

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

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

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

PART I - Background Information – 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. Average U.S. annual gross receipts for tax years 2013 through 2016..... 8. \_\_\_\_\_

PART II – Calculation of Tax Credit Based on Iowa Qualified Research Expenses

- 9. Basic research payments to qualified organizations in Iowa ..... 9. \_\_\_\_\_
10. Iowa apportioned qualified organization base period amount ..... 10. \_\_\_\_\_
11. Subtract line 10 from line 9. If zero or less, enter zero ..... 11. \_\_\_\_\_
12. Multiply line 11 by 6.5% (0.065) ..... 12. \_\_\_\_\_
13. Wages for qualified research services performed in Iowa ..... 13. \_\_\_\_\_
14. Cost of supplies used in conducting qualified research in Iowa ..... 14. \_\_\_\_\_
15. Rental or lease costs of computers used in conducting qualified research in Iowa ..... 15. \_\_\_\_\_
16. Applicable portion of contract research expenses incurred in Iowa..... 16. \_\_\_\_\_
17. Total Iowa qualified research expenses. Add lines 13 through 16 ..... 17. \_\_\_\_\_
18. 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 19 and 20 ..... 18. \_\_\_\_\_
19. Divide line 18 by six (6.0) ..... 19. \_\_\_\_\_
20. Subtract line 19 from line 17. If zero or less, enter zero ..... 20. \_\_\_\_\_
21. Multiply line 20 by 4.55% (0.0455) If you skipped lines 19 and 20, multiply line 17 by 1.95% (0.0195) ..... 21. \_\_\_\_\_
22. Iowa Alternative Simplified Research Activities Tax Credit. Add lines 12 and 21. Enter in column K of Part II on the IA 148 Tax Credits Schedule ..... 22. \_\_\_\_\_
23. 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 .. 23. \_\_\_\_\_
24. 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..... 24. \_\_\_\_\_
25. 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..... 25. \_\_\_\_\_

IA 148 Tax Credits Schedule must be completed.



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## 2017 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. 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 of the Internal Revenue Code (IRC). The Iowa credit equals 4.55% 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

Under the High Quality Jobs Program taxpayers may be awarded a Research Activities Tax Credit for 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 128S must be completed to account for these costs, which can be included on line 13 of the separate form. The amount of the additional tax credit relating to these costs is not eligible for the Supplemental Alternative Simplified Research Activities Tax Credit.

Example: An eligible business with annual gross receipts of \$20 million or less earns an Iowa Alternative Simplified Research Activities Tax Credit of \$50,000, excluding any costs relating to innovative renewable energy generation components. The business is allowed a supplemental tax credit of \$76,923, which would result in an Iowa tax credit of \$126,923. The Iowa tax credit related 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 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 Iowa Alternative Simplified 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 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 Tax Credit

The tax credit calculated on lines 1 through 22 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. On Schedule K-1 or on an attachment to Schedule K-1, report the tax credit for each member and instruct members to report the apportioned tax credit on line 24 of form IA 128S 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 128S, lines 1 through 22. Also enter the pass-through tax credit on line 24. 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 maximum eligible supplemental tax credit is provided in the contract along with the tax credit certificate number. The maximum supplemental tax credit is calculated by multiplying line 20 by 7% or line 17 by 3% for businesses with annual gross receipts of \$20 million or less (as reported on line 8) plus 10% of line 11. For businesses with annual gross receipts exceeding \$20 million, the maximum supplemental tax credit is calculated by multiplying line 20 by 2.1% or line 17 by 0.9%, plus 3% of line 11.

If the Supplemental Research Activities Tax Credit is earned by a pass-through entity, report the supplemental tax credit separately on Schedule K-1, including the tax credit certificate number. Instruct members to report the apportioned supplemental tax credit on line 25 of form IA 128S and include it with their tax returns.

**2017 IA 128S Line 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 8: Average 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 9: 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 10: 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 9 divided by the amount on line 2.

**Line 13: Iowa expenses on research wages**

Enter any wages paid to an employee for qualified research services performed in Iowa.

**Line 14: Iowa expenses on research supplies**

Enter the amounts paid or incurred for supplies used to conduct qualified research in Iowa.

**Line 15: 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 16: 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 9, not to exceed the base period amount on line 10, subject to the 65% or 75% limitation.

**Line 18: Prior research**

Enter the total qualified research expenses in Iowa for the three years before the year in which the tax credit is being determined.

**Line 22: Alternative Simplified Research Activities Tax Credit**

Individuals and C corporations must enter this 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.

**Line 23: Supplemental Research Activities Tax Credit**

Individuals and C corporations must enter this amount in column K of Part II on the IA 148; 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 24: 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 this 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 FEIN in column N of Part IV on the IA 148 as well as on the top of this form. 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 25: 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 this amount in column K of Part II on the IA 148; 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 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.

Include this form and the IA 148 with your IA 1040, IA 1041 or IA 1120.