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KBKG TAX INSIGHT: IOWA INVESTMENTS IN RESEARCH & DEVELOPMENT CAN PRODUCE LUCRATIVE TAX CREDITS

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Businesses in Iowa performing qualified research have an opportunity to monetize state research credits

For taxpayers operating in the state of Iowa, there is an outstanding opportunity to take advantage of a **refundable** tax credit for activities meeting the requirements of IRC §41 (to be eligible for [R&D Tax Credits](#), research activities must meet the criteria in the [IRS Four-Part Test](#)). The tax credits are available for expenditures related to activities occurring in Iowa, including:

- Wages paid to an employee performing research activities
- Wages paid to any employees directly supporting or directly supervising an employee performing research activities
- Supplies used or consumed while performing research activities
- A portion of 3rd party research performed on the taxpayer's behalf
- Fees paid for cloud hosting dedicated to software development

KBKG SERVICES

- Research & Development Tax Credit
- Cost Segregation
- Repair vs. Capitalization Review
- Fixed Asset Review
- 45L Credits for Energy Efficient Residential Developments
- 179D Incentive for Energy Efficient Commercial Buildings
- Transfer Pricing
- IC-DISC
- Employee Retention Tax Credits

KBKG INSIGHT

Taxpayers should evaluate all qualifying criteria but pay particularly close attention to the second test, which focuses on activities and services that qualify as space devoted to petroleum marketing sales.

OPPORTUNITY

Businesses in Iowa performing qualified research have an opportunity to monetize state research credits. Due to the refundable nature of the Iowa research credit, companies generating credits in excess of their Iowa income tax liability can receive a cash refund.

For example, a manufacturer operating in Des Moines has a state tax liability of \$20,000. The manufacturer generates a research credit of \$50,000. As the research credit (\$50,000) generated exceeds the Company's tax liability (\$20,000), the taxpayer would receive a \$30,000 refund check from Iowa.

To learn more about the R&D Tax Credit, [contact our experts](#).

In addition, Governor Kim Reynolds recently signed into law Senate File 619 relating to a multitude of state and local tax issues. Included within this law is the retroactive applicability of Federal Bonus Depreciation rules for qualified assets placed into service on or after January 1, 2021. [» Read more](#)

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About the Author



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Michael Maroney is a Director with KBKG at our [Chicago, IL office](#). He advises clients on tax matters related to federal and state [R&D tax credits](#). He has advised numerous Fortune 1000 clients across a variety of industries. He has successfully defended his client's R&D claims before the IRS and state taxing authorities. He has been an instructor on these topics for numerous CPA and industry associations and has authored articles related to federal and state R&D tax credits. [» Full Bio](#)

