



Iowa Research Activities Credit

Name(s)	SSN or FEIN
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PART I: COMPUTATION OF CREDIT FOR INCREASING RESEARCH ACTIVITIES

- 1. Certain amounts paid or incurred to energy consortia 1. _____
- 2. Basic research payments paid or incurred to qualified organizations 2. _____
- 3. Qualified organizations base amount 3. _____
- 4. Subtract line 3 from line 2. If zero or less, enter zero. 4. _____
- 5. Wages for services used in qualifying research 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 expenses 8. _____
- 9. Add lines 5 through 8. 9. _____
- 10. Enter fixed-base percentage, but not more than 16%. 10. _____ %
- 11. Enter average annual gross receipts. 11. _____
- 12. Base amount. Multiply line 11 by the percentage on line 10. 12. _____
- 13. Subtract line 12 from line 9. 13. _____
- 14. Multiply line 9 by 50%. 14. _____
- 15. Enter the smaller of line 13 or line 14. 15. _____
- 16. Total allowable expenses. Add lines 1, 4, and 15. 16. _____

PART II: PERCENTAGE OF RESEARCH ACTIVITIES OCCURRING WITHIN IOWA

- 17. Certain amounts paid or incurred to energy consortia in Iowa 17. _____
- 18. Basic research payments paid or incurred to qualified organizations in Iowa during tax year 18. _____
- 19. Iowa apportioned qualified organizations base amount 19. _____
- 20. Subtract line 19 from line 18. If zero or less, enter zero. 20. _____
- 21. Wages for qualifying research services performed in Iowa 21. _____
- 22. Cost of supplies used in conducting qualifying research in Iowa 22. _____
- 23. Rental or lease costs of computers used in conducting qualified research in Iowa 23. _____
- 24. Applicable portion of contract expenses for qualifying research performed in Iowa 24. _____
- 25. Add lines 21 through 24. 25. _____
- 26. Total Iowa qualified research expenses. Add lines 17, 18, and 25. 26. _____
- 27. Total current-year qualified research expenses. Add lines 1, 2, and 9. 27. _____
- 28. Divide line 26 by line 27 and enter percentage to 3 decimals. 28. _____ %
- 29. Expenses allocable to Iowa. Multiply line 16 by line 28. 29. _____
- 30. Credit for increasing research activities. Multiply line 29 by 6.5% and enter on IA 148. 30. _____
- 31. Supplemental Research Activities Credit. See instructions. Enter on IA 148. 31. _____
- 32. Pass-through Iowa Research Activities Credit received from partnership, S corporation, estate, or trust. Enter on IA 148. 32. _____
- 33. Pass-through Supplemental Research Activities Credit Received from partnership, S corporation, estate, or trust. Enter on IA 148. 33. _____
- 34. Total allowable Iowa Research Activities Credit. Add lines 30 through 33. 34. _____

2010 IA 128 Special Instructions

Trades or Businesses that are under Common Control

For a group of trades or businesses under common control (whether or not incorporated), the credit for increasing research activities is figured as if all the organizations are one trade or business. The credit figured for the group must then be shared among the members of the group 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.

Apportionment of Credit

The credit figured on lines 1 through 34 by a partnership, S corporation, estate, or trust are apportioned to the individual partners, shareholders, or beneficiaries, respectively. This apportioned credit is entered on line 32 of a separate form IA 128 to determine the allowed credit to be entered on their tax returns.

Supplemental Research Activities Credit

If research activities are conducted by eligible businesses under the New Jobs and Income Program, New Capital Investment Program, High Quality Jobs Program, or the Enterprise Zone Program, a Supplemental Research Activities Credit may be allowed. The maximum amount of the Supplemental Research Activities Credit is shown in the contract entered into between the eligible business and the Iowa Department of Economic Development. The amount of the supplemental credit cannot exceed the credit amount shown on line 30 for awards issued by the Iowa Department of Economic Development prior to July 1, 2010. For awards made by the Iowa Department of Economic Development on or after July 1, 2010, the supplemental credit cannot exceed 10% of line 29 for businesses with gross receipts of \$20 million or less. The supplemental credit cannot exceed 3% for businesses with gross receipts exceeding \$20 million.

Note: If you are a shareholder, partner, or beneficiary with a credit from two sources, such as from a sole

proprietorship and a partnership, figure the credit of the proprietorship on form IA 128, lines 1 through 31, if you are claiming the research credit. Then enter the pass-through credit from the partnership on lines 32 and 33, if applicable, and complete the rest of the form to determine the credit to be entered on your tax return.

Any individual, estate, trust, organization, or corporation claiming an Iowa credit for increasing research activities or any S corporation, partnership, estate, or trust that shares the credit among its shareholders, partners, or beneficiaries should attach this form to its Iowa income tax return.

S corporations, partnerships, estates, and trusts that share the credit among their shareholders, partners, or beneficiaries must show on Schedule K-1, or on an attachment to Schedule K-1, the credit for each shareholder, partner, or beneficiary.

Innovative Renewable Energy Generation

Effective July 1, 2009, research activities under the High Quality Jobs Program or under the Enterprise Zone Program include the development and deployment costs of innovative renewable energy generations 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 credit. A separate form IA 128 must be completed to account for these costs, which can be included on lines 5 and 21 of the separate form IA 128. The amount of the additional credit relating to these costs is not eligible for the Supplemental Research Activities Credit.

Example: An eligible business computes an Iowa Research Activities Credit of \$50,000 excluding any costs relating to innovative renewable energy generation components. When the costs relating to innovative renewable energy generation components are included on lines 5 and 21, the Iowa credit is \$75,000. The business is allowed a supplemental credit of \$50,000 under the original claim, which would result in an Iowa credit of \$100,000. This can be added to the additional credit relating to the innovative renewable energy generation components of \$25,000, resulting in a total Iowa Research Activities Credit of \$125,000.

Note: Effective July 1, 2009, the High Quality Job Creation Program changed its name to High Quality Jobs Program.

2010 IA 128 Line Instructions

PART I: Computation of Credit for Increasing Research Activities

- Line 1.** Enter the amounts you paid or incurred to energy research consortia. In general, an energy research consortium is any organization described in section 501(c)(3) exempt from tax under section 501(a), organized and operated primarily to conduct energy research, and not a private foundation.
- Line 2.** Corporations other than S corporations, personal holding companies, and service organizations enter cash payments to a qualified university or scientific research organization pursuant to a written contract.
- Line 3.** Enter the base period amount as defined in section 41(c) of the Internal Revenue Code. A portion of this amount not to exceed the amount on line 2 can also be treated as a contract research expense on line 8 of this form subject to the 65% or 75% limitation.
- Line 4.** If line 2 is greater than line 3, enter the difference. If line 3 is greater than line 2, enter zero.
- Line 5.** Enter any wages paid or incurred to an employee for qualified services performed by such employee.
- Line 6.** Enter the amounts paid or incurred for supplies used in the conduct of qualified research.
- Line 7.** Enter the amount paid or incurred to another person for the right to use computers in the conduct of qualified research. This entry must be reduced by any amount you receive or accrue from any other person for the right to use substantially identical personal property.
- Line 8.** Include 65% of any amount paid or incurred for qualified research performed on your behalf. Also, include 65% of that portion of line 3 that does not exceed line 2. Use 75% in place of 65% for payments made to a qualified research consortium.
- Line 10.** Enter the fixed-base percentage, not to exceed 16%. See section 41 (c) of the Internal Revenue Code.
- Line 11.** Enter the average annual gross receipts for the four tax years preceding the tax year for which the 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) for details.

PART II: Percentage of Research Activities Occurring within Iowa

- Lines 17, 18, 21, 22, and 23.** For these lines, enter only that portion of lines 1, 2, 5, 6, and 7 respectively that are for qualifying expenses occurring in Iowa.
- Line 19.** Enter the amount on line 3 that is attributable to Iowa sources. For purposes of apportionment, the amount on line 3 should be prorated by the amount on line 18 divided by the amount on line 2.
- Line 24.** Enter the amount on line 8 that is attributable to Iowa sources. For purposes of apportionment, the amount on line 8 should be prorated by the ratio of contract services performed in Iowa to total qualifying contract expenses. Do not include any expenses that are already reflected in line 2 or line 18.
- Line 30.** Enter this figure on the IA 148 Tax Credits Schedule under Part II using tax credit code 58.
- Line 31.** Enter this figure on the IA 148 Tax Credits Schedule under Part II using tax credit code 59.
- Line 32.** If you received pass-through Research Activities Credit(s) from a partnership, S corporation, estate, or trust, enter the amount of the credit(s) on this line. Enter each credit on the IA 148 Tax Credits Schedule under Part II using tax credit code 58 and provide the pass-through information under Part IV.
- Line 33.** If you received pass-through Supplemental Research Activities Credit(s) from a partnership, S corporation, estate, or trust, enter the amount of the credit(s) on this line and enter each credit on the IA 148 Tax Credits Schedule under Part II using tax credit code 59 and provide the pass-through information under Part IV.
- Line 34.** Add lines 30 through 33 and enter the sum. This is the total allowable Iowa Research Activities Credit. The IA 148 must be completed and attached to the tax return.