

Name(s) \_\_\_\_\_ SSN or FEIN \_\_\_\_\_

Pass-Through Entity (if applicable) \_\_\_\_\_

Pass-Through FEIN \_\_\_\_\_ Tax Period Ending Date \_\_\_\_\_

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

1. Certain amounts paid or incurred to energy consortia ..... 1. \_\_\_\_\_
2. Basic research payments to qualified organizations ..... 2. \_\_\_\_\_
3. Qualified organization base period amount ..... 3. \_\_\_\_\_
4. Wages for qualified research services ..... 4. \_\_\_\_\_
5. Cost of supplies used in conducting qualified research ..... 5. \_\_\_\_\_
6. Rental or lease costs of computers used in conducting qualified research ..... 6. \_\_\_\_\_
7. Applicable portion of contract research expenses ..... 7. \_\_\_\_\_
8. Total qualified research expenses. Add lines 4 through 7 ..... 8. \_\_\_\_\_
9. Fixed-base percentage to four decimals, but not more than 16.00% ..... 9. \_\_\_\_\_ %
10. Average U.S. annual gross receipts for tax years 2012 through 2015 ..... 10. \_\_\_\_\_
11. Base amount. Multiply line 10 by the percentage on line 9 ..... 11. \_\_\_\_\_
12. Subtract line 11 from line 8. If zero or less, enter zero ..... 12. \_\_\_\_\_
13. Multiply line 8 by 50% (0.5) ..... 13. \_\_\_\_\_
14. Enter the smaller of line 12 or line 13 ..... 14. \_\_\_\_\_
15. Total allowable U.S. qualified research expenses. Add lines 1 and 14 ..... 15. \_\_\_\_\_

**PART II – Calculation of Tax Credit Based on Percentage of Research Occurring within Iowa**

16. Basic research payments to qualified organizations in Iowa ..... 16. \_\_\_\_\_
17. Iowa apportioned qualified organization base period amount ..... 17. \_\_\_\_\_
18. Subtract line 17 from line 16. If zero or less, enter zero ..... 18. \_\_\_\_\_
19. Multiply line 18 by 6.5% (0.065) ..... 19. \_\_\_\_\_
20. Certain amounts paid or incurred to energy consortia in Iowa ..... 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 20 through 24 ..... 25. \_\_\_\_\_
26. Total U.S. qualified research expenses. Add lines 1 and 8 ..... 26. \_\_\_\_\_
27. Iowa share of research. Divide line 25 by line 26, enter percentage to four  
decimals (ex. 72.18%) ..... 27. \_\_\_\_\_ %
28. Expenses allocable to Iowa. Multiply line 15 by line 27 ..... 28. \_\_\_\_\_
29. Multiply line 28 by 6.5% (0.065) ..... 29. \_\_\_\_\_
30. Iowa Research Activities Tax Credit. Add lines 19 and 29.  
Enter in column K of Part II on the IA 148 Tax Credits Schedule ..... 30. \_\_\_\_\_
31. Supplemental Research Activities Tax Credit. See instructions. Enter in column K  
of Part II on the IA 148 and include the tax credit certificate number in column J. 31. \_\_\_\_\_
32. Pass-through Iowa Research Activities Tax Credit received from partnership,  
LLC, S corporation, estate, or trust. Enter on Part II and Part IV of the IA 148. .... 32. \_\_\_\_\_
33. 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 ..... 33. \_\_\_\_\_

**IA 148 Tax Credits Schedule must be completed.**

## 2016 IA 128 Research Activities Tax Credit Instructions

Form IA 128 is used if the taxpayer elects to claim the regular Research Activities Tax Credit. Form IA 128S is used only if the taxpayer elects to claim the Alternative Simplified Research Activities Tax Credit. The taxpayer may elect to use this method regardless of the method used in computing the federal research tax credit. The taxpayer is not required to use this 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 of the Internal Revenue Code (IRC). 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.

### Innovative Renewable Energy Generation

Effective July 1, 2009, eligible 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 tax credit. A separate form IA 128 must be completed to account for these costs, which can be included on lines 4 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.

### Apportionment of Tax Credit

The tax credit calculated on lines 1 through 30 by a partnership, LLC, S corporation, estate, or trust is apportioned to the members. The pass-through entity must file the IA 128 with its return. On Schedule K-1 or on an attachment to Schedule K-1, report the tax credit for each member and instruct the members to report the apportioned tax credit on line 32 of form IA 128 and include it with their tax returns.

If the taxpayer earns a tax credit by conducting research and is a member of a business that has passed through a tax credit to the taxpayer, calculate the tax credit on form IA 128, lines 1 through 30. Also enter the pass-through tax credit on line 33. Report each separately on the IA 148 Tax Credits Schedule.

### 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. For awards issued by the IEDA prior to July 1, 2010, the amount of the supplemental tax credit cannot exceed the tax credit amount shown on line 30. For awards made by the IEDA on or after July 1, 2010, the maximum supplemental tax credit cannot exceed 10% of the sum of lines 18 and 28 for businesses with annual gross receipts of \$20 million or less (as reported on line 10). The maximum supplemental tax credit cannot exceed 3% of the sum of lines 18 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 separately on Schedule K-1 and provide the tax credit certificate number. Instruct members to report their tax credit on line 33 of form IA 128 and include it with their tax returns.

## 2016 IA 128 Instructions

Provide your name, SSN or FEIN, and tax period ending date.

**Lines 1 through 7:** 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 9:** Fixed-base percentage - Use the same fixed-base percentage calculated for the federal research tax credit, rounding to four decimal places ( $1/100^{\text{th}}$  of 1%), not to exceed 16.00%.

**Line 10:** 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) for details. Use this value to determine the calculation of the Supplemental Research Activities Tax Credit, if applicable.

**Line 16:** 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 17:** 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 3 by the amount on line 16 divided by the amount on line 2.

**Line 20:** 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. These amounts cannot be included elsewhere on the return.

**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 16, not to exceed the base period amount on line 17, subject to the 65% or 75% limitation.

**Line 30:** Research Activities Tax Credit - Individuals and C corporations must enter this amount on the IA 148 Tax Credits Schedule in column K of Part II; use tax credit code 58 in column I and leave column J blank.

**Line 31:** Supplemental Research Activities Tax Credit - Individuals and C corporations must enter this amount on the IA 148 Tax Credits Schedule in column K of Part II; use tax credit code 59 in column I and report in column J the tax credit certificate number from the tax credit certificate issued by IEDA.

**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. Also enter the amount in column K of Part II on the IA 148 Tax Credits Schedule; use tax credit code 58 in column I and leave column J blank. Provide the pass-through name in column M and Federal Employer Identification Number (FEIN) in column N of Part IV on the IA 148 as well as on the top of this form. File a separate IA 128 for each pass-through Research Activities Tax Credit received. Also 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:** 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. Also enter the amount of line 33 in column K of Part II on the IA 148 Tax Credits Schedule; use tax credit code 59 in column I. Include the tax credit certificate number reported on Schedule K-1 in column J, and provide the pass-through name in column M and FEIN in column N of Part IV on the IA 148. File a separate IA 128 for each pass-through Supplemental Research Activities Tax Credit received. Also list the claims separately on Part II of the IA 148 Tax Credits Schedule, providing each pass-through name and FEIN in Part IV.