



Iowa Alternative Simplified Research Activities Tax Credit

Table with 2 columns: Name(s) / Pass-Through Entity (if applicable) and SSN or FEIN / Pass-Through FEIN

PART I - Background Information – U.S. Qualified Research Expenses

- 1. Certain amounts paid or incurred to energy consortia
2. Basic research payments to qualified organizations
3. Qualified organization base period amount
4. Wages for qualified research services
5. Cost of supplies used in conducting qualified research
6. Rental or lease costs of computers used in conducting qualified research
7. Applicable portion of contract research expenses
8. Average U.S. annual gross receipts for tax years 2010 through 2013

PART II – Calculation of Credit

- 9. Certain amounts paid or incurred to energy consortia in Iowa
10. Basic research payments to qualified organizations in Iowa
11. Iowa apportioned qualified organization base amount
12. Subtract line 11 from line 10. If zero or less, enter zero
13. Add lines 9 and 12
14. Multiply line 13 by 20% (0.20)
15. Wages for qualified research services performed in Iowa
16. Cost of supplies used in conducting qualified research in Iowa
17. Rental or lease costs of computers used in conducting qualified research in Iowa
18. Applicable portion of contract research expenses incurred in Iowa
19. Total Iowa qualified research expenses. Add lines 15 through 18
20. Total qualified research expenses in Iowa for the prior three years. If you had no qualified research expenses in Iowa during all of those years, enter zero and skip lines 21 and 22
21. Divide line 20 by six (6.0)
22. Subtract line 21 from line 19. If zero or less, enter zero
23. Multiply line 22 by 4.55% (0.0455)
24. Iowa Alternative Simplified Research Activities Tax Credit. Add lines 14 and 23. Enter on Part II of the IA 148 Tax Credits Schedule
25. Supplemental Research Activities Tax Credit. See instructions. Enter on Part II of the IA 148 and include the tax credit certificate number
26. Pass-through Alternative Simplified Research Activities Tax Credit received from partnership, LLC, S corporation, estate, or trust. Enter on Part II and Part IV of the IA 148 Tax Credits Schedule
27. Pass-through Supplemental Research Activities Tax Credit received from partnership, LLC, S corporation, estate, or trust. Enter on Part II and Part IV of the IA 148 and include the tax credit certificate number

IA 148 Tax Credits Schedule must be completed.

IA 128S Alternative Simplified Research Activities Tax Credit Instructions

Form IA 128S is used only if the taxpayer elects to claim the Alternative Simplified Research Activities Tax Credit. Form IA 128 should be used if the regular Research Activities Tax Credit is claimed. The taxpayer may elect to use this alternative method regardless of the method used in computing the federal research credit. This option is for Iowa purposes and is effective only for the current tax year. The taxpayer is not required to use this alternative 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 Section 41(c) of the Internal Revenue Code (IRC).

Any credit in excess of tax liability can be refunded or credited to tax liability for the following year.

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 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 credit. A separate form IA 128S must be completed to account for these costs, which can be included on line 15 of the separate form IA 128S. The amount of the additional credit relating to these costs is not eligible for the Supplemental Alternative Simplified Research Activities Tax Credit.

Example: An eligible business with gross receipts of less than \$20 million computes an Iowa Alternative Simplified Research Activities Tax 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 line 15, the Iowa credit is \$75,000. The business is allowed a supplemental credit of \$76,923 under the original claim, which would result in an Iowa credit of \$126,923. This can be added to the additional credit relating to the innovative renewable energy generation components of \$25,000, resulting in a total Iowa Alternative Simplified 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 Alternative Simplified Research Activities Tax Credit is calculated

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 calculated on lines 9 through 24 by a partnership, LLC, S corporation, estate, or trust is apportioned to the members. The pass-through entity must file the IA 128S with its return and show on Schedule K-1, or on an attachment to Schedule K-1, the credit for each member. Instruct members to report the apportioned credit on line 26 of form IA 128S and include it with their tax returns.

If the taxpayer earns a credit by conducting research and is a member of a business that has passed-through a credit to the taxpayer, calculate the credit on form IA 128S, lines 9 through 24. Also enter the pass-through credit on line 26.

Supplemental Research Activities 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 maximum supplemental credit claim is provided in the contract along with the tax credit certificate number. For awards made by the IEDA prior to July 1, 2010, the amount of the supplemental credit cannot exceed the credit amount shown on line 24. For awards made on or after July 1, 2010, for businesses with gross receipts of \$20 million or less the maximum supplemental credit is calculated by multiplying line 22 by 7%, or line 19 by 3%. For businesses with gross receipts exceeding \$20 million, the maximum supplemental credit is calculated by multiplying line 22 by 2.1%, or line 19 by 0.9%.

If the Supplemental Research Activities Tax Credit is earned by a pass-through entity, report the supplemental credit separately on Schedule K-1, including the certificate number. Instruct members

to report the apportioned supplemental credit on line 27 of form IA 128S and include it with their tax returns.

IA 128S Instructions

Lines 1 through 8: U.S. qualified research expenses - Enter amounts from the Federal Credit for Increasing Research Activities, federal form 6765. Lines 1-3 are the same as federal lines 1-3; lines 4-7 equal federal lines 5-8; line 8 equals federal line 11.

Line 9: Iowa energy consortia research expenses - Enter the amounts paid or incurred to energy research consortia in Iowa. In general, an energy research consortium is any organization described in IRC 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 10: Iowa basic research expenses - 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 11: Iowa base 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 3 by the amount on line 10 divided by the amount on line 2.

Line 15: Iowa expenses on research wages - Enter any wages paid to an employee for qualified research services performed in Iowa.

Line 16: Iowa expenses on research supplies - Enter the amounts paid or incurred for supplies used in the conduct of qualified research in Iowa.

Line 17: Iowa research expenses on computers - Enter the amount paid or incurred to another person for the right to use computers in the conduct of 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 18: 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 in line 10, not to exceed the base period amount in line 11, subject to the 65% or 75% limitation.

Line 20: Prior research - Enter the total qualified research expenses in Iowa for the three years before the year in which the credit is being determined.

Line 24: Alternative Simplified Research Activities Tax Credit - Enter this amount on IA 148 Tax Credits Schedule under Part II, using tax credit code 58.

Line 25: Supplemental Research Activities Tax Credit - Enter this amount on IA 148 Tax Credits Schedule under Part II, using tax credit code 59, and include the tax credit certificate number reported on the tax credit certificate issued by IEDA.

Line 26: Pass-through Alternative Simplified Research Activities Tax Credit - If the taxpayer has received any pass-through Alternative Simplified Research Activities Credit from a partnership, LLC, S corporation, estate, or trust, indicate that amount on this line. Also enter the amount on Part II of the IA 148 Tax Credits Schedule, using tax credit code 58, and provide the pass-through name and Federal Employer Identification Number (FEIN) in Part IV of the IA 148. File a separate IA 128S for each pass-through Alternative Simplified Research Activities Tax Credit received. Also list the claims separately on Part II of the IA 148, providing each pass-through name and FEIN in Part IV.

Line 27: Pass-through Supplemental Research Activities Tax Credit - If the taxpayer has received any pass-through Supplemental Alternative Simplified Research Activities Credit from a partnership, LLC, S corporation, estate, or trust, indicate that amount on this line. Also enter the amount on Part II of the IA 148 Tax Credits Schedule, using tax credit code 59, include the tax credit certificate number reported on Schedule K-1, and provide the pass-through name and FEIN in Part IV of the IA 148. File a separate IA 128S for each pass-through Supplemental Research Activities Tax Credit received. Also list the claims separately on Part II of the IA 148, providing each pass-through name and FEIN in Part IV.