

# IOWA Department of REVENUE

## Tax Credits Contingent Liabilities Report

March 11, 2010

The Tax Credits Contingent Liabilities Report 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 the Tax Credits Tracking and Analysis Program. The goal of the program is to provide a repository for information concerning the awarding, usage, and effectiveness of tax credits.

This report presents six types of data:

1. Tax Credit Awards in State Fiscal Years 2001 through 2010
2. Tax Credit Claims in Tax Years 2000 through 2009
3. Sales and Use Tax Refunds by Tax Credit Program for State Fiscal Years 2000 through 2010
4. Withholding Tax Credit Claims by Quarter since January 2005
5. Forecasts of the Contingent Liabilities due to Tax Credits for FY 2010 through 2014
6. Forecasts of Expected Claims of Tax Credits for FY 2010 through 2014

**Table 9, which presents expected claims of tax credits, is new to this report. This table is based on historical claims data and expected awards data. This table differs from the contingent liabilities estimates presented in Table 8, which reflect potential liabilities at amounts equal to the maximums made available by law to qualifying taxpayers and assumes 100 percent of the credits issued will be claimed. History indicates the actual tax credit liabilities in any fiscal year may be less than the contingent liability as it is likely less than the maximum awards allowed by law will be made available under some programs and in many cases less than 100 percent of awarded credits are claimed. More detail on the changes made will be discussed in the sections pertaining to Table 8 and Table 9.**

### **Summary**

- Tax credit awards in FY 2009, totaling \$157 million, were 29 percent below FY 2008 and 59 percent below FY 2007, when a record \$384.2 million were awarded. The decrease in tax credit awards is attributed to the recession and the depressed market for biofuels.
- Tax credit claims against individual income, corporate income, insurance premium, franchise, and replacement taxes for tax year 2007, the most recent year with complete data, exceeded \$209 million, up from \$177 million in tax year 2006.
- During FY 2008, \$6.5 million in sales and use taxes were refunded under tax credit programs and an additional \$50.1 million in tax credit claims were made against individual income tax withholding.
- The contingent liability of tax credits is \$351.9 million for FY 2010 and \$444.9 million for FY 2011.
- Contingent liability and estimated claims forecasts for most credits are based on historical claims data from the IA 148 Tax Credits Schedule. However, since this tax credits schedule was only initiated in tax year 2006, information on some tax credits awarded prior to that time is not available. Because claims data are constantly updated, these forecasts will change each quarter based on the best data available at the time. Updated information about tax credit awards from awarding agencies, including awards that have been either revoked, declined, or modified, will also change the estimates.

## ***Tax Credit Awards***

Iowa has two categories of tax credits: automatic and awarded. Awarded credits require application and a specific award in order for a taxpayer to claim the credit. The total amount of the awarded credits may also be capped on a fiscal year basis. Automatic credits may be claimed by any eligible taxpayer and the amount of claims has no limit or cap. More information about each of Iowa's tax credit programs may be found in the Appendix at the end of this report and in the Tax Credit User's Manual which can be found at: <http://www.iowa.gov/tax/taxlaw/IDRTaxCreditsUsersManual.pdf>.

The amount of awarded tax credits substantially increased between FY 2001 and FY 2007, but has since declined and in FY 2009 was at its lowest level since FY 2005 (see Table 1). The increase was due to higher utilization and the rising caps for some of the existing programs as well as new tax credit programs being added. The big increase during FY 2007 was largely due to awards made to biofuel producers. Information on the amount of the awards was received from the agencies issuing the tax credits. For the Accelerated Career Education (ACE) Program, the Historic Preservation and Cultural and Entertainment District Tax Credit, and the Wage-Benefit Tax Credit it is assumed that the full amount of the tax credit cap will be awarded during the current fiscal year.

In FY 2009, the total amount of awards decreased, from FY 2008 awards, by just over 28 percent. The High Quality Jobs Program, the Soy-Based Transformer Fluid Tax Credit, and the Venture Capital – Qualified Business or Community-Based Seed Capital Tax Credit all experienced a greater than fifty percent decrease in the amount of awards made. The reason for the decrease for the High Quality Jobs Program is likely due to the economic slowdown. The Soy-Based Transformer Fluid Tax Credit decreased because of a lack of demand for the tax credits; this tax credit expired on June 30, 2009. The Venture Capital – Qualified Business or Community-Based Seed Capital Tax Credit decreased because the credit awards reached the lifetime program cap in FY 2008 and therefore had no additional credits to award in FY 2009. The greatest growth in awards was seen in the Film Investment and Film Expenditure Tax Credits.

## ***Tax Credit Claims***

Some new data on the amount of tax credits claimed against certain tax types is now available. However, this data is limited because prior to the 2006 tax year, most tax credits were aggregated on tax forms. This prevented collection of data on tax credit claims by tax credit program. With the implementation of the IA 148 Tax Credits Schedule the availability of detailed tax credit claim data has improved. A summary of data from the IA 148 for tax year 2006 has been published separately and can be found online at: <http://www.state.ia.us/tax/taxlaw/TaxCreditsClaimReport2006.pdf>.

After consistent growth in individual tax credit claims since tax year 2000, in 2007 there was some leveling off (see Table 2). In fact, total individual tax credit claims decreased nearly 1.5 percent in 2007. Credits claims increased again in tax year 2008 by just over \$12 million. This increase can be attributed to a 6 percent increase in Earned Income Tax Credit claims, and a 12 percent increase for "Other" nonrefundable tax credit claims. "Other" refundable tax credit claims increased by just over 30 percent.

The majority of tax credits claims made against corporate income tax are claimed for the Research Activities Tax Credit. In tax years 2001 through 2005, Research Activities Tax Credit claims accounted for over 80 percent of the dollars of all corporate income tax credit claims. In 2006 and 2007, the Research Activities Tax Credit accounted for about 55 percent of the total credits. There has been tremendous growth in the amount of "Other Credits" claimed. "Other Credits" claims historically accounted for 5 to 10 percent of all corporate claims; but in 2006 and 2007, those claims accounted for just over 42 percent of corporate tax credit claims.

In tax years 2006 and 2007, about 80 percent of nonrefundable tax credit claims were made on individual income tax returns (see Table 3). In both of those years, nonrefundable tax credit claims were made against corporate income, franchise, individual income, and insurance premium taxes. In 2006, refundable tax credit claims were only made against corporate income and individual income taxes, with almost 90 percent of those claims being made against corporate income tax (see Table 4). In 2007, refundable tax credits were also

claimed against franchise, insurance premium, and replacement taxes. The majority of those claims were again claimed against corporate income tax.

### ***Sales & Use Tax Refunds for Tax Credit Programs***

As part of the Enterprise Zone (including the Housing component), New Capital Investment, New Jobs and Income, and the High Quality Jobs Programs, taxpayers are allowed to file for refunds of sales and use taxes paid to contractors and subcontractors. The first refunds were made during FY 2000 through the Enterprise Zone Program (see Table 5). Refunds continue to be issued through these programs and in FY 2007 the amount of refunds hit an all-time high of over \$8 million. Refunds decreased in FY 2008 to \$6.4 million, but in FY 2009 over \$7.3 million in refunds were issued. Through January of FY 2010 \$6.3 million in refunds have been issued compared to \$3.3 million through January of FY 2009, an almost 93 percent increase.

### ***Tax Credits from Withholding***

There are four 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 New Jobs Credit, which is part of the 260E program. These two credits support employers' training of new employees. The Accelerated Career Education (ACE) credit allows employers to sponsor training slots at community colleges. The Targeted Jobs Tax Credit is a withholding tax credit for jobs meeting certain requirements in targeted communities in the State of Iowa. These tax credit programs are funded with the credited withholding tax going to the appropriate program fund.

The withholding credits are reported on a quarterly basis. Information on withholding tax credit claims is available since March 2005 (see Table 6), which was the first quarter of the Department of Revenue's E-File and Pay system. This system allows taxpayers to file withholding tax returns on a secure Internet web site. An increase can be seen in withholding tax credits over this time period. It is apparent that total withholding credits are strongly driven by the Iowa Industrial New Jobs Tax Credit (260E) (see Figure 1).

It appears that there may be a lag between when 260E credits are approved and claimed (see Table 7). The amount of 260E credits approved, the payments received by the community colleges from the employers, and the amount of 260E claims correctly filed through the Department of Revenue vary quite a bit within the same fiscal year. The variance could also potentially be explained by taxpayers not reporting their withholding tax credit claims correctly. The 260E program is under review and recommendations have been made by the Department of Revenue to improve the tracking of the payments currently made to the community colleges by businesses participating in the program. The 260E program also has an income tax credit component that is included in Table 7.

### ***Tax Credit Contingent Liabilities Projection***

Forecasts of the liability facing General Fund revenues due to tax credits show that potential tax credit claims will continue to increase for the next few years, but may be leveling off thereafter (see Table 8). The amounts of contingent liability were estimated using a number of methods, but in all cases it was assumed that 100 percent of awards under a cap would be made and 100 percent of awards issued would be claimed. The methods used for forecasting each tax credit are listed in the footnotes.

The Contingent Liabilities Projection table is based in large part on claim data that has been collected from the IA 148 Tax Credits Schedule. The information collected from the IA 148 is now used to estimate the timing of when awards are likely to be claimed. The timing may be adjusted in order to assure that 100 percent of credits are claimed. Due to the nature of this data it is likely that credit forecasts will vary between reports as the timing may change as more data is received.

Most of the historical numbers provided are actual claims made against each of the tax credits on the IA 148. With the exception of the Enterprise Zone, High Quality Jobs, New Capital Investment, and New Jobs and Income Programs, actual claim data is used and may not reflect the amount of awards issued. If incorrect tax credit claims are made, these claims are sent to the Compliance Division of the Department of Revenue for review. In the case of the DED programs mentioned above, historical claim data is estimated because

corporate fiscal year filers cause a gap in the information available. FY 2009 was the first fiscal year in which all taxpayers were required to complete the IA 148, but the review of all of the records from those programs have not yet been finalized.

The Film, Television, and Video Project Promotion Program (FILM) is currently being reviewed by State officials. Because of the review, very little updated information has been received by the Department of Revenue. Once the review is complete, the updated data may result in large revisions to the estimates. Due to the uncertainty regarding some of the film tax credits, the forecast for this program has been divided into three parts. The "Awarded" credits account for the projects that have already been issued tax credit certificates (from Table 1) or that, according to DED, are under contract in FY 2010. The "Under Review" credits account for the remaining \$27.1 million in awards approved for credits in FY 2010 and the tax credit awards that were approved before the implementation of the tax credit cap. It is assumed that half of the tax credits awarded before the cap will be issued in FY 2011 and the other half will be issued in FY 2012. The "Future Awards Under the Cap" credits account for the \$40 million allocated by DED from the \$185 million cap for FY 2011 and later. The estimates for the last two parts are separated from all other estimates but can be found below the "Capped Programs" section of Table 8. The total estimate for all tax credit programs is provided with and without these film estimates at the end of Table 8.

There was also a dramatic increase in the amount of Research Activities Tax Credit claims in FY 2009. The majority of the increase in FY 2009 claims is a result of corporations filing claims early, before the July 1, 2010 effective date for a new disclosure requirement for Research Activities Tax Credit claims exceeding \$500,000. As a result the estimate for FY 2010 was lowered to account for those claims moving forward a fiscal year. Note that the Research Activities Tax Credit estimate is now separated into the regular Research Activities Tax Credit and the Supplemental Research Activities Tax Credit.

### ***Tax Credit Expected Claims Projection***

Forecasts of expected tax credit claims indicate that tax credit claims will continue to increase for the next few years, but at a much slower pace (see Table 9). As mentioned at the beginning of this report, this table is new to the report and estimates the amount of tax credits that are likely to be claimed versus the maximum amount of credits that can be claimed. The amounts of expected claims were estimated using a number of methods. The methods used for forecasting each tax credit are listed in the footnotes.

The historical numbers provided are the same numbers presented in Table 8. The primary difference between the Contingent Liabilities Projection (Table 8) and the Expected Claims Projection is the amount of awarded credits that are actually expected to be awarded and claimed. For example, the amounts presented in Table 8 for the Economic Development Region Revolving Fund Tax Credit and the Venture Capital Tax Credit – Fund of Funds are reduced to zero as historically no awards have been made and are not expected to be awarded in the future. The difference between contingent liabilities and expected claims with and without FILM estimates can be seen in Figure 2.

The Expected Claims Projection table, like the Contingent Liabilities Projection table, is based in large part on claim data that has been collected from the IA 148 Tax Credits Schedule. The information collected from the IA 148 is now used to estimate the timing of when awards are likely to be claimed. The IA 148 data is also used to estimate the percentage of awarded credits that will be claimed before they expire. Unlike the Contingent Liabilities Projection; it is not assumed that 100 percent of credits will be claimed unless that is what is reflected by actual claims. Due to the nature of this data it is likely that credit forecasts will vary between reports as the timing and percentage claimed may change as more data is received.

**Table 1: Tax Credit Awards by Fiscal Year**

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010*
Accelerated Career Education Program (ACE) <sup>†</sup>	\$684,059	\$2,784,552	\$2,900,752	\$3,900,872	\$5,814,485	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000
Agricultural Assets Transfer Tax Credit <sup>†</sup>	n/a	n/a	n/a	n/a	n/a	n/a	\$0	\$1,358,604	\$2,212,946	\$2,605,826
Assistive Device Tax Credit	\$0	\$2,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Disaster Recovery Housing Project Tax Credit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$0
Economic Development Region Revolving Fund Tax Credit <sup>†</sup>	n/a	n/a	n/a	n/a	n/a	\$0	\$0	\$0	\$0	\$0
Endow Iowa Tax Credit <sup>†</sup>	n/a	n/a	n/a	\$1,003,773	\$2,000,000	\$2,000,000	\$2,000,000	\$1,710,453	\$1,490,283	\$2,208,224
Enterprise Zone Program <sup>†</sup>	\$21,799,195	\$68,865,745	\$13,282,669	\$20,455,353	\$28,352,506	\$78,111,846	\$85,608,342	\$30,475,003	\$11,549,313	\$10,162,687
Enterprise Zone Program - Housing Component <sup>†</sup>	\$2,937,569	\$4,453,528	\$5,780,202	\$7,493,932	\$10,932,164	\$14,735,244	\$7,111,724	\$9,704,475	\$14,323,929	\$3,187,480
Film Expenditure Tax Credit <sup>†</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$383,934	\$15,372,554	\$3,826,560
Film Investment Tax Credit <sup>†</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$206,397	\$8,557,107	\$3,621,091
High Quality Job Program <sup>†</sup>	n/a	n/a	n/a	n/a	n/a	\$39,707,365	\$192,922,905	\$73,928,977	\$10,281,924	\$6,445,737
Historic Preservation and Cultural and Entertainment District Tax Credit <sup>†</sup>	\$2,400,000	\$2,400,000	\$2,400,000	\$2,400,000	\$2,370,000	\$6,400,000	\$6,400,000	\$10,000,000	\$15,000,000	\$50,000,000
Iowa Industrial New Jobs Training Program (260E)	\$38,567,500	\$36,465,750	\$26,705,000	\$26,746,500	\$60,659,000	\$34,860,000	\$66,418,000	\$69,039,000	\$51,555,000	\$5,792,000
New Capital Investment Program	n/a	n/a	n/a	\$24,174,619	\$13,464,864	n/a	n/a	n/a	n/a	n/a
New Jobs and Income Program	\$39,714,446	\$24,995,065	\$47,523,776	\$35,375,781	\$40,402,878	n/a	n/a	n/a	n/a	n/a
Redevelopment Tax Credit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$0	\$400,000
Renewable Energy Tax Credit <sup>†</sup>	n/a	n/a	n/a	n/a	n/a	\$0	\$0	\$1,492,898	\$2,570,197	\$1,594,829
School Tuition Organization Tax Credit <sup>†</sup>	n/a	n/a	n/a	n/a	n/a	n/a	\$2,500,000	\$4,886,880	\$6,200,378	\$7,402,023
Soy-Based Transformer Fluid Tax Credit <sup>†</sup>	n/a	n/a	n/a	n/a	n/a	n/a	\$17,062	\$17,540	\$3,394	n/a
Targeted Jobs Tax Credit from Withholding	n/a	n/a	n/a	n/a	n/a	n/a	\$845,700	\$5,714,588	\$8,014,000	\$2,638,177
Venture Capital Tax Credit - Fund of Funds <sup>†</sup>	n/a	n/a	n/a	n/a	\$0	\$0	\$0	\$0	\$0	\$0
Venture Capital Tax Credit - Qualified Business or Seed Capital Fund <sup>†</sup>	n/a	n/a	\$374,419	\$719,535	\$824,872	\$2,166,308	\$3,784,713	\$2,130,133	\$0	\$0
Venture Capital Tax Credit - Venture Capital Fund <sup>†</sup>	n/a	n/a	\$200,448	\$384,600	\$185,625	\$764,411	\$620,404	\$59,760	\$140,856	\$217,320
Wage Benefit Tax Credit <sup>†</sup>	n/a	n/a	n/a	n/a	n/a	n/a	\$10,000,000	\$4,000,000	\$4,000,000	\$4,000,000
Wind Energy Production Tax Credit <sup>†</sup>	n/a	n/a	n/a	n/a	n/a	\$0	\$0	\$0	\$0	\$516,821
<b>Total Credits Awarded Each Fiscal Year</b>	<b>\$106,102,769</b>	<b>\$139,967,140</b>	<b>\$99,167,266</b>	<b>\$122,654,965</b>	<b>\$165,006,394</b>	<b>\$184,745,174</b>	<b>\$384,228,851</b>	<b>\$221,108,642</b>	<b>\$157,271,880</b>	<b>\$110,618,775</b>

<sup>†</sup> Awards made on CY basis, but reflected in FY in which the credits can be claimed

Source: Awarding Agencies

n/a = program not yet created, or discontinued

<sup>†</sup> = tax credit programs that have capped awards

\* = partial award year

**Table 2: Tax Credit Claims by Tax Year**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*
Total Individual Income Tax Credits	\$48,279,743	\$51,410,455	\$72,705,744	\$81,418,844	\$84,959,270	\$105,116,138	\$132,266,418	\$130,316,328	\$142,765,119	\$1,767,187
Child & Dependent Care Tax Credit	\$6,396,628	\$6,236,660	\$6,160,402	\$8,354,236	\$8,120,963	\$8,241,622	\$8,918,055	\$8,800,473	\$8,209,472	\$336,827
Early Childhood Development Tax Credit	n/a	n/a	n/a	n/a	n/a	n/a	\$457,802	\$506,182	\$521,513	\$19,681
Earned Income Tax Credit	\$6,142,575	\$6,504,698	\$8,304,908	\$8,534,392	\$8,902,719	\$9,800,348	\$10,736,848	\$23,594,812	\$24,994,270	\$1,327,403
Tuition and Textbook Tax Credit	\$11,453,646	\$12,379,883	\$13,138,193	\$13,772,790	\$14,267,756	\$15,235,560	\$15,054,930	\$15,287,421	\$15,135,572	\$80,777
Other Nonrefundable Tax Credits	\$23,228,165	\$24,668,908	\$42,394,881	\$46,272,542	\$49,359,183	\$65,243,453	\$89,859,402	\$73,012,902	\$81,916,644	\$2,109
Other Refundable Tax Credits	\$1,058,729	\$1,620,306	\$2,707,360	\$4,484,884	\$4,308,649	\$6,595,155	\$7,239,381	\$9,114,538	\$11,987,648	\$390

	2000	2001	2002	2003	2004	2005	2006	2007*	2008*	2009*
Total Corporate Income Tax Credits	\$34,977,630	\$30,233,861	\$31,992,106	\$34,502,493	\$37,987,706	\$45,000,414	\$76,125,900	\$89,223,293	\$33,570,856	\$831,821
Other Credits	\$8,626,270	\$3,169,334	\$2,333,210	\$2,438,500	\$3,433,238	\$2,610,613	\$32,570,001	\$35,307,604	#	#
Iowa Industrial New Jobs Income Tax Credit (260E)	\$1,015,304	\$1,636,162	\$2,205,314	\$2,297,844	\$1,517,117	\$5,195,359	\$2,256,686	\$1,915,083	#	#
Research Activities Credit	\$25,336,056	\$25,428,365	\$27,453,582	\$29,766,149	\$33,037,351	\$37,194,442	\$41,299,213	\$52,000,606	#	#

Source: IDR data

\* = incomplete data for tax year

n/a = program not yet created, or discontinued

# = tax credit detail not yet available

**Table 3: Nonrefundable Tax Credit Claims from IA 148**

Tax Type	TY 2006	TY 2007
Corporate Income Tax	\$19,997,373	\$22,101,471
Franchise Tax	\$717,319	\$632,919
Individual Income Tax	\$89,859,402	\$98,806,282
Insurance Premium Tax	\$3,278,104	\$1,864,663
<b>Total</b>	<b>\$113,852,198</b>	<b>\$123,405,335</b>

**Table 4: Refundable Tax Credit Claims from IA 148**

<b>Tax Type</b>	<b>TY 2006</b>	<b>TY 2007</b>
<b>Corporate Income Tax</b>	\$56,162,082	\$67,121,822
<b>Franchise Tax</b>	\$0	\$3,762,902
<b>Individual Income Tax</b>	\$7,239,381	\$11,162,323
<b>Insurance Premium Tax</b>	\$0	\$3,833,435
<b>Replacement Tax</b>	\$0	\$23,090
<b>Total</b>	\$63,401,463	\$85,903,572

**Table 5: Sales & Use Tax Refunds by Tax Credit Program by Fiscal Year**

	<b>Enterprise Zone</b>	<b>Housing-Enterprise Zone</b>	<b>New Jobs &amp; Income Program</b>	<b>New Capital Investment Program</b>	<b>High Quality Job Program</b>	<b>Total Refunds</b>
FY 2000	\$104,215	\$36,527				\$140,742
FY 2001	\$370,922	\$209,927	\$893,857			\$1,474,706
FY 2002	\$875,824	\$221,315	\$545			\$1,097,684
FY 2003	\$1,546,062	\$304,471	\$447,793			\$2,298,326
FY 2004	\$979,526	\$428,709	\$753,322			\$2,161,557
FY 2005	\$747,109	\$612,061	\$575,704	\$70,059		\$2,004,933
FY 2006	\$482,531	\$856,435	\$404,974	\$924,309	\$0	\$2,668,249
FY 2007	\$438,370	\$1,956,763	\$1,656,558	\$4,096,721	\$4,258	\$8,152,670
FY 2008	\$1,511,690	\$1,095,621	\$1,139,050	\$237,571	\$2,468,854	\$6,452,786
FY 2009	\$2,993,333	\$1,596,039	\$0	\$0	\$2,797,420	\$7,386,792
FY 2010*	\$1,294,962	\$960,063	\$0	\$0	\$4,479,139	\$6,734,164

Source: IDR data

\* =partial year

**Table 6: 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	Incorrectly Claimed Tax Credits	Total of Paper Filed Returns Without Credit Detail
3/31/2005	457	\$5,750,798	\$3,963,285	\$386,005	\$0	\$664,511	\$700	\$736,298
6/30/2005	546	\$7,057,125	\$5,470,408	\$185,980	\$0	\$534,135	\$700	\$865,905
9/30/2005	602	\$7,085,659	\$5,604,350	\$242,021	\$0	\$1,181,479	\$3,553	\$54,258
12/31/2005	716	\$9,674,093	\$7,406,189	\$657,046	\$0	\$1,419,595	\$63,461	\$127,805
3/31/2006	653	\$8,689,978	\$6,877,852	\$577,117	\$0	\$1,114,214	\$18,012	\$102,783
6/30/2006	712	\$10,243,946	\$8,169,745	\$546,401	\$0	\$1,428,627	\$94,666	\$4,508
9/30/2006	804	\$11,961,186	\$10,046,672	\$630,633	\$0	\$997,242	\$236,465	\$50,174
12/31/2006	894	\$12,676,045	\$10,885,718	\$906,277	\$0	\$759,043	\$107,791	\$17,217
3/31/2007	811	\$11,457,060	\$8,841,338	\$1,023,371	\$1,864	\$1,287,368	\$286,488	\$16,633
6/30/2007	803	\$11,325,076	\$8,235,664	\$1,108,678	\$6,085	\$1,838,466	\$124,095	\$12,089
9/30/2007	824	\$12,622,944	\$10,137,467	\$1,159,153	\$63,101	\$1,134,442	\$119,014	\$9,767
12/31/2007	888	\$12,508,521	\$9,935,658	\$1,437,169	\$100,322	\$830,391	\$183,968	\$21,013
3/31/2008	813	\$12,783,584	\$9,706,794	\$1,306,756	\$99,217	\$1,238,707	\$424,804	\$7,306
6/30/2008	806	\$12,178,268	\$9,150,802	\$1,239,794	\$87,832	\$1,249,883	\$202,460	\$247,497
9/30/2008	778	\$12,088,990	\$9,602,356	\$1,350,688	\$121,179	\$779,438	\$233,280	\$2,049
12/31/2008	898	\$12,538,265	\$9,481,417	\$1,795,324	\$166,873	\$888,139	\$166,778	\$39,734
3/31/2009	745	\$11,405,359	\$9,187,930	\$1,121,974	\$128,448	\$820,340	\$141,424	\$3,545
6/30/2009	830	\$11,183,754	\$8,482,687	\$973,155	\$135,908	\$1,363,540	\$225,588	\$2,877
9/30/2009	765	\$11,374,979	\$8,580,904	\$1,090,643	\$163,904	\$1,407,159	\$130,532	\$1,837
12/31/2009	506	\$12,200,436	\$10,068,681	\$1,088,914	\$229,089	\$803,368	\$10,384	\$0
FY 2006	2683	\$35,693,676	\$28,058,136	\$2,022,585	\$0	\$5,143,915	\$179,692	\$289,354
FY 2007	3312	\$47,419,367	\$38,009,392	\$3,668,959	\$7,949	\$4,882,119	\$754,839	\$96,113
FY 2008	3331	\$50,093,317	\$38,930,721	\$5,142,872	\$350,472	\$4,453,423	\$930,246	\$285,583
FY 2009	3251	\$47,216,368	\$36,754,390	\$5,241,141	\$552,408	\$3,851,457	\$767,070	\$48,205
YTD FY 2010	1271	\$23,575,415	\$18,649,585	\$2,179,557	\$392,993	\$2,210,527	\$140,916	\$1,837
CY 2005	2321	\$29,567,675	\$22,444,232	\$1,471,052	\$0	\$3,799,720	\$68,414	\$1,784,266
CY 2006	3063	\$43,571,155	\$35,979,987	\$2,660,428	\$0	\$4,299,126	\$456,934	\$174,682
CY 2007	3326	\$47,913,601	\$37,150,127	\$4,728,371	\$171,372	\$5,090,667	\$713,565	\$59,502
CY 2008	3295	\$49,589,107	\$37,941,369	\$5,692,562	\$475,101	\$4,156,167	\$1,027,322	\$296,586
CY 2009	2846	\$46,164,528	\$36,320,202	\$4,274,686	\$657,349	\$4,394,407	\$507,928	\$8,259

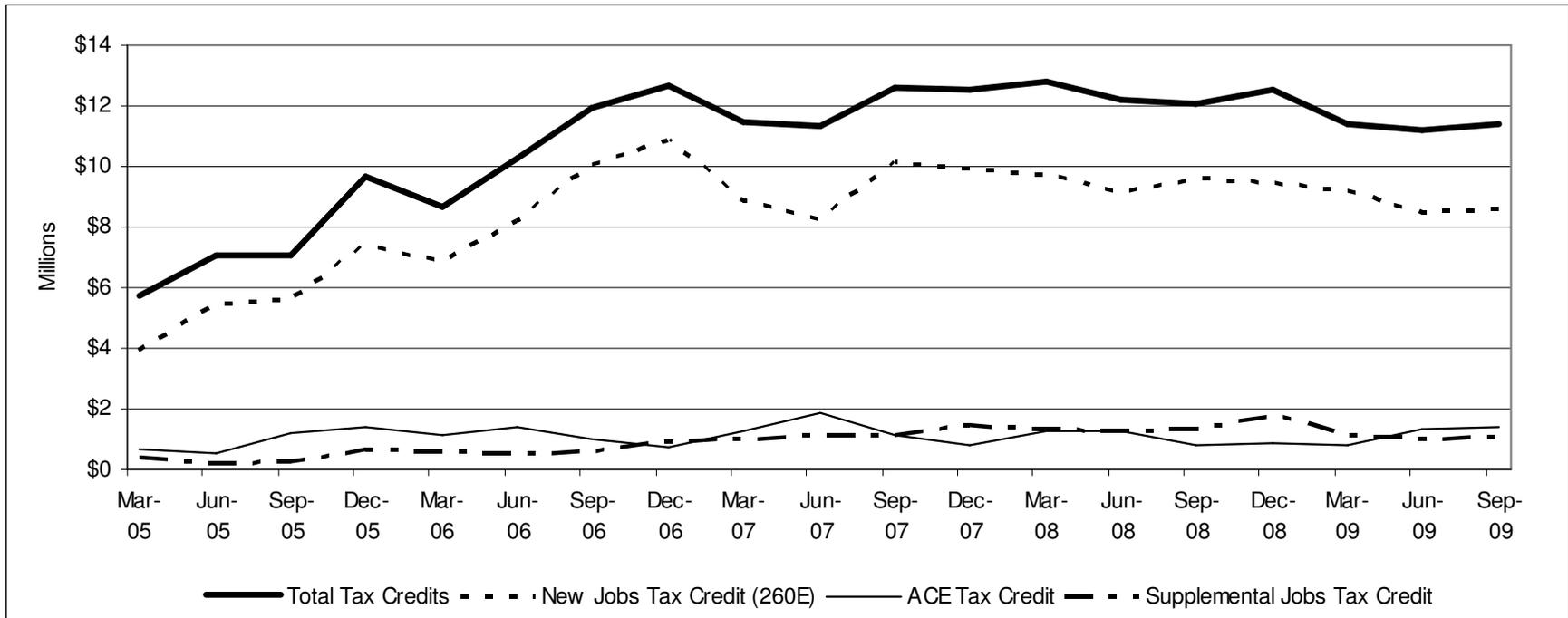
Source: IDR data

**Table 7: Iowa Industrial New Jobs Training Program (260E) Award and Claim Information**

	Amount of 260E Credits Awarded	Amount Reported Paid to the Community Colleges	Amount of 260E and Supplemental Credit Correctly Claimed on Withholding Returns	Amount of 260E Income Tax Credit Claims	Total 260E Claims
FY 2001	\$38,567,500	n/a	n/a	n/a	
FY 2002	\$36,465,750	n/a	n/a	n/a	
FY 2003	\$26,705,000	n/a	n/a	n/a	
FY 2004	\$26,746,500	\$40,667,329	n/a	n/a	
FY 2005	\$60,659,000	\$42,218,828	n/a	n/a	
FY 2006	\$34,860,000	\$42,763,460	\$30,080,721	n/a	
FY 2007	\$66,418,000	\$46,110,828	\$41,678,351	\$4,383,068	\$46,061,419
FY 2008	\$69,039,000	\$43,088,634	\$44,073,593	\$6,794,758	\$50,868,351
FY 2009	\$51,555,000	\$52,783,363	\$41,995,531	\$3,891,491	\$45,887,022
YTD FY 2010	\$5,792,000	\$11,539,865	\$20,829,142	\$1,121,569	\$21,950,711

Source: IDR data and data reported by the Department of Economic Development and Community Colleges

**Figure 1: Graph of Withholding Tax Credit Claims by Quarter**



**Table 8: Tax Credit Contingent Liabilities Projection**

Capped Programs	History*			Forecast				
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Accelerated Career Education Tax Credit <sup>2</sup>	\$4,882,119	\$4,453,423	\$3,851,457	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000
Agricultural Assets Transfer Tax Credit <sup>3</sup>	\$0	\$598,255	\$1,144,656	\$2,032,768	\$4,030,981	\$5,059,543	\$5,726,681	\$6,050,695
Assistive Device Tax Credit <sup>4</sup>	\$0	\$520	\$827	\$0	\$0	\$0	\$0	\$0
Cow-Calf Tax Credit <sup>5</sup>	\$2,000,000	\$2,000,000	\$2,000,000	\$0	\$0	\$0	\$0	\$0
Disaster Recovery Housing Project Tax Credit <sup>6</sup>	\$0	\$0	\$0	\$0	\$1,500,000	\$2,760,000	\$2,760,000	\$2,760,000
Economic Development Region Revolving Fund Tax Credit <sup>2</sup>	\$4,728	\$7,233	\$18,433	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Endow Iowa Tax Credit <sup>3</sup>	\$1,152,017	\$1,479,266	\$1,872,943	\$2,807,722	\$3,425,974	\$3,944,708	\$4,209,140	\$4,345,046
Enterprise Zone Program <sup>7</sup>	\$12,587,391	\$18,119,739	\$23,929,135	\$29,317,519	\$30,327,169	\$38,518,620	\$40,843,641	\$40,518,808
Enterprise Zone Program - Housing Component <sup>8</sup>	\$5,041,669	\$4,560,408	\$4,297,550	\$9,736,084	\$10,829,885	\$12,105,245	\$12,925,120	\$12,561,498
Film, Television, and Video Project Promotion Program (FILM) - Awarded <sup>9</sup>	\$0	\$290,212	\$11,222,497	\$19,015,418	\$8,791,027	\$1,538,168	\$1,538,168	\$679,722
High Quality Jobs Program <sup>7</sup>	\$528,861	\$7,443,828	\$19,975,374	\$41,362,723	\$36,588,114	\$39,217,089	\$52,021,481	\$61,817,062
Historic Preservation and Cultural and Entertainment District Tax Credit <sup>3</sup>	\$722,945	\$8,220,425	\$7,236,585	\$28,628,161	\$35,816,142	\$41,030,444	\$45,814,207	\$50,000,000
Redevelopment Tax Credit <sup>10</sup>	\$0	\$0	\$0	\$550,000	\$200,000	\$50,000	\$50,000	\$50,000
Renewable Energy Tax Credit <sup>3</sup>	\$1,500	\$251,451	\$1,140,131	\$2,819,310	\$7,036,608	\$8,661,881	\$10,083,333	\$10,083,333
School Tuition Organization Tax Credit <sup>3</sup>	\$1,894,943	\$3,922,911	\$5,267,511	\$6,644,358	\$7,062,573	\$7,259,611	\$7,368,149	\$7,715,712
Soy-Based Transformer Fluid Tax Credit <sup>5</sup>	\$0	\$23,648	\$14,348	\$0	\$0	\$0	\$0	\$0
Venture Capital Tax Credit - Iowa Fund of Funds <sup>2</sup>	\$0	\$0	\$0	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000
Venture Capital Tax Credit - Qualified Business or Community-Based Seed Capital Fund <sup>3</sup>	\$339,308	\$446,315	\$408,966	\$1,617,613	\$2,917,873	\$2,445,229	\$978,092	\$391,237
Venture Capital Tax Credit - Venture Capital Funds <sup>3</sup>	\$347,814	\$187,305	\$96,000	\$470,218	\$560,330	\$259,988	\$188,509	\$205,796
Wage-Benefits Tax Credit <sup>3</sup>	\$217,959	\$4,722,158	\$6,315,504	\$5,459,873	\$3,819,741	\$3,879,919	\$1,437,883	\$180,259
Wind Energy Production Tax Credit <sup>11</sup>	\$0	\$2,173	\$0	\$0	\$586,246	\$2,915,138	\$3,802,403	\$3,802,403
<b>TOTAL OF CAPPED PROGRAMS w Awarded FILM</b>	<b>\$29,721,254</b>	<b>\$56,729,270</b>	<b>\$88,791,917</b>	<b>\$178,461,767</b>	<b>\$181,492,663</b>	<b>\$197,645,582</b>	<b>\$217,746,806</b>	<b>\$229,161,570</b>
FILM - Under Review <sup>9</sup>	\$0	\$0	\$0	\$12,841,684	\$60,710,761	\$93,958,349	\$48,334,649	\$8,448,548
FILM - Future Awards Under Cap <sup>9</sup>	\$0	\$0	\$0	\$0	\$18,948,844	\$35,695,156	\$37,130,104	\$38,565,052
<b>TOTAL OF CAPPED PROGRAMS w All FILM</b>	<b>\$29,721,254</b>	<b>\$56,729,270</b>	<b>\$88,791,917</b>	<b>\$191,303,451</b>	<b>\$261,152,268</b>	<b>\$327,299,087</b>	<b>\$303,211,559</b>	<b>\$276,175,170</b>

<sup>2</sup> Estimates are based on the assumption that the full amount of the cap will be awarded and claimed.

<sup>3</sup> Estimates are based on claim information collected from the IA 148 assuming full utilization of awards.

<sup>4</sup> Only one award has been made under this program since its inception. The program is included in the \$185 million DED tax credit cap.

<sup>5</sup> This tax credit has expired; therefore, no future claims are expected.

<sup>6</sup> Estimates are based on information from the Fiscal Note for SF 457, 2009 Legislative Session, and the \$3 million annual cap in the legislation.

<sup>7</sup> Estimates are based on information from the awarding agency and include sales and use tax refunds and investment tax credits. Supplemental 260E and Supplemental Research Activities Tax Credit (RAC) awards are accounted for under the 260E and Supplemental RAC estimates. This program is included in the \$185 million DED tax credit cap. Historical claims are estimated based on amount of awards issued.

<sup>8</sup> Estimates are based on information from the awarding agency and include sales and use tax refunds and investment tax credits. This program is included in the \$185 million DED tax credit cap.

<sup>9</sup> Estimates are based on claim information collected from the IA 148 and estimated future awards. The program is included in the \$185 million DED tax credit cap.

<sup>10</sup> Estimates are based on information from the Fiscal Note for HF 2687, 2008 Legislative Session, and the \$1 million cap in the legislation.

**Table 8 Continued: Tax Credit Contingent Liabilities Projection**

Uncapped Programs	History*			Forecast				
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Biodiesel Blended Fuel Tax Credit <sup>12</sup>	\$648,260	\$2,763,710	\$4,518,206	\$4,191,444	\$4,462,311	\$4,826,571	\$3,897,405	\$56,953
Charitable Conservation Contribution Tax Credit <sup>13</sup>	\$0	\$0	\$22,376	\$57,701	\$112,294	\$184,461	\$272,655	\$353,091
Child & Dependent Care Tax Credit <sup>14</sup>	\$8,918,055	\$8,800,473	\$8,209,472	\$9,282,178	\$10,014,968	\$6,892,309	\$6,181,449	\$5,819,341
E85 Gasoline Promotion Tax Credit <sup>12</sup>	\$278,003	\$492,521	\$914,563	\$1,462,273	\$1,558,541	\$1,778,382	\$1,450,979	\$1,680,214
Early Childhood Development Tax Credit <sup>14</sup>	\$457,802	\$506,182	\$521,513	\$402,182	\$425,812	\$417,182	\$388,931	\$372,313
Earned Income Tax Credit <sup>14</sup>	\$10,736,848	\$23,594,812	\$24,994,270	\$31,757,174	\$30,330,517	\$27,656,163	\$27,206,090	\$27,294,149
Ethanol Blended Gasoline Tax Credit <sup>12</sup>	\$6,215,642	\$5,861,804	\$6,766,941	\$5,915,336	\$57,537	\$0	\$0	\$0
Ethanol Promotion Tax Credit <sup>15</sup>	\$0	\$0	\$0	\$1,859,253	\$4,995,040	\$4,191,305	\$3,716,787	\$2,977,616
Iowa Industrial New Job Training Program (260E) <sup>16</sup>	\$46,061,419	\$50,868,351	\$45,887,022	\$47,944,411	\$50,572,799	\$53,195,434	\$51,117,693	\$52,615,773
New Capital Investment Program <sup>17</sup>	\$10,478,212	\$5,778,056	\$4,216,059	\$1,754,723	\$106,550	\$0	\$0	\$0
New Jobs and Income Program <sup>17</sup>	\$30,471,945	\$29,265,568	\$19,156,802	\$11,030,672	\$5,012,341	\$0	\$0	\$0
Research Activities Tax Credit <sup>18</sup>	\$25,887,625	\$28,237,298	\$50,636,053	\$17,911,920	\$36,978,886	\$37,952,718	\$40,720,422	\$44,795,024
Supplemental Research Activities Tax Credit <sup>19</sup>	\$12,618,397	\$14,370,671	\$26,551,829	\$10,208,335	\$20,593,569	\$18,272,829	\$15,359,149	\$12,607,723
Soy-Based Cutting Tool Oil Tax Credit <sup>5</sup>	\$4,659	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Targeted Jobs Tax Credit from Withholding <sup>20</sup>	\$7,949	\$350,472	\$778,285	\$1,364,486	\$2,723,548	\$3,998,548	\$5,473,548	\$6,473,548
Tuition and Textbook Tax Credit <sup>14</sup>	\$15,054,930	\$15,287,421	\$15,135,572	\$15,440,882	\$15,841,272	\$16,046,237	\$16,294,753	\$16,591,337
<b>TOTAL OF UNCAPPED PROGRAMS</b>	<b>\$167,839,745</b>	<b>\$186,177,339</b>	<b>\$208,308,963</b>	<b>\$160,582,972</b>	<b>\$183,785,986</b>	<b>\$175,412,139</b>	<b>\$172,079,861</b>	<b>\$171,637,082</b>
<b>TOTAL OF ALL PROGRAMS w Awarded FILM</b>	<b>\$197,560,999</b>	<b>\$242,906,609</b>	<b>\$297,100,880</b>	<b>\$339,044,739</b>	<b>\$365,278,649</b>	<b>\$373,057,721</b>	<b>\$389,826,667</b>	<b>\$400,798,652</b>
<b>TOTAL OF ALL PROGRAMS w All FILM</b>	<b>\$197,560,999</b>	<b>\$242,906,609</b>	<b>\$297,100,880</b>	<b>\$351,886,423</b>	<b>\$444,938,254</b>	<b>\$502,711,227</b>	<b>\$475,291,420</b>	<b>\$447,812,252</b>

\*The history portion of the table is based on actual claims, with the exceptions of the Enterprise Zone, High Quality Jobs, New Capital Investment and New Jobs and Income Programs where estimates are used because of incomplete data. Because the table is based on actual claims made by taxpayers, the amounts may not reflect the amount of awards issued.

<sup>11</sup> Estimates are based on claim information for the Renewable Energy Tax Credit collected from the IA 148 and estimated future awards of the Wind Energy Production Tax Credit.

<sup>12</sup> Estimates are based on claim information collected from the IA 148 and future awards forecasts based on data from the Annual Fuel Retailers Report for 2008.

<sup>13</sup> Estimates are based on claim information collected from the IA 148 and future awards forecasts based on data from the Fiscal Note for HF 2080, 2008 Legislative Session.

<sup>14</sup> Estimates are based on the IDR individual income tax micro model.

<sup>15</sup> Estimates are based on claim information for the Ethanol Blended Gasoline Tax Credit collected from the IA 148 and forecasted future awards based on data from the Annual Fuel Retailers Report for 2008.

<sup>16</sup> Estimates are based on the assumption that awards are claimed against withholding tax equally over eight years. The income tax credit estimates are based on historical claims.

<sup>17</sup> Estimates are based on information from the awarding agency. This program ended 7/1/05 and it is expected that all awards will be claimed before FY 2012.

<sup>18</sup> Estimates are based on claim information collected from the IA 148 and forecasted future awards based on the annual growth rate from past claims and accounting for the economic slowdown in FY 2008 through FY 2010.

<sup>19</sup> Estimates account for DED now capping the amount of Supplemental RAC that can be claimed. The credit is included in the \$185 million DED tax credit cap.

<sup>20</sup> Estimates are based on the amount of fiscal year awards increasing by \$2 million in FY 2011 through FY 2013 when the program is scheduled to end.

**Table 9: Tax Credit Expected Claims Projection**

Capped Programs	History*			Forecast				
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Accelerated Career Education Tax Credit <sup>21</sup>	\$4,882,119	\$4,453,423	\$3,851,457	\$4,395,666	\$4,395,666	\$4,395,666	\$4,395,666	\$4,395,666
Agricultural Assets Transfer Tax Credit <sup>22</sup>	\$0	\$598,255	\$1,144,656	\$1,648,661	\$2,050,160	\$2,534,937	\$3,127,622	\$3,849,767
Assistive Device Tax Credit <sup>4</sup>	\$0	\$520	\$827	\$0	\$0	\$0	\$0	\$0
Cow-Calf Tax Credit <sup>5</sup>	\$2,000,000	\$2,000,000	\$2,000,000	\$0	\$0	\$0	\$0	\$0
Disaster Recovery Housing Project Tax Credit <sup>23</sup>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Economic Development Region Revolving Fund Tax Credit <sup>24</sup>	\$4,728	\$7,233	\$18,433	\$0	\$0	\$0	\$0	\$0
Endow Iowa Tax Credit <sup>25</sup>	\$1,152,017	\$1,479,266	\$1,872,943	\$2,467,840	\$3,043,398	\$3,533,342	\$3,657,725	\$3,782,108
Enterprise Zone Program <sup>26</sup>	\$12,587,391	\$18,119,739	\$23,929,135	\$20,415,168	\$20,303,513	\$21,408,294	\$23,917,696	\$25,078,099
Enterprise Zone Program - Housing Component <sup>26</sup>	\$5,041,669	\$4,560,408	\$4,297,550	\$8,976,666	\$9,203,289	\$9,490,549	\$9,303,098	\$8,764,584
Film, Television, and Video Project Promotion Program (FILM) - Awarded <sup>9</sup>	\$0	\$290,212	\$11,222,497	\$19,015,418	\$8,791,027	\$1,538,168	\$1,538,168	\$679,722
High Quality Jobs Program <sup>28</sup>	\$528,861	\$7,443,828	\$19,975,374	\$32,727,619	\$29,850,955	\$28,203,719	\$38,081,144	\$47,125,807
Historic Preservation and Cultural and Entertainment District Tax Credit <sup>3</sup>	\$722,945	\$8,220,425	\$7,236,585	\$28,628,161	\$35,816,142	\$41,030,444	\$45,814,207	\$50,000,000
Redevelopment Tax Credit <sup>10</sup>	\$0	\$0	\$0	\$550,000	\$200,000	\$50,000	\$50,000	\$50,000
Renewable Energy Tax Credit <sup>3</sup>	\$1,500	\$251,451	\$1,140,131	\$2,819,310	\$7,036,608	\$8,661,881	\$10,083,333	\$10,083,333
School Tuition Organization Tax Credit <sup>3</sup>	\$1,894,943	\$3,922,911	\$5,267,511	\$6,644,358	\$7,087,008	\$7,259,611	\$7,343,714	\$7,715,712
Soy-Based Transformer Fluid Tax Credit <sup>5</sup>	\$0	\$23,648	\$14,348	\$0	\$0	\$0	\$0	\$0
Venture Capital Tax Credit - Iowa Fund of Funds <sup>24</sup>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Venture Capital Tax Credit - Qualified Business or Community-Based Seed Capital Fund <sup>3</sup>	\$339,308	\$446,315	\$408,966	\$1,617,613	\$2,917,873	\$2,445,229	\$978,092	\$391,237
Venture Capital Tax Credit - Venture Capital Funds <sup>3</sup>	\$347,814	\$187,305	\$96,000	\$470,218	\$560,330	\$259,988	\$188,509	\$205,796
Wage-Benefits Tax Credit <sup>3</sup>	\$217,959	\$4,722,158	\$6,315,504	\$5,459,873	\$3,819,741	\$3,879,919	\$1,437,883	\$180,259
Wind Energy Production Tax Credit <sup>11</sup>	\$0	\$2,173	\$0	\$0	\$586,246	\$2,915,138	\$3,802,403	\$3,802,403
<b>TOTAL OF CAPPED PROGRAMS w Awarded FILM</b>	<b>\$29,721,254</b>	<b>\$56,729,270</b>	<b>\$88,791,917</b>	<b>\$135,836,571</b>	<b>\$135,661,957</b>	<b>\$137,606,886</b>	<b>\$153,719,259</b>	<b>\$166,104,493</b>
FILM - Under Review <sup>27</sup>	\$0	\$0	\$0	\$12,841,684	\$36,029,891	\$47,465,409	\$24,653,559	\$4,710,508
FILM - Future Awards Under Cap <sup>9</sup>	\$0	\$0	\$0	\$0	\$18,948,844	\$35,695,156	\$37,130,104	\$38,565,052
<b>TOTAL OF CAPPED PROGRAMS w All FILM</b>	<b>\$29,721,254</b>	<b>\$56,729,270</b>	<b>\$88,791,917</b>	<b>\$148,678,255</b>	<b>\$190,640,692</b>	<b>\$220,767,450</b>	<b>\$215,502,922</b>	<b>\$209,380,053</b>

<sup>21</sup> Estimates are based on the average of historical claims.

<sup>22</sup> Estimates are based on claim information from the IA 148 and estimated future awards based on historical awards.

<sup>23</sup> It is expected that this program will never be implemented based on information from the awarding agency.

<sup>24</sup> It is not expected that any awards will be made under this program based on historical awards.

<sup>25</sup> It is expected that less than 100 percent of awards will be claimed before expiration based on historical claims.

<sup>26</sup> It is expected that the full allocation of awards under DED's \$185 million cap will not be made in FY 2010 based on information from the awarding agency. It is also expected that less than 100 percent of awards will be claimed before expiration based on historical claims.

<sup>27</sup> It is expected that only 50 percent of the contracts awarded in FY 2009 and under review will proceed.

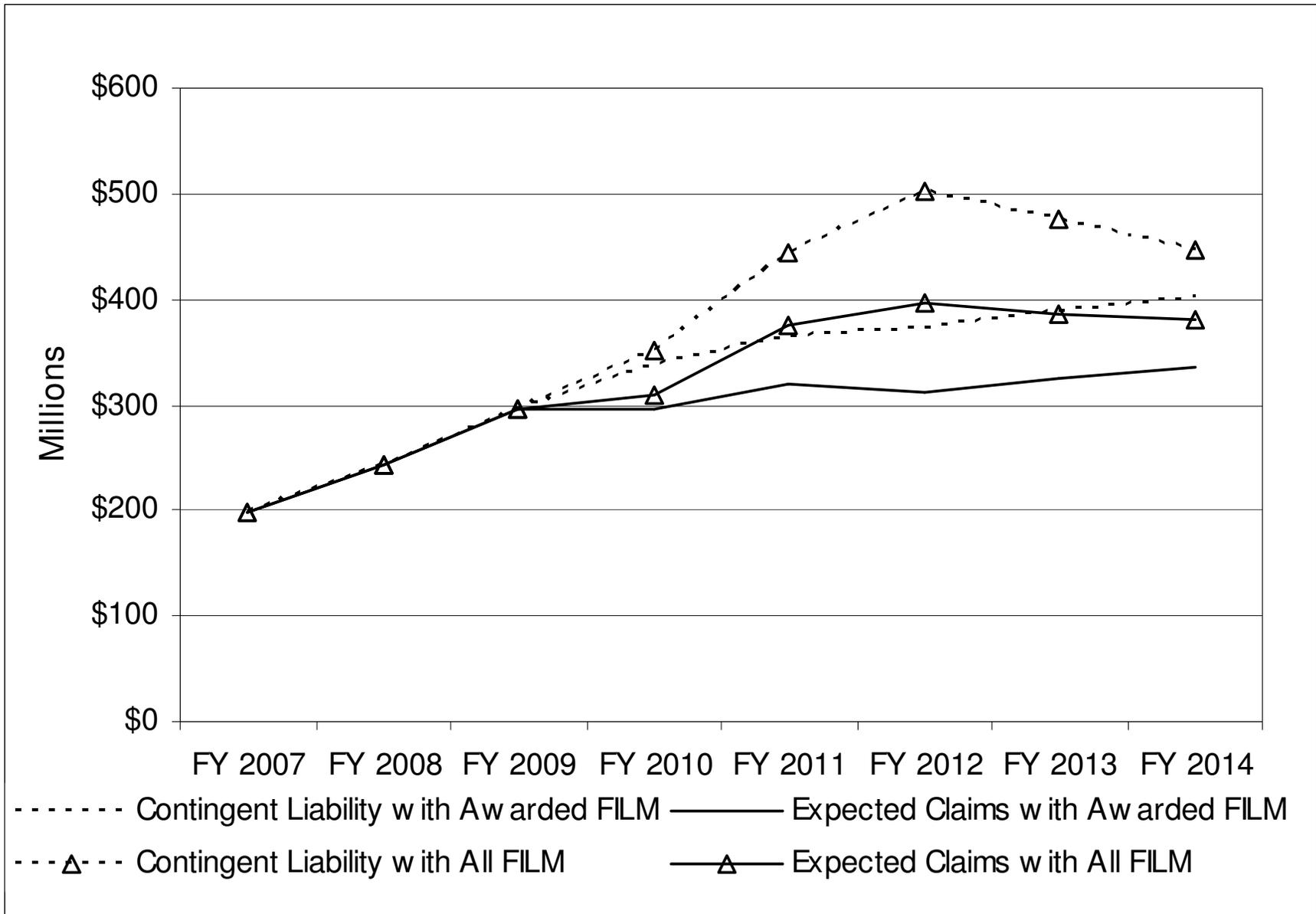
<sup>28</sup> It is expected that the full allocation of awards under DED's \$185 million cap will not be made in FY 2010 based on information from the awarding agency.

**Table 9 Continued: Tax Credit Expected Claims Projection**

Uncapped Programs	History*			Forecast				
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Biodiesel Blended Fuel Tax Credit <sup>12</sup>	\$648,260	\$2,763,710	\$4,518,206	\$4,191,444	\$4,462,311	\$4,826,571	\$3,897,405	\$56,953
Charitable Conservation Contribution Tax Credit <sup>13</sup>	\$0	\$0	\$22,376	\$57,701	\$112,294	\$184,461	\$272,655	\$353,091
Child & Dependent Care Tax Credit <sup>14</sup>	\$8,918,055	\$8,800,473	\$8,209,472	\$9,282,178	\$10,014,968	\$6,892,309	\$6,181,449	\$5,819,341
E85 Gasoline Promotion Tax Credit <sup>12</sup>	\$278,003	\$492,521	\$914,563	\$1,462,273	\$1,558,541	\$1,778,382	\$1,450,979	\$1,680,214
Early Childhood Development Tax Credit <sup>14</sup>	\$457,802	\$506,182	\$521,513	\$402,182	\$425,812	\$417,182	\$388,931	\$372,313
Earned Income Tax Credit <sup>14</sup>	\$10,736,848	\$23,594,812	\$24,994,270	\$31,757,174	\$30,330,517	\$27,656,163	\$27,206,090	\$27,294,149
Ethanol Blended Gasoline Tax Credit <sup>12</sup>	\$6,215,642	\$5,861,804	\$6,766,941	\$5,915,336	\$57,537	\$0	\$0	\$0
Ethanol Promotion Tax Credit <sup>15</sup>	\$0	\$0	\$0	\$1,859,253	\$4,995,040	\$4,191,305	\$3,716,787	\$2,977,616
Iowa Industrial New Job Training Program (260E) <sup>16</sup>	\$46,061,419	\$50,868,351	\$45,887,022	\$47,944,411	\$50,572,799	\$53,195,434	\$51,117,693	\$52,615,773
New Capital Investment Program <sup>17</sup>	\$10,478,212	\$5,778,056	\$4,216,059	\$1,754,723	\$106,550	\$0	\$0	\$0
New Jobs and Income Program <sup>17</sup>	\$30,471,945	\$29,265,568	\$19,156,802	\$11,030,672	\$5,012,341	\$0	\$0	\$0
Research Activities Tax Credit <sup>18</sup>	\$25,887,625	\$28,237,298	\$50,636,053	\$17,911,920	\$36,978,886	\$37,952,718	\$40,720,422	\$44,795,024
Supplemental Research Activities Tax Credit <sup>28</sup>	\$12,618,397	\$14,370,671	\$26,551,829	\$10,208,335	\$20,593,569	\$18,221,605	\$14,820,017	\$11,192,723
Soy-Based Cutting Tool Oil Tax Credit <sup>5</sup>	\$4,659	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Targeted Jobs Tax Credit from Withholding <sup>20</sup>	\$7,949	\$350,472	\$778,285	\$1,364,486	\$2,723,548	\$3,998,548	\$5,473,548	\$6,473,548
Tuition and Textbook Tax Credit <sup>14</sup>	\$15,054,930	\$15,287,421	\$15,135,572	\$15,440,882	\$15,841,272	\$16,046,237	\$16,294,753	\$16,591,337
<b>TOTAL OF UNCAPPED PROGRAMS</b>	<b>\$167,839,745</b>	<b>\$186,177,339</b>	<b>\$208,308,963</b>	<b>\$160,582,972</b>	<b>\$183,785,986</b>	<b>\$175,360,915</b>	<b>\$171,540,729</b>	<b>\$170,222,082</b>
<b>TOTAL OF ALL PROGRAMS w Awarded FILM</b>	<b>\$197,560,999</b>	<b>\$242,906,609</b>	<b>\$297,100,880</b>	<b>\$296,419,543</b>	<b>\$319,447,942</b>	<b>\$312,967,801</b>	<b>\$325,259,989</b>	<b>\$336,326,575</b>
<b>TOTAL OF ALL PROGRAMS w All FILM</b>	<b>\$197,560,999</b>	<b>\$242,906,609</b>	<b>\$297,100,880</b>	<b>\$309,261,227</b>	<b>\$374,426,678</b>	<b>\$396,128,366</b>	<b>\$387,043,651</b>	<b>\$379,602,135</b>

\*The history portion of the table is based on actual claims, with the exceptions of the Enterprise Zone, High Quality Jobs, New Capital Investment and New Jobs and Income Programs where estimates are used because of incomplete data. Because the table is based on actual claims made by taxpayers, the amounts may not reflect the amount of awards issued.

**Figure 2: Graph of Contingent Liability and Expected Claims of Tax Credits in Iowa**



## ***Appendix: Description of Iowa's Tax Credit Programs***

**Accelerated Career Education Program (ACE) (260G):** 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.

**Charitable Conservation Contribution Tax Credit:** This credit is available to taxpayers who make an unconditional charitable donation of a qualified real property interest located in the State of Iowa to a qualified organization exclusively for conservation purposes. Section 422.11V, 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. This credit was repealed effective for any claims made on or after November 1, 2008. Section 422.120, Code of Iowa.

**Disaster Recovery Housing Project Tax Credit:** The credit is available to taxpayers investing in a qualifying disaster recovery housing project. The amount of the credit is equal to 75 percent of the qualifying investment. Section 16.191 through 16.192, 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 tax credit. The credit is equal to 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 (EZ):** 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 through 15E.196, Code of Iowa.

**Ethanol Blended Gasoline Tax Credit:** 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. This credit was replaced in 2009 by the Ethanol Promotion Tax Credit. Section 422.11C (2), Code of Iowa.

**Ethanol Promotion Tax Credit:** This credit replaced the ethanol blended gasoline credit beginning in 2009. It is 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 and a 25 percent tax credit for qualified expenditures in film projects produced in the State of Iowa. Section 15.391 through 15.393, Code of Iowa.

**High Quality Jobs Program (HQJP):** 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 through 15.337, Code of Iowa.

**Historic Preservation and Cultural and Entertainment District Tax Credit:** This tax credit, 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 (NCIP):** This program, administered by DED, was replaced by the High Quality Job Creation Program, beginning in FY 2006. Section 15.381 through 15.387, Code of Iowa.

**New Jobs and Income Program (NJIP):** This program, administered by DED, was replaced by the High Quality Job Creation Program, beginning in FY 2006. Section 15.326 through 15.337, Code of Iowa.

**Redevelopment Tax Credit:** This credit is available to taxpayers that invest in redeveloping a brownfield or grayfield site. Section 15.291 and 15.293, 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). The Department of Revenue determines the amount of the tax credits and issues tax credit certificates, which authorize credits to be claimed, to eligible applicants. 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 15.335, 422.10 and 422.33(5), 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 422.11S, 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. This program was repealed effective December 31, 2006. 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. This program was repealed effective December 31, 2008. Section 476D, Code of Iowa.

**Targeted Jobs Tax 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. Section 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.61 through 15E.69, 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.41 through 15E.46, 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 15I.1 through 15I.5, Code of Iowa.

**Wind Energy Production Tax Credit:** This credit is for electrical production facilities that produce electricity from wind and are approved as eligible by the local board of supervisors and the IUB. The Department of Revenue determines the amount of the tax credits and issues tax credit certificates, which authorize credits to be claimed, to eligible applicants. Section 476B, Code of Iowa.