



Iowa Research Activities Credit

Name(s)	SSN or FEIN
Pass-through entity (if applicable). Attach a list if multiple pass-through entities.	Pass-through FEIN

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 qualified 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 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 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 expenses for qualified 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. Research Activities Credit. Multiply line 29 by 6.5% and enter on Part II of the IA 148. 30. _____
31. Supplemental Research Activities Credit. See instructions. Enter on Part II of the IA 148. 31. _____
32. Pass-through Iowa Research Activities Credit received from partnership, LLC,
S corporation, estate, or trust. Enter on Part II and IV of the IA 148. 32. _____
33. Pass-through Supplemental Research Activities Credit Received from partnership, LLC,
S corporation, estate, or trust. Enter on Part II and IV of the IA 148. 33. _____



2011 IA 128 Special Instructions

Form IA 128 should be used if the regular research activities credit is claimed. Form IA 128S is used *only* if the taxpayer elects to use the Alternative Simplified Research Activities Credit. The alternative credit is available for tax years beginning on or after January 1, 2010.

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, LLC, S corporation, estate, or trust is 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 Economic Development Authority (EDA) (formerly 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 EDA prior to July 1, 2010. For awards made by the EDA 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% of line 29 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.

Any individual, estate, trust, organization, or corporation claiming an Iowa credit for increasing research activities or any S corporation, partnership, LLC, 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, LLC's, 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 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 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.

2011 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) of the Internal Revenue Code (IRC) exempt from tax under section 501(a) of the IRC, 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 qualified 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 qualified 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 the taxpayer has received any pass-through Research Activities Credit from a partnership, LLC, S corporation, estate, or trust, indicate that amount on this line. Also enter the amount of line 32 on Part II of the IA 148 Tax Credits Schedule using tax credit code 58, and provide the pass-through name and FEIN in Part IV of the IA 148 Tax Credits Schedule. If the taxpayer has received multiple pass-through Research Activities Credit(s), sum all credits and enter on this line, but list the claims separately on Part II of the IA 148 Tax Credits Schedule, providing each pass-through name and FEIN in Part IV.

Line 33. 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. Also enter the amount of line 33 on Part II of the IA 148 Tax Credits Schedule using tax credit code 59, and provide the pass-through name and FEIN in Part IV of the IA 148 Tax Credits Schedule. If the taxpayer has received multiple pass-through Supplemental Research Activities Credit(s), sum all credits and enter on this line, but list the claims separately on Part II of the IA 148 Tax Credits Schedule, providing each pass-through name and FEIN in Part IV.

The IA 148 Tax Credits Schedule must be completed.