

Name(s)  
▶

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

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

Pass-through entity (if applicable)  
▶

Pass-through FEIN      Tax Period End Date  
▶      ▶

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**PART I - Calculation of U.S. Qualified Research Expenses**

1. Did the researching business claim the federal research credit for this same tax year?

Yes ▶  Continue to Part I, line 2 (if pass-through only, continue to Part II, line 32).  
No ▶  Taxpayer is not eligible for the Iowa Research Activities Tax Credit. Stop.

**Use Dollars and Cents**

2. Certain amounts paid or incurred to energy consortia .....	▶ 2		
3. Basic research payments to qualified organizations .....	▶ 3		
4. Qualified organization base period amount.....	▶ 4		
5. Wages for qualified research services.....	▶ 5		
6. Cost of supplies used in conducting qualified research .....	▶ 6		
7. Rental or lease costs of computers used in conducting qualified research.....	▶ 7		
8. Applicable portion of contract research expenses.....	▶ 8		
9. Total qualified research expenses. Add lines 5 through 8 .....	▶ 9		
10. Fixed-base percentage to four decimals, but not more than 16.00%.....	▶ 10		%
11. Average U.S. annual gross receipts for tax years 2018 through 2021 .....	▶ 11		
12. Multiply line 11 by the percentage on line 10 .....	▶ 12		
13. Subtract line 12 from line 9. If zero or less, enter zero .....	▶ 13		
14. Multiply line 9 by 50% (0.5) .....	▶ 14		
15. Enter the smaller of line 13 or line 14 .....	▶ 15		
16. Total allowable U.S. qualified research expenses. Add lines 2 and 15 .....	▶ 16		



SSN or FEIN

▶

**PART II – 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. Cost of supplies used in conducting qualified research in Iowa.....	▶ 22		
23. Rental or lease costs of computers used in conducting qualified research in Iowa.....	▶ 23		
24. Applicable portion of contract research expenses incurred in Iowa.....	▶ 24		
25. Total Iowa qualified research expenses. Add lines 21 through 24.....	▶ 25		
26. Total U.S. qualified research expenses. Add lines 2 and 9.....	▶ 26		
27. Iowa share of research. Divide line 25 by line 26, enter percentage to the nearest hundredth of a percent (ex. 72.18%).....	▶ 27		%
28. Expenses allocable to Iowa. Multiply line 16 by the percentage on line 27.....	▶ 28		
29. Multiply line 28 by 6.5% (0.065).....	▶ 29		
30. Iowa Research Activities Tax Credit. Add lines 20 and 29. See Where to Report this Tax Credit in instructions.....	▶ 30		
31. Supplemental Research Activities Tax Credit. See Where to Report this Tax Credit in instructions.....	▶ 31		
32. Pass-through Iowa Research Activities Tax Credit received from partnership, LLC, S corporation, estate, or trust. See Where to Report this Tax Credit in instructions.....	▶ 32		
33. Pass-through Supplemental Research Activities Tax Credit received from partnership, LLC, S corporation, estate, or trust. See Where to Report this Tax Credit in instructions.....	▶ 33		

Include this form with your return.



**Who Must File this Form**

Taxpayers who elect to claim the regular Research Activities Tax Credit must use the IA 128. Taxpayers who elect to claim the Alternative Simplified Research Activities Tax Credit must use the IA 128S. The taxpayer may elect to use either method regardless of the method used in computing the federal research tax credit. The taxpayer is not required to use the same method in computing the Research Activities Tax Credit for subsequent years.

Research expenses qualified for the Iowa Research Activities Tax Credit are based on the rules governing the federal research tax credit, see Internal Revenue Code (IRC) section 41. A taxpayer may only claim the Iowa tax credit if the business conducting the research also claims and is allowed the federal research credit for the same taxable year and is engaged in an eligible industry in Iowa.

The Iowa credit equals 6.5% of increased research expenses plus 6.5% of increased basic research expenses in Iowa. Any tax credit in excess of tax liability can be refunded or credited to tax liability for the following year.

**Industry in Which the Researching Business is Engaged**

You must report the industry in which the business conducting the research is engaged. A taxpayer may only claim the Iowa tax credit 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, please 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 a Research Activities Tax Credit 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 Supplemental Research Activities Tax Credit.

**Example:** An eligible business with gross receipts of \$20 million or less earns an Iowa Research Activities Tax Credit 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 tax credit 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 Research Activities Tax Credit of \$151,923.

**Trades or Businesses under Common Control**

For a group of trades or businesses under common control (whether or not incorporated), the Iowa Research Activities Tax Credit is calculated as if all the organizations are one trade or business. 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.

**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 30 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 30, and also enter the pass-through tax credit on line 32. Report each tax credit separately.

**Supplemental Research Activities Tax Credit**

Businesses with tax incentive contracts under the High Quality Jobs Program or the Enterprise Zone Program can be awarded a Supplemental Research Activities Tax Credit by the Iowa Economic Development Authority (IEDA). The total eligible supplemental tax credit claim is provided in the contract along with the tax credit certificate number. The maximum supplemental tax credit cannot exceed 10% of the sum of lines 19 and 28 for businesses with annual gross receipts of \$20 million or less (as reported on line 11). The maximum supplemental tax credit cannot exceed 3% of the sum of lines 19 and 28 for businesses with annual gross receipts exceeding \$20 million. If the Supplemental Research Activities Tax Credit is earned by a pass-through entity, report the supplemental tax credit to the Department and to members as instructed below (see Where to Report this Tax Credit).

**2022 IA 128 Line Instructions**

Provide your name, Social Security Number (SSN) or Federal Employer Identification Number (FEIN), tax period ending date, and 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: Claim to federal research credit**

Iowa law requires that the researching business must claim and be allowed the Federal Credit for Increasing Research Activities under IRC section 41 for the same taxable year in order for the business to be eligible to claim the Iowa credit. Even if this is true, the researching business must also meet the industry requirements under Iowa law noted above (see Industry in Which Researching Business is Engaged).

**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 or 18-20 (as applicable); lines 5-8 equal federal lines 5-8 or 24-27 (as applicable).

**Line 10: Fixed-base percentage**

Use the same fixed-base percentage calculated for the federal research tax credit, rounding to four decimal places (1/100th of 1%), 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 Supplemental Research Activities Tax Credit, 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. line 4 x (line 17 / 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: Iowa expenses on research supplies**

Enter the amounts paid or incurred for supplies used to conduct qualified research in Iowa.

**Line 23: Iowa research expenses on computers**

Enter the amount paid or incurred to another person for the right to use computers to conduct qualified research in Iowa. This entry must be reduced by any amount received or accrued from any other person for the right to use substantially identical personal property.

**Line 24: 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 30: Iowa Research Activities Tax Credit**

Add lines 20 and 29. See Where to Report This Tax Credit below.

**Line 31: Supplemental Research Activities Tax Credit**

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

**Line 32: Pass-through Research Activities Tax Credit**

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

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

**Line 33: Pass-through Supplemental Research Activities Tax Credit**

If the taxpayer has received any pass-through Supplemental Research Activities Credit 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 Research Activities Tax Credit received and provide the required information regarding the pass-through entity. See Where to Report This Tax Credit below.

Include this form, the Federal 6765, and the 2022 IA 148 Tax Credits Schedule with your IA 1040, IA 1041, or IA 1120.

Include this form and the Federal 6765 with your IA 1065 or IA 1120S.

**Where to Report This Tax Credit:**

Iowa Form:	Enter amounts from lines 30, 31, 32, or 33 on:	Additional Instructions:
1040	IA 148 Tax Credits Schedule	<ul style="list-style-type: none"> <li>Report line 30 and 32 amounts on the IA 148, Part II, using tax credit code 58. List each tax credit claim earned or received separately.</li> <li>Report line 31 and 33 amounts on the IA 148, Part II, 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 32 and 33 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 30 and 32 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 31 and 33 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 32 or 33 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 30 and 32 amounts on the IA 1065, Schedule B as earned by the entity (line 30) or received from another pass-through entity (line 32), 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 31 and 33 amounts on the IA 1065, Schedule B as earned by the entity (line 31) or received from another pass-through entity (line 33), 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 32 or 33 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 30 and 32 amounts on the IA 1120S, Schedule B as earned by the entity (line 30) or received from another pass-through entity (line 32), 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 31 and 33 amounts on the IA 1120S, Schedule B as earned by the entity (line 31) or received from another pass-through entity (line 33), 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 32 or 33 of form IA 128, as appropriate, and include the IA 128 with their tax return.</li> </ul>