	2001	2002	2003	2004	2005	2006
Total Individual Income Tax Credits	\$48,279,743	\$51,410,615	\$72,705,744	\$81,418,844	\$84,959,270	\$105,116,138	\$108,764,308
Child & Dependent Care Tax Credit/ Early Childhood Development Tax Credit	\$6,396,628	\$6,236,660	\$6,160,402	\$8,354,236	\$8,120,963	\$8,241,622	\$9,511,381
Earned Income Tax Credit	\$6,142,575	\$6,504,698	\$8,304,908	\$8,534,392	\$8,902,719	\$9,800,348	\$14,584,629
Tuition and Textbook Tax Credit	\$11,453,646	\$12,380,043	\$13,138,193	\$13,772,790	\$14,267,756	\$15,235,560	\$15,883,353
Other Nonrefundable Tax Credits	\$23,228,165	\$24,668,908	\$42,394,881	\$46,272,542	\$49,359,183	\$65,243,453	\$62,712,847
Other Refundable Tax Credits	\$1,058,729	\$1,620,306	\$2,707,360	\$4,484,884	\$4,308,649	\$6,595,155	\$6,072,098
	2000	2001	2002	2003	2004	2005*	2006*
Total Corporate Income Tax Credits	\$35,014,155	\$29,901,515	\$31,356,981	\$43,179,870	\$39,811,216	\$22,259,674	\$2,482,488
Other Tax Credits	\$7,918,282	\$2,705,977	\$1,633,914	\$2,864,354	\$3,506,888	\$3,584,697	\$1,472,098
Iowa Industrial New Jobs Income Tax Credit (260E)	\$1,833,421	\$1,896,830	\$2,174,109	\$2,394,029	\$1,705,538	\$3,590,199	\$295,543
Research Activities Tax Credit	\$25,262,452	\$25,298,708	\$27,548,958	\$37,921,487	\$34,598,790	\$15,084,778	\$714,847
	2000	2001	2002	2003	2004	2005	2006
Iowa Industrial New Jobs Training Program Credits ²	NA	NA	NA	\$38,012,253	\$40,147,405	\$43,607,777	\$44,592,360

Source: IDR data.

*=incomplete data for tax year

² Data for Iowa Industrial New Jobs Training Program (260E) reported to IDR by community colleges. This data does not directly correspond to withholding tax credits claimed in Table 3.

Table 3. Withholding Tax Credits Claimed by Quarter

Quarter	Number	Total Tax Credits	New Jobs Tax Credit (260E)	Supplemental Jobs Tax Credit	Targeted Jobs Tax Credit	ACE Tax Credit	Housing Assistance Tax Credit	Incorrectly Claimed Tax Credits	Total of Paper Filed Returns Without Credit Detail
3/31/05	473	\$8,017,986	\$3,942,039	\$397,413	\$0	\$807,997	\$0	\$700	\$2,868,915
6/30/05	550	\$7,681,303	\$5,294,140	\$249,439	\$0	\$680,758	\$0	\$700	\$1,456,267
9/30/05	596	\$7,133,892	\$5,082,846	\$214,252	\$0	\$1,734,940	\$0	\$700	\$101,155
12/31/05	731	\$10,184,206	\$7,706,595	\$618,838	\$0	\$1,726,376	\$0	\$700	\$131,699
3/31/06	626	\$8,140,104	\$6,291,217	\$430,850	\$0	\$1,305,321	\$0	\$13,052	\$99,665
6/30/06	693	\$10,763,024	\$8,703,040	\$486,685	\$0	\$1,478,905	\$0	\$89,887	\$4,507
9/30/06	773	\$12,995,527	\$11,060,284	\$487,862	\$0	\$1,189,483	\$0	\$230,644	\$27,254
12/31/06	856	\$14,255,776	\$11,808,046	\$752,531	\$0	\$867,507	\$0	\$822,374	\$5,318
3/31/07	709	\$9,796,848	\$7,502,834	\$733,766	\$1,864	\$1,217,513	\$0	\$328,463	\$12,409
6/30/07	206	\$2,530,579	\$1,437,510	\$522,509	\$5,457	\$504,385	\$0	\$60,718	\$0
FY 2006	2646	\$36,221,226	\$27,783,698	\$1,750,625	\$0	\$6,245,542	\$0	\$104,339	\$337,026
FY 2007	2544	\$39,578,730	\$31,808,674	\$2,496,668	\$7,321	\$3,778,888	\$0	\$1,442,199	\$44,981
CY 2005	2350	\$33,017,387	\$22,025,620	\$1,479,942	\$0	\$4,950,071	\$0	\$2,800	\$4,558,036
CY 2006	2948	\$46,154,431	\$37,862,587	\$2,157,928	\$0	\$4,841,216	\$0	\$1,155,957	\$136,744
YTD CY 2007	915	\$12,327,427	\$8,940,344	\$1,256,275	\$7,321	\$1,721,898	\$0	\$389,181	\$12,409

Source: IDR data

Figure 1. Graph of Withholding Tax Credit Claims

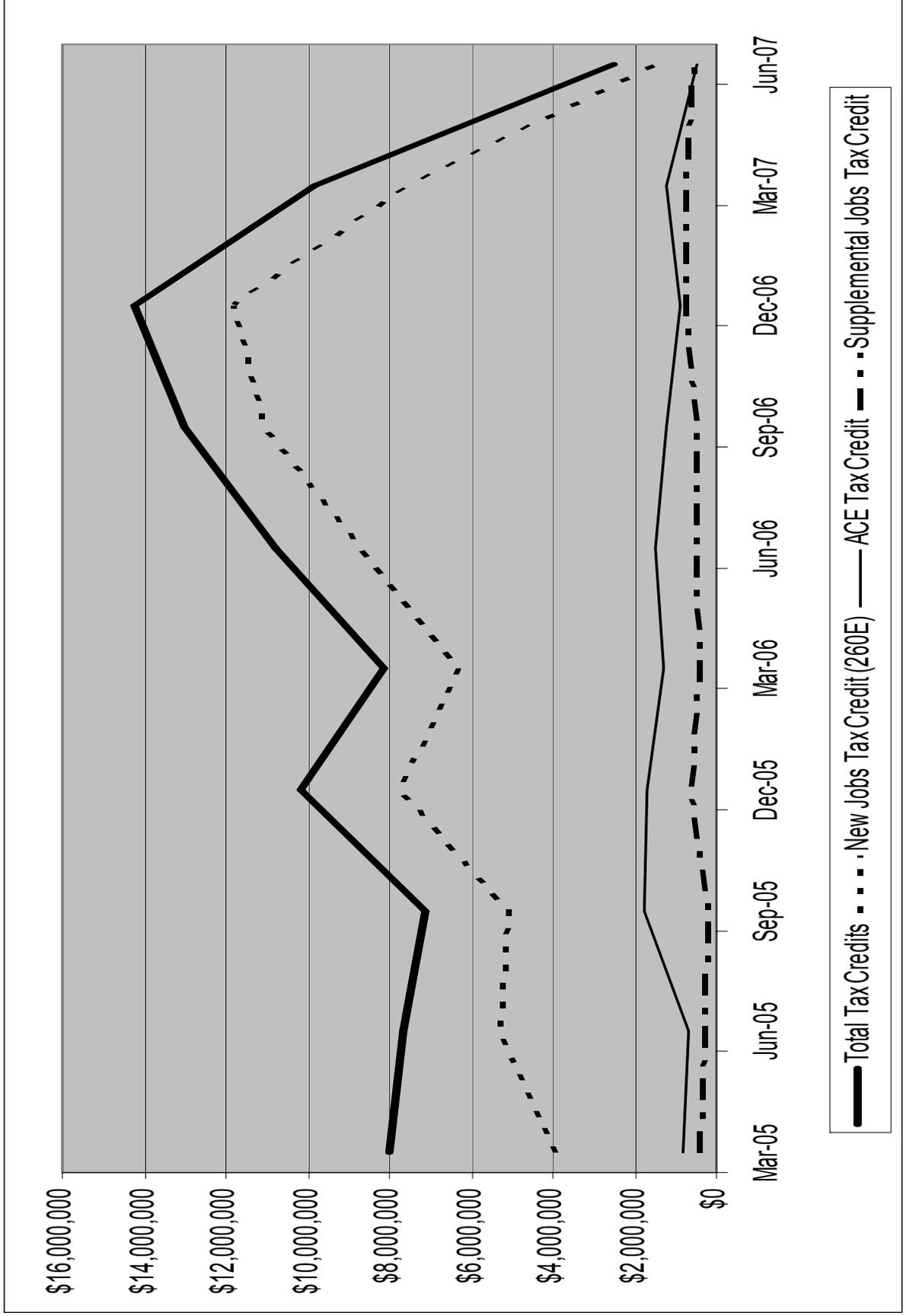


Table 4. Tax Credits Contingent Liability Projection

	History					Forecast				
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011			
Capped Programs										
Accelerated Career Education Tax Credit	\$5,814,485	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000
Cow-Calf Tax Credit	\$1,770,342	\$1,770,342	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Economic Development Region Revolving Fund Tax Credit	\$0	\$0	\$0	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Endow Iowa Tax Credit	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Endow Iowa Gambling Revenues										
Historic Preservation and Cultural and Entertainment District Tax Credit	\$2,400,000	\$6,400,000	\$6,400,000	\$10,000,000	\$15,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000
Renewable Energy Tax Credit ³	\$0	\$0	\$0	\$7,400,000	\$10,000,000	\$10,100,000	\$10,200,000	\$10,200,000	\$10,200,000	\$10,200,000
School Tuition Organization Tax Credit	\$0	\$0	\$2,500,000	\$5,000,000	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000
Venture Capital Tax Credit - Iowa Fund of Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Venture Capital Tax Credit - Qualified Business or Community-Based Seed Capital Fund	\$0	\$374,419	\$3,192,530	\$824,872	\$2,094,274	\$2,551,449	\$2,551,449	\$2,551,449	\$2,551,449	\$2,551,449
Venture Capital Tax Credit - Venture Capital Funds	\$0	\$200,448	\$580,223	\$185,625	\$742,740	\$92,723	\$92,723	\$92,723	\$92,723	\$92,723
Wage-Benefit Tax Credit	\$0	\$0	\$10,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
Wind Energy Production Tax Credit ³	\$0	\$0	\$0	\$9,200,000	\$11,800,000	\$11,800,000	\$11,800,000	\$11,800,000	\$11,800,000	\$11,800,000
TOTAL OF CAPPED PROGRAMS	\$11,984,827	\$16,745,209	\$32,672,753	\$48,610,497	\$63,137,014	\$88,044,172	\$85,500,000	\$85,500,000	\$85,500,000	\$85,500,000

³ Estimates are based on full utilization of eligible wind-generation capacity, which is capped. No applications were received in FY 2007.

Table 4 Continued. Tax Credits Contingent Liability Projection

Uncapped Programs	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Agricultural Assets Transfer Tax Credit ⁴	\$0	\$0	\$0	\$264,600	\$581,438	\$716,442	\$882,794
Assistive Device Tax Credit ⁵	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Child & Dependent Care Tax Credit/ Early Childhood Development Tax Credit ⁶	\$8,120,963	\$8,369,647	\$9,511,381	\$9,527,293	\$9,386,779	\$9,281,693	\$9,143,820
Earned Income Tax Credit ⁷	\$8,902,784	\$9,800,348	\$14,584,629	\$21,468,513	\$22,179,231	\$22,137,044	\$21,836,878
Enterprise Zone Program Tax Credits ⁴	\$20,789,522	\$24,937,519	\$33,941,801	\$46,076,311	\$55,610,366	\$52,953,832	\$48,805,835
Ethanol Blended Gasoline Tax Credit ⁷	\$1,291,873	\$1,490,496	\$1,719,657	\$1,984,050	\$2,289,093	\$0	\$0
Film, Television, and Video Project Promotion Program Tax Credits ⁸	\$0	\$0	\$0	\$122,000	\$455,000	\$702,000	\$717,444
High Quality Job Creation Program Tax Credits ⁴	\$0	\$0	\$0	\$8,947,130	\$69,302,956	\$69,302,956	\$69,302,956
Iowa Industrial New Job Training Program Tax Credits (260E) ⁹	\$42,218,828	\$42,763,460	\$45,459,021	\$47,943,790	\$50,564,375	\$53,328,200	\$56,243,094
Net Impact of Renewable Fuel Tax Credits (Biodiesel, E-85 & Ethanol) ¹⁰	\$0	\$0	\$740,000	\$3,410,000	\$8,300,000	\$9,990,000	\$14,850,000
New Capital and Income Program Tax Credits ⁴	\$0	\$4,027,807	\$7,700,401	\$7,700,401	\$7,700,401	\$7,700,401	\$3,672,594
New Jobs and Income Program Tax Credits ⁴	\$22,446,657	\$30,533,352	\$39,637,008	\$31,694,118	\$26,695,105	\$17,190,350	\$9,103,656
Research Activities Tax Credit (corp only) ¹¹	\$34,620,953	\$37,458,890	\$40,529,458	\$43,851,724	\$47,446,322	\$51,335,576	\$55,543,637
Soy-Based Cutting Tool Oil Tax Credit ¹²	\$0	\$0	\$60,000	\$60,000	\$0	\$0	\$0
Soy-Based Transformer Fluid Tax Credit ¹³	\$0	\$0	\$17,062	\$102,938	\$0	\$0	\$0
Targeted Jobs Tax Credit from Withholding ¹⁴	\$0	\$0	\$0	\$1,206,000	\$1,910,000	\$2,690,000	\$2,771,000
Tuition and Textbook Tax Credit	\$14,267,790	\$15,443,580	\$15,883,353	\$16,772,917	\$17,712,302	\$18,704,298	\$19,751,851
TOTAL OF UNCAPPED PROGRAMS	\$152,659,370	\$174,825,098	\$209,783,769	\$241,131,785	\$320,133,368	\$316,032,791	\$312,625,559
TOTAL OF ALL PROGRAMS	\$164,644,197	\$191,570,307	\$242,456,522	\$289,742,282	\$383,270,382	\$404,076,964	\$398,125,559

⁴ Calculated by IDR based on data received from awarding agency. With the exception of the Agricultural Assets Transfer Tax Credit, the projection includes only potential claims of awards that have already been issued and does not include the potential liability of any credits awarded in the future.

⁵ There has only been one award since this credit went into effect.

⁶ Based on IDR individual income tax model simulation.

⁷ Based on compound annual growth rate of claims captured by the data entry project.

⁸ Fiscal Note of HF 892, 2007 Legislative Session

⁹ Estimated FY 2007 final claims based on first three quarters of FY 2007, forecast is based on compound annual growth rate.

¹⁰ Fiscal Note of HF 2754, 2006 Legislative Session

¹¹ Based on compound annual growth rate projection from historical data, FY 2007 numbers are not final.

¹² Fiscal Note of SF 389, 2005 Legislative Session

¹³ Fiscal Note of SF 2402, 2006 Legislative Session and actual award data

¹⁴ Fiscal Note of HF 2731, 2006 Legislative Session

Figure 2. Graph of Potential Contingent Liability Due to Tax Credits in Iowa

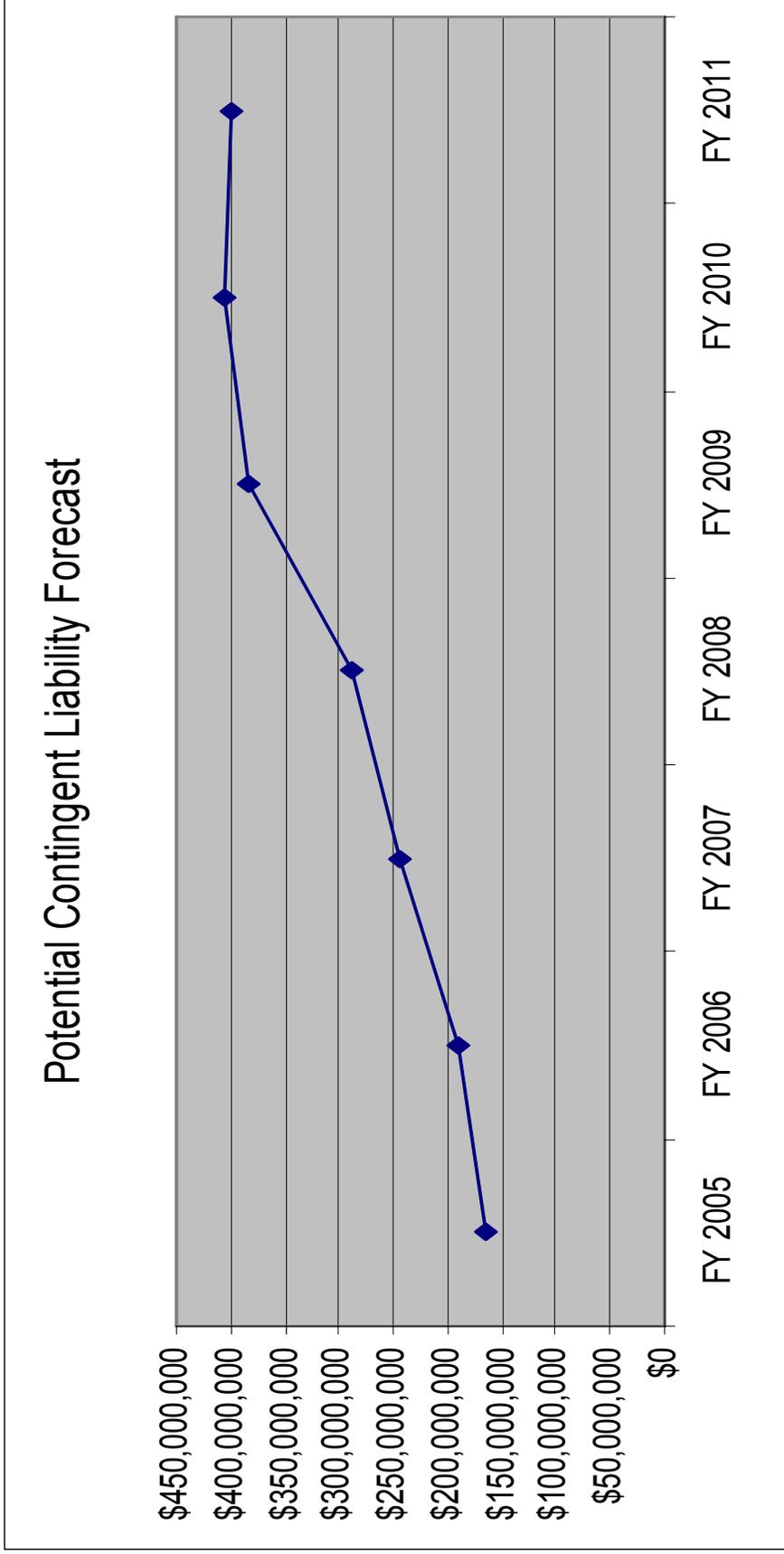


Table 5. Tax Credits Data from Data Entry Project

	2002		2003		2004	
	Number of Claims	Dollars Claimed	Number of Claims	Dollars Claimed	Number of Claims	Dollars Claimed
Research Activities Credit (Forms IA128 and IA128A)	Individual	\$3,962,177	545	\$5,816,923	478	\$5,620,828
	Corporate	\$2,314,774	54	\$1,320,327	16	\$234,712
	Total	\$6,276,951	599	\$7,137,250	494	\$5,855,540
Ethanol Blended Gasoline Credit (Form IA6478)	Total	\$729,082	440	\$888,063	385	\$1,119,719
	Total	\$1,154,430	719	\$1,543,523	661	\$2,090,829
Investment Tax Credit (Form IA3468)	Carryforward	\$2,228,792		\$5,117,876		\$8,141,642

Source: IDR data

Appendix: Description of Iowa's Tax Credit Programs

Accelerated Career Education (ACE) Program: This withholding credit is administered by Iowa's Community Colleges and provides credits for employers that sponsor training slots at community colleges. Section 260G, Code of Iowa.

Agricultural Assets Transfer Tax Credit: This credit is awarded by the Iowa Agricultural Development Authority to taxpayers that lease agricultural assets to qualified beginning farmers. Section 175.37, Code of Iowa.

Assistive Device Tax Credit: This credit is awarded by the Iowa Department of Economic Development (DED) to taxpayers who make investments in assistive devices that allow for disability workplace accommodation. Section 422.11E, Code of Iowa.

Biodiesel Blended Fuel Tax Credit: This credit is available to retail dealers who sell biodiesel blended fuel equal to over 50 percent of their total diesel sales. Section 422.11P, Code of Iowa.

Child and Dependent Care Tax Credit: This credit is available to individual taxpayers who have eligible child and dependent care expenses. Section 422.12C, Code of Iowa.

Cow-Calf Tax Credit: Eligible individual and corporation income taxpayers who operate cow-calf beef operations in Iowa are eligible for a cow-calf credit. Section 422.120, Code of Iowa.

E85 Gasoline Promotion Tax Credit: An income tax credit, on a rate per gallon sold basis, is available to retail dealers of gasoline who sell E85 gasoline. Section 422.11O, Code of Iowa.

Early Childhood Development Tax Credit: The Early Childhood Development tax credit is equal to 25% of the first \$1,000 of expenses paid for early childhood development expenses for each dependent from the ages of three to five. Section 422.12C(1A), Code of Iowa.

Earned Income Tax Credit: This credit is available to individual taxpayers who qualify for the federal earned income credit and is 7% of the federal earned income credit. Section 422.12B, Code of Iowa.

Economic Development Region Revolving Fund Tax Credit: This credit is awarded by DED and is equal to 20% of the contribution made to an economic development region revolving fund. Section 15E.232, Code of Iowa.

Endow Iowa Tax Credit: This credit is awarded by DED and is equal to 20% of a taxpayer's endowment gift (up to \$100,000 for a single taxpayer) to a qualified community foundation. Section 15E.305, Code of Iowa.

Enterprise Zone Program: This program, administered by DED, encourages investment in Iowa's economically distressed areas by providing local and state tax credits, refunds and exemptions to qualifying companies that expand or locate in designated Enterprise Zones. Section 15E.191, Code of Iowa.

Ethanol Blended Gasoline Tax Credit: Starting in 2002, a tax credit is available to service stations at which more than 60 percent of the total gasoline sold is ethanol blended gasoline. The credit is equal to two and a half cents for each gallon sold in excess of 60 percent. Section 422.11C, Code of Iowa.

Ethanol Promotion Tax Credit: This credit will replace the ethanol blended gasoline credit beginning in 2009. It will be based on the amount of pure ethanol gallons sold. Section 422.11N, Code of Iowa.

Film, Television, and Video Project Promotion Program: This program, administered by DED, provides a 25 percent tax credit for investments or qualified expenditures in film projects. Section 15.391, Code of Iowa.

High Quality Job Creation Program: This program, administered by DED, provides tax benefits to eligible companies that create high-paying jobs and make capital investments. The program was created in 2005 and replaced the New Jobs and Income Program (NJIP) and the New Capital Investment Program (NCIP) beginning in FY 2006. Section 15.326, Code of Iowa.

Historic Preservation Tax Incentive Program: This program, administered by the Iowa Department of Cultural Affairs, provides a 25 percent tax credit for investments made in the rehabilitation of eligible historic properties. Section 404A, Code of Iowa.

Iowa Industrial New Jobs Training Program (260E): This program, administered by Iowa's Community Colleges, assists businesses that are creating new positions with new employee training. Participating companies divert withholding taxes that would be remitted to the Department of Revenue to a community college to pay for training for company employees. Section 260E, Code of Iowa.

New Capital Investment Program: This program, administered by DED, was replaced by the High Quality Job Creation Program, beginning in FY 2006. Section 15.385, Code of Iowa.

New Jobs and Income Program: This program, administered by DED, was replaced by the High Quality Job Creation Program, beginning in FY 2006. Section 15.326, Code of Iowa.

Renewable Energy Tax Credit: This credit is available for a producer or purchaser of energy from a renewable energy facility approved as eligible by the Iowa Utilities Board (IUB). Section 476C, Code of Iowa.

Research Activities Tax Credit: This credit is 6.5 percent of Iowa's apportioned share of qualifying expenditures for increasing research activities. The Iowa research credit is based on the federal research activities credit, with the Iowa credit based on the ratio of Iowa research expenditures over total research expenditures. Section 422.10, Code of Iowa.

School Tuition Organization Tax Credit: This credit, administered by IDR, is for 65% of the amount of a voluntary cash contribution made by a taxpayer to a school tuition organization. Section 422.11M, Code of Iowa.

Soy-Based Cutting Tool Oil Tax Credit: A manufacturer is eligible to take a credit equal to the costs incurred for the purchase and replacement costs relating to the transition from using nonsoy-based cutting tool oil to using soy-based cutting tool oil. Section 422.11I, Code of Iowa.

Soy-Based Transformer Fluid Tax Credit: Electric utilities may claim this credit, administered by IDR, for the costs incurred by the utility for the purchase and replacement costs relating to the transition from using nonsoy-based transformer fluid to using soy-based transformer fluid. Section 476D, Code of Iowa.

Targeted Jobs Credit from Withholding: This pilot program, administered by DED and four pilot project cities, provides for a withholding credit equal to 3% of the gross wages paid by the employer to each employee under the withholding agreement. These funds are to be used by the pilot city for an urban renewal project related to the employer. 403.19A, Code of Iowa.

Tuition and Textbook Tax Credit: This credit is available to individual taxpayers who have one or more dependents attending grades K-12 in an Iowa school. The credit percentage is 25% of the first \$1,000 paid for each dependent for tuition and textbooks. Section 422.12(2), Code of Iowa.

Venture Capital Tax Credit – Iowa Fund of Funds: This contingent tax credit, administered by the Iowa Capital Investment Board (ICIB), is allowed for investments made into the Iowa fund of funds. The tax credit is only allowed to the extent that the actual rate of return on these investments does not meet the rate of return guaranteed to investors. Section 15E.66, Code of Iowa.

Venture Capital Tax Credit – Qualified Business or Community-Based Seed Capital Fund: This credit, administered by ICIB, is 20 percent of the equity investment made into a qualifying business or community-based seed capital fund. Section 15E.43, Code of Iowa.

Venture Capital Tax Credit – Venture Capital Funds: This credit, administered by ICIB, is 6 percent of the equity investment made in a venture capital fund. Section 15E.51, Code of Iowa.

Wage-Benefit Tax Credit: This credit, administered by IDR, is based on creating new jobs with good wages and benefits. The credit is either 5 percent or 10 percent of wages (depending on total wages and benefits relative to county average wage) for up to five years, as long as the job is retained. Section 15H, Code of Iowa.

Wind Energy Production Tax Credit: This credit is for electrical production facilities that produce electricity from wind and is approved as eligible by the local board of supervisors and the IUB. Section 476B, Code of Iowa.