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IOWA SOCIETY OF CPAs

Iowa Tax Update

2026

Iowa Society of CPAs
Professional Education

ISCPA 2026 Iowa Tax Update

November 19, 2026

1

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2

Presenters



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Agenda

- Iowa tax updates from 2026 legislative session.
- What was proposed but didn't pass.
- Federal conformity considerations.
- Iowa PTET changes/considerations.
- Revised Iowa R&D tax credit.
- Additional Iowa grants, tax credits, and incentives updates and programs.
- Payments, IDOR issues, etc.
- Miscellaneous other Iowa topics.



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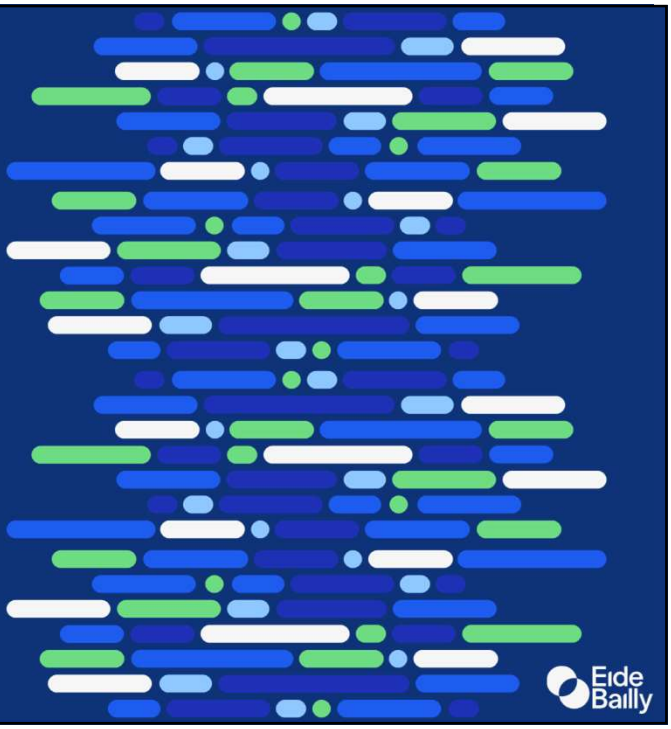
Iowa Tax Updates from 2026 Legislative Session



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IOWA LEGISLATIVE UPDATES

2026 Changes by Tax Type

- Constitutional Amendment on Income Tax: SJR 11.
- Individual Income Tax: SF 2231, HF 2770, SF 2465, SF 2289, and SF 2472.
- Corporate Income/Franchise Tax: SF 2492.
- Sales and Use Tax: HF 960, HF 2757, and SF 2465.
- Property Tax: SF 2472 and SF 2496.
- Fuel, Tobacco and Vapor Excise Taxes: SF 2493, HF 2643, and SF 2480.
- Misc. Other Taxes: SF 2490, HF 2739, HF 2749, SF 2497.

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IOWA LEGISLATIVE UPDATES: CONSTITUTIONAL AMENDMENT

SJR 11 (1 of 2): Amending the Iowa Constitution

- Either chamber may propose an amendment.
- Majority of all members elected, each chamber.
- Published, then passed again by next General Assembly.
- Voters adopt by majority voting on it.
- No role for the Governor.

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IOWA LEGISLATIVE UPDATES: CONSTITUTIONAL AMENDMENT

SJR 11 (2 of 2): Two-Thirds Rule and Status

- Two-thirds of members elected to raise income tax rates.
- Same for any new state income-based tax.
- Does not include sales tax or property tax.
- Passed 90th GA (HJR 2006), then 91st GA (SJR 11).
- Nov. 3, 2026, ballot result: PASSED.

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IOWA LEGISLATIVE UPDATES: INDIVIDUAL INCOME TAX

Individual Income Tax: What Changed

- Rate stays 3.8%, but estimated tax threshold now $1,000 (up from $200).
- SF 2231: Tuition, textbook and early childhood credits.
- HF 2770 (attorneys), SF 2465 (veterinarians): New subtractions.
- SF 2289: Gambling withholding tied to federal threshold.
- SF 2472: FirstHome Iowa.
- 529 and IAble limits.



9

IOWA LEGISLATIVE UPDATES: INDIVIDUAL INCOME TAX

Rate and Estimated Tax Threshold

Flat 3.8% on all taxable income.

No 2026 legislative rate change.

Estimated tax threshold: $200 to $1,000, TY2026.

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IOWA LEGISLATIVE UPDATES: INDIVIDUAL INCOME TAX

SF 2231: Tuition, Textbook and ECD Credits

- Religious-instruction exclusions removed from both credits.
- Tuition and textbook credit: 25% of first $2,000.
- Tax years beginning on/after Jan. 1, 2026.



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IOWA LEGISLATIVE UPDATES: INDIVIDUAL INCOME TAX

HF 2770: Attorney Loan Repayment Subtraction

- Subtract program payments, up to $10,000 per year.
- Limit: Six consecutive tax years per lifetime.
- No double benefit with student loan interest deduction.
- Effective July 1, 2026; first tax year: confirm.

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IOWA LEGISLATIVE UPDATES: INDIVIDUAL INCOME TAX

SF 2465: Rural Veterinarian Loan Repayment

- Exclude Rural Veterinarian Loan Repayment Program payments.
- Up to $15,000 per year; $60,000 total.
- Never more than the outstanding eligible loan.
- Tax years beginning on/after Jan. 1, 2027.



13

IOWA LEGISLATIVE UPDATES: INDIVIDUAL INCOME TAX

SF 2472: FirstHome Iowa Accounts

- Deduct up to $5,500 per beneficiary, indexed.
- Contributions on/after July 1, 2026; earnings excluded.
- No new chapter 541B accounts.
- 541B balances can roll over within 30 days.
- 2026 chapter 541B limits: $2,372; $4,744 joint.

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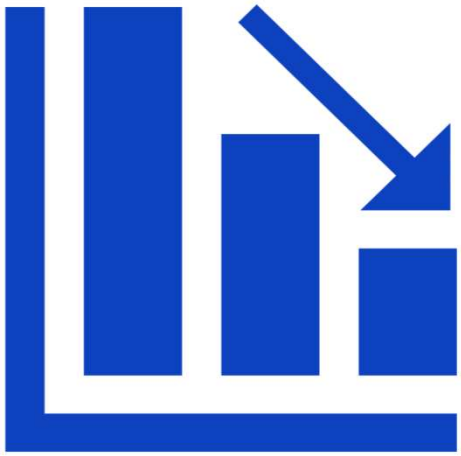
IOWA LEGISLATIVE UPDATES: INDIVIDUAL INCOME TAX

529 and IAble Deduction Limits

- 2026 limit: $6,100 per beneficiary (2025: $5,800).
- IAble: $6,100; any contributing taxpayer may deduct.
- SF 2137: Fixed-date IRC reference removed.
- SF 2137 effective July 1, 2026.



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IOWA LEGISLATIVE UPDATES: INDIVIDUAL INCOME TAX

SF 2289: Gambling Winnings Withholding

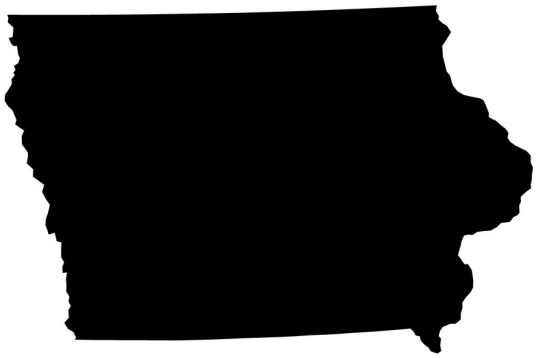
- Pari-mutuel and slot machine winnings.
- Withhold when a federal information return is required.
- Replaces fixed Iowa dollar thresholds.
- Effective May 15, 2026.



16

IOWA LEGISLATIVE UPDATES: CORPORATE INCOME TAX

Corporate and Franchise Tax: 2026 Changes



- 2027 rates unchanged: 5.5% and 7.1%.
- SF 2492: Corporations subtract NCTI (formerly GILTI).
- NCTI detail in the federal conformity section.

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IOWA LEGISLATIVE UPDATES: CORPORATE INCOME TAX

Corporate Rates Unchanged for 2027

- 5.5% on first $100,000; 7.1% above.
- Same rates as 2024 through 2026.
- FY2026 receipts $473.3 million, under $700 million trigger.

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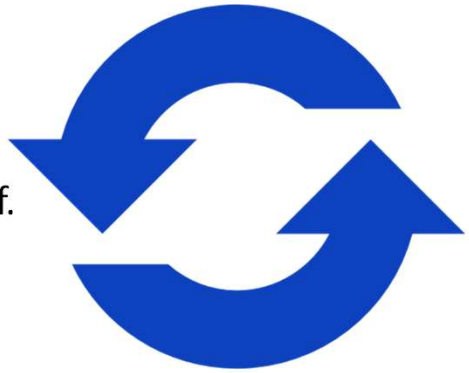
IOWA LEGISLATIVE UPDATES: SALES AND USE TAX

Sales and Use Tax: 2026 Changes

- HF 960: Telecom equipment exemption broadened. Eff. 7/1/26.
- HF 2757: Nuclear generation exemptions and refunds. Eff. 1/1/26.
- SF 2465: Sale of honeybees exempt. Eff. 7/1/26.



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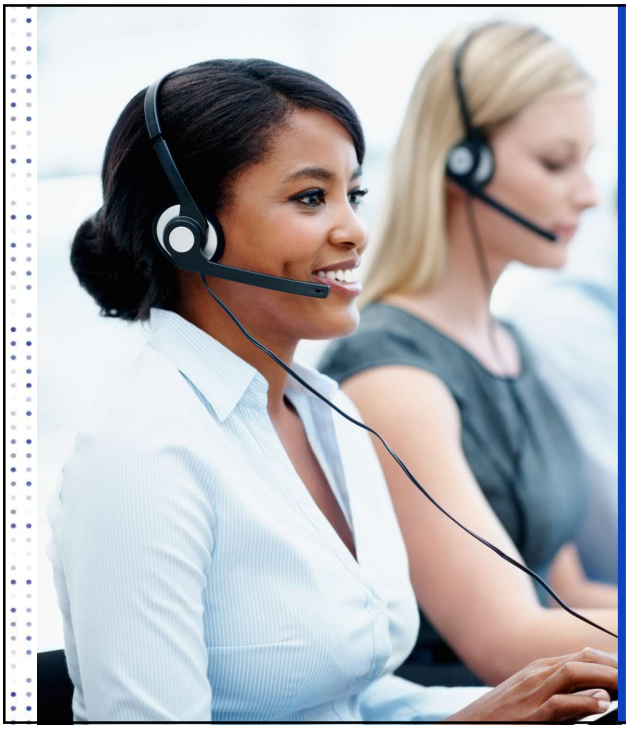
19



IOWA LEGISLATIVE UPDATES: SALES AND USE TAX

HF 960: Telecom Equipment Exemption

- Central office and transmission equipment.
- “Primarily” test struck from the exemption.
- Covers telecom and internet access services.
- Effective July 1, 2026.

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IOWA LEGISLATIVE UPDATES: SALES AND USE TAX

HF 2757: Nuclear Facility Exemptions

- Exempts purchases to build, repair or restart facilities.
- Refund of tax paid by contractors on facility contracts.
- Facility pays $2,200 per megawatt yearly, 4 years.
- Restarts: Retroactive to Jan. 1, 2026.

21

IOWA LEGISLATIVE UPDATES: SALES AND USE TAX

SF 2465: Honeybee Exemption

- Sale of honeybees now exempt.
- Part of the agriculture omnibus bill.
- Effective July 1, 2026.



22

IOWA LEGISLATIVE UPDATES: PROPERTY TAX

Property Tax: What Changed

- SF 2472: Levy limits, homestead, TIF and more.
- SF 2496: EMS levies outside TIF.
- AY2025 rollbacks (taxes payable FY2027).
- 2026 court decisions: Chickasaw, Walmart, Arconic.

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IOWA LEGISLATIVE UPDATES: PROPERTY TAX

SF 2472 (1 of 4): Levy Limits

- County and city general levies: 102% of prior-year dollars.
- Starts with FY2028 budgets (FY beginning July 1, 2027).
- Hard caps from FY2031: $3.50/$3.95 county, $8.10 city.
- Same 102% limit on other rate-limited levies.



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IOWA LEGISLATIVE UPDATES: PROPERTY TAX

SF 2472 (2 of 4): Homestead Exemption

- Credit becomes exemption, assessment year 2026.
- 10% of taxable value: $5,500 min, $20,000 max.
- Current credit holders need not refile.
- IDR example (65+ owner): $3,912 to about $3,639.



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IOWA LEGISLATIVE UPDATES: PROPERTY TAX

SF 2472 (3 of 4): Classification, TIF, Appeals

- Multiresidential class returns, assessment year 2027.
- New TIF ordinances capped at 23 years.
- Older open-ended TIF: 60% of increment after 20 years.
- Assessor bears burden on 10%+ home value jumps.
- Elderly/disabled credit max: $1,000 to $1,500.



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IOWA LEGISLATIVE UPDATES: PROPERTY TAX

SF 2472 (4 of 4): Schools and Other Levies

- School foundation levy: $5.40 to $5.10, then $4.90.
- SAVE equity transfer: 12.5% rising to 25%.
- Hospital 104%; transit and emergency management 103%.
- Reserves capped at 35%; no bonds for operations.
- Commercial/industrial replacement payments end.



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IOWA LEGISLATIVE UPDATES: PROPERTY TAX

SF 2496: EMS Levies and TIF

- EMS levies removed from TIF division of revenue.
- Collected on all taxable property, increment included.
- Applies to taxes payable FY2027 and later.
- Related, SF 2472: County EMS levy max $0.75 to $1.50.

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28

IOWA LEGISLATIVE UPDATES: PROPERTY TAX

Rollbacks: AY2025 (Taxes Payable FY2027)

- Residential: AY2026: 45.7% (44.5% in '25 and AY2024: 47.4%).
- Agricultural: AY2026: 61.2% (59.4% in '25 and AY2024: 73.8%).
- Commercial, industrial, railroad: AY2026: 45.7% on first $150,000; 90% above. (44.5% last year)
- AY2025 applies to taxes payable in FY2027.

29

IOWA LEGISLATIVE UPDATES: EXCISE TAXES

Excise Taxes: 2026 Changes

- SF 2493: E85+ exempt for farm implements.
- HF 2643: Late gallonage report forfeits fuel credits.
- SF 2480: New vapor and nicotine taxes.



30

IOWA LEGISLATIVE UPDATES: EXCISE TAXES

SF 2493: E85+ for Farm Implements

Over 85% ethanol blends exempt from excise.

Bought at terminal or rack for farm implements.

IDR exemption certificate required.

Effective July 1, 2026.

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IOWA LEGISLATIVE UPDATES: EXCISE TAXES

HF 2643: Gallonage Report and Fuel Credits

- Retailers Fuel Gallons Annual Report due Feb. 10.
- Extension to Feb. 28 on reasonable request.
- Late report: Lose E15, E85 and biodiesel credits.
- Existing $100-per-occurrence penalty still applies.

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IOWA LEGISLATIVE UPDATES: EXCISE TAXES

SF 2480: Vapor and Nicotine Product Tax

- Vapor products: 5 cents per mL of nicotine solution.
- Alternative nicotine: 5 cents per container (up to 20 units).
- Covers nicotine analogs, not just nicotine.
- Effective Jan. 1, 2027.

33

IOWA LEGISLATIVE UPDATES: OTHER TAXES

Other Taxes: 2026 Changes

- SF 2490: New oil and gas severance tax.
- HF 2739: Health care-related tax on HMOs.
- HF 2749: Fewer declarations of value.
- SF 2497: Transfer tax exemption, creditor assignments.



34

IOWA LEGISLATIVE UPDATES: OTHER TAXES

SF 2490: Oil and Gas Severance Tax

- 6% of fair market value at the wellhead.
- Pre-valuation expenses not deductible.
- 70.1% of revenue to Taxpayer Relief Fund.
- Effective July 1, 2026.

35

IOWA LEGISLATIVE UPDATES: OTHER TAXES

HF 2739: HMO Tax and Relief Fund Transfer

- Replaces premium tax on HMOs (new chapter 432B).
- 0.95% of taxable funds, 2026 and later.
- 3.5% for Jan.-Sept. 2026, pending federal approval.
- $347,013,889 Taxpayer Relief Fund transfer for OBBBA.

36

IOWA LEGISLATIVE UPDATES: OTHER TAXES

HF 2749: Declaration of Value Exceptions

- No declaration needed for three more exempt transfers.
- Entity mergers, consolidations and reorganizations.
- Family entity deeds with owners, no other consideration.
- Trust distributions to beneficiaries without consideration.

37

IOWA LEGISLATIVE UPDATES: OTHER TAXES

SF 2497: Creditor Assignment Exemption

- New Uniform Assignment for Benefit of Creditors Act.
- Deeds from debtor to assignee: No transfer tax.
- Assignee's later sale to a buyer still taxed.
- Effective Jan. 1, 2027.



38

IOWA LEGISLATIVE UPDATES: OCT. 2 SPECIAL SESSION

HF 2801: Oct. 2 Special Session (MEGA)

- Special session limited to amending MEGA.
- One rural-county business: Credit up to 10%.
- Remitted over 10 years; refundable and transferable.
- Mesabi Metallics steel complex, $15 billion project.
- Effective on enactment.

39

What Was Proposed but Didn't Pass

40

WHAT WAS PROPOSED BUT DIDN'T PASS

Proposals That Didn't Pass: Overview

- Passed Senate only: SF 2470.
- Passed House only: HF 2785, HF 2786, HF 2755, HF 2746, and HF 2778.
- Died in committee: HF 2240, HF 2406, and SF 2373.
- Gov. Reynolds' property tax bill stalled in subcommittee.
- Tobacco tax hikes: Dropped or failed in committee.

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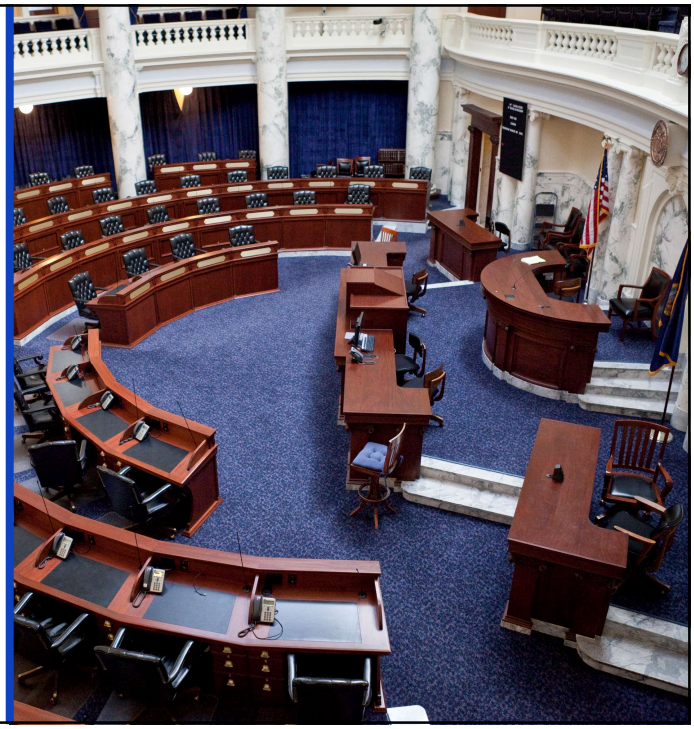
WHAT WAS PROPOSED BUT DIDN'T PASS: INDIVIDUAL INCOME TAX

Passed the House, Died in the Senate

- HF 2755: Opt in to federal scholarship credit (89-3).
- HF 2746: IDR study of reciprocity agreements (92-0).
- HF 2778: EMS credit for volunteer ambulance drivers (93-0).
- All three died in Senate Ways and Means.



42

WHAT WAS PROPOSED BUT DIDN'T PASS: PROPERTY TAX

Gov. Reynolds' Property Tax Proposals

- Freeze tax bills: Owners 65+, homes up to $350,000.
- 3-year reassessment cycle: Not in SF 2472 (LSA).
- End elections for county auditor, treasurer, recorder.
- HSB 563 / SSB 3034 stalled in subcommittee.

43

WHAT WAS PROPOSED BUT DIDN'T PASS: OTHER TAXES AND INCENTIVES

Other Tax Proposals That Didn't Pass

- SF 2470: Prediction market tax.
- HF 2785 and HF 2786: Biodiesel extensions.
- HF 2240: Endowment tax.
- HF 2406: Tobacco and vapor tax increases.
- SF 2373: MEGA for an NFL stadium.

44

WHAT WAS PROPOSED BUT DIDN'T PASS: OTHER TAXES AND INCENTIVES

SF 2470: Prediction Market Tax

- 20% tax on Iowa share of platform revenue.
- $20 million permit; $100,000 annual renewal.
- Iowa withholding on contract gains over $600.
- Passed Senate 45-1; died in House Ways and Means.



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WHAT WAS PROPOSED BUT DIDN'T PASS: OTHER TAXES AND INCENTIVES

HF 2785 and HF 2786: Biodiesel Extensions

- HF 2785: Blended fuel credit repeal moved to 2033.
- HF 2786: Producer refund 4 to 5 cents, through 2031.
- HF 2785 passed House 84-1; died in Senate committee.
- HF 2786 passed House 83-2; no Senate floor vote.

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WHAT WAS PROPOSED BUT DIDN'T PASS: OTHER TAXES AND INCENTIVES

HF 2240: Endowment Tax

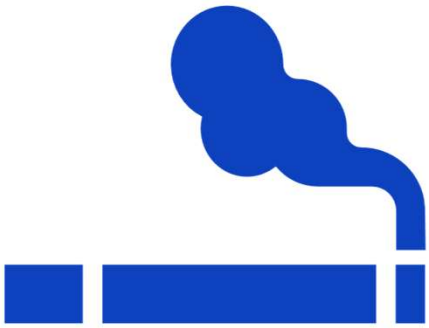
- Annual tax on endowment value over $500 million.
- Rate: Top corporate rate (bill says 7.1%).
- Regents and accredited private colleges covered.
- Committee vote 6-4; died in House Ways and Means.

47

WHAT WAS PROPOSED BUT DIDN'T PASS: OTHER TAXES AND INCENTIVES

HF 2406 and Other Tobacco Tax Proposals

- HF 2406: 6.8 to 14.3 cents per cigarette.
- 50% of wholesale on nicotine and vapor products.
- Cigarette rate indexed to retail prices.
- Died in House Ways and Means, no action.
- Senate committee bill SSB 3145 also failed.



48

WHAT WAS PROPOSED BUT DIDN'T PASS: OTHER TAXES AND INCENTIVES

SF 2373: MEGA for an NFL Stadium

- Expand MEGA to an NFL stadium project.
- Sales tax refunds, investment and withholding credits.
- Cleared Senate Local Government committee.
- Died in Senate Ways and Means.

49

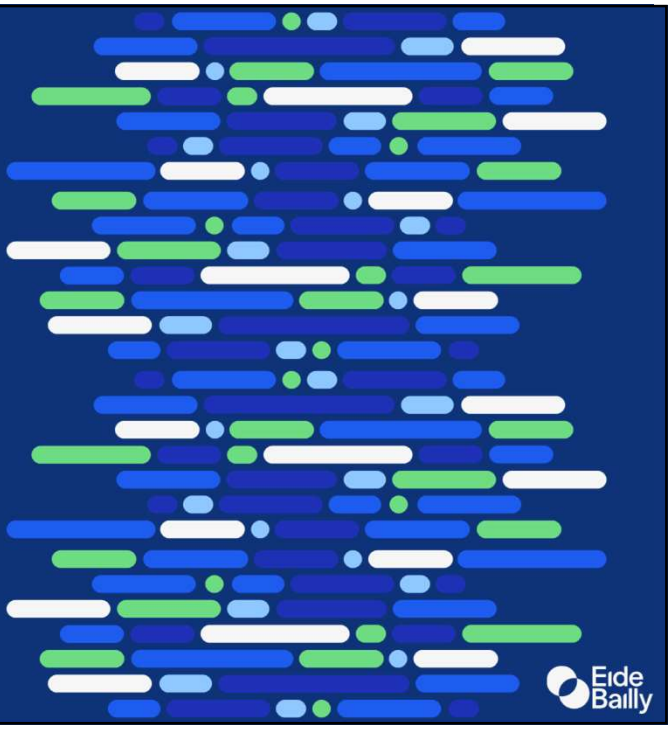
WHAT WAS PROPOSED BUT DIDN'T PASS: LOOKING AHEAD

Looking Ahead to 2027

- New Governor: Gov. Reynolds' final session was 2026.
- SJR 11 ballot result: PASSED.
- SF 2472 levy limits hit FY2028 budgets.
- SF 2480 vapor tax starts Jan. 1, 2027.
- Biofuel credits and producer refund repeal Jan. 1, 2028.

50

Federal Conformity Considerations



51

FEDERAL CONFORMITY CONSIDERATIONS: INDIVIDUAL AND BUSINESS INCOME TAX

Individual and Business Income Tax

- OBBBA deductions Iowa follows.
- Rolling conformity to the IRC.
- Depreciation and business interest.
- No Iowa guidance yet: 174A, 1202, 530A.
- IRC 1062 farmland installment election.

52

FEDERAL CONFORMITY CONSIDERATIONS: INDIVIDUAL AND BUSINESS INCOME TAX

OBBBA Deductions Iowa Follows

- Tips, overtime and car loan interest: Iowa follows.
- Senior deduction follows; added back for some tests.
- HF 2739: $347,013,889 moved to cover the cost.
- No IA W-4 allowance for tips, overtime, car loans.

53

FEDERAL CONFORMITY CONSIDERATIONS: INDIVIDUAL AND BUSINESS INCOME TAX

Rolling Conformity: How Iowa Follows the IRC

- IRC as amended, unless Iowa law says otherwise.
- Starting point: Federal taxable income.
- Federal changes flow in automatically.
- IDR's list of differences: Examples only.

54

FEDERAL CONFORMITY CONSIDERATIONS: INDIVIDUAL AND BUSINESS INCOME TAX

Depreciation and Business Interest

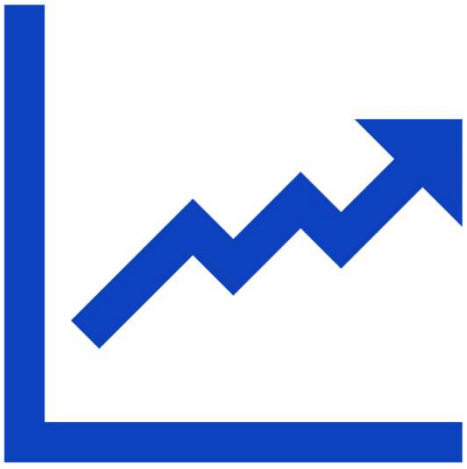
- Bonus depreciation conforms: Placed in service 2021+.
- Section 179 conforms for current years.
- Pre-2021 assets: Iowa differences still unwind.
- Section 163(j) does not apply for Iowa.

55

FEDERAL CONFORMITY CONSIDERATIONS: INDIVIDUAL AND BUSINESS INCOME TAX

No Iowa Guidance Yet: 174A, 1202, 530A

- Section 174A domestic research expensing.
- Section 1202 qualified small business stock changes.
- Section 530A Trump accounts.
- Default: Follow federal through rolling conformity.



56

FEDERAL CONFORMITY CONSIDERATIONS: INDIVIDUAL AND BUSINESS INCOME TAX

IRC 1062: Farmland Installment Election

- Federal: Pay tax on gain in 4 installments.
- Gain still recognized in year of sale.
- No Iowa installment option found.
- Iowa 422.7(13) deduction may exclude qualifying gain.
- Proposed regs: Comments due Nov. 30, 2026.

57

FEDERAL CONFORMITY CONSIDERATIONS: CORPORATE INCOME TAX

Corporate Income Tax: International Items

- SF 2492: NCTI subtracted for corporations.
- FDDEI deduction: Iowa follows.



58

FEDERAL CONFORMITY CONSIDERATIONS: CORPORATE INCOME TAX

SF 2492: NCTI (Formerly GILTI)

- Corporations subtract NCTI (section 951A income).
- No 40% section 250 deduction for Iowa.
- IA 1120: Line 1, then Schedule A line 7.
- Kept out of the apportionment factor (IDR).
- Individuals and fiduciaries still include NCTI.

59

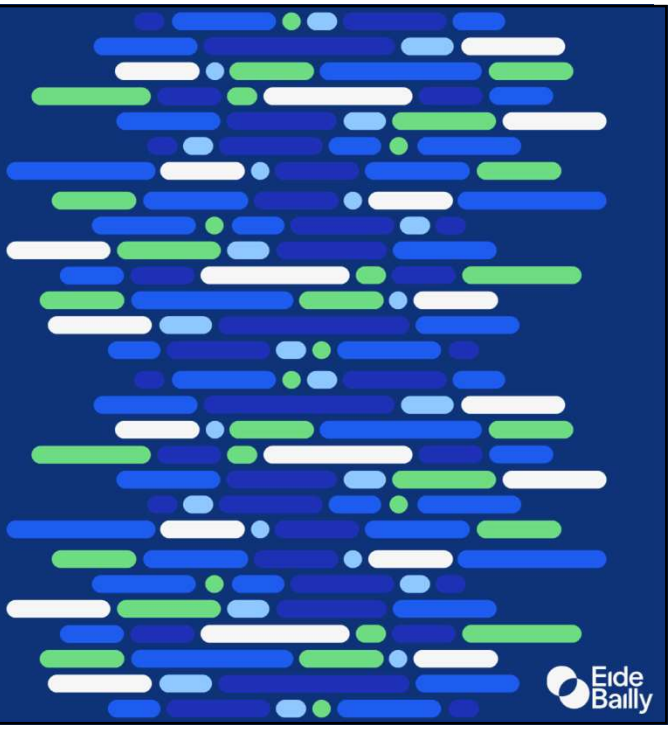
FEDERAL CONFORMITY CONSIDERATIONS: CORPORATE INCOME TAX

FDDEI (Formerly FDII)

- Iowa conforms to section 250 FDDEI deduction.
- FDII through 2025; FDDEI for 2026 on.
- Separate or Iowa-consolidated filers recompute.

60

Iowa PTET Changes/Considerations



61

IOWA PTET CHANGES/CONSIDERATIONS: BASICS

Iowa PTET Basics

- Elective entity-level tax at top individual rate.
- Owners get a refundable credit, slightly reduced.
- No owner consent required.
- Created by 2023 HF 352, effective for 2022.

62

IOWA PTET CHANGES/CONSIDERATIONS: BASICS

Federal SALT Cap for 2026

2026 cap: $40,400 ($20,200 MFS).

Cut by 30% of MAGI over $505,000.

Never below $10,000.

Rises 1% a year through 2029.

2030 and later: Back to $10,000.

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IOWA PTET CHANGES/CONSIDERATIONS: BASICS

PTET Has No End Date

- Iowa PTET applies while federal SALT cap applies.
- OBBBA made the federal cap permanent.
- So the PTET option has no end date.
- No 2026 amendments to Iowa Code 422.16C.

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IOWA PTET CHANGES/CONSIDERATIONS: THE ELECTION

Making the PTET Election

- Each election covers one tax year.
- Two ways to elect.
- Due six months after the original due date.



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IOWA PTET CHANGES/CONSIDERATIONS: THE ELECTION

Making, Keeping and Ending the Election

- Each election covers one tax year only.
- Irrevocable for that year; binds all owners.
- No carryover: Elect again each year.
- To stop: Just don't elect next year.
- Option ends only if federal cap ends.

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IOWA PTET CHANGES/CONSIDERATIONS: THE ELECTION

How to Elect

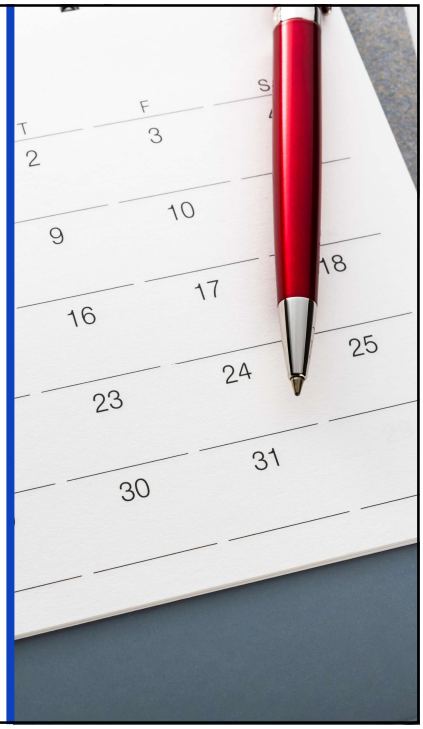
- On the IA 1065 or IA 1120S return.
- Or GovConnectIowa election form before filing.

67

IOWA PTET CHANGES/CONSIDERATIONS: THE ELECTION

Election Deadline

- Six months after original return due date.
- Calendar-year 2025 entities: Monday, Nov. 2, 2026.
- Oct. 31 falls on a Saturday.



68

IOWA PTET CHANGES/CONSIDERATIONS: COMPUTATION AND PAYMENTS

Computing and Paying PTET

- 2026: 3.8% tax; owner credit 96.2%.
- Quarterly estimates at $1,000 or more.
- Composite return interaction.

69

IOWA PTET CHANGES/CONSIDERATIONS: COMPUTATION AND PAYMENTS

PTET Computation

- 2026 rate: 3.8%.
- Owner credit: 96.2% of tax paid, refundable.
- Computed on Iowa-source income.
- No NOL deduction; few credits allowed.

70

IOWA PTET CHANGES/CONSIDERATIONS: COMPUTATION AND PAYMENTS

PTET Estimates and Composite Return

- Estimates required at $1,000+ of tax.
- Due 4th, 6th, 9th and 12th months.
- IA 2220 penalty cannot be waived (IDR).
- No IA PTE-C composite return required.

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71

EIDE BAILLY | R&D TAX INCENTIVES

Iowa Credits & Incentives

The new IEDA-led R&D tax credit and Iowa's key growth incentives

Jim Donovan, Partner | October 2026



72

OVERVIEW

Iowa's incentive landscape in 2026

THE FOCUS OF THIS BRIEFING

R&D Tax Credit

Now an IEDA award program for tax years beginning on or after Jan. 1, 2026

3.5%
maximum award rate

$40M
statewide annual cap, shared pro rata

Certify → CPA-verify → apply → claim

Business Incentives for Growth (BIG) Replaced High Quality Jobs on Jan. 1, 2026	IEDA
New Jobs Tax Credit Repealed by HF 2799, effective June 2, 2026	DEPT. OF REVENUE
260E / 260F training programs 260E tightened for agreements from July 1, 2026	COMMUNITY COLLEGES
Targeted Jobs Withholding New agreements only through June 30, 2027	IEDA + PILOT CITIES
Local property tax abatements SF 2472 caps new TIF ordinances at 23 years	CITIES & COUNTIES
AMP'D Iowa New federally funded training grant (2026)	WORKFORCE DEV.

Sources: IEDA program pages; SF 657 (2025); HF 2799 and SF 2472 (2026); Iowa Workforce Development.

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73



R&D TAX CREDIT | WHAT CHANGED

Iowa's R&D credit, rebuilt

Senate File 657, signed June 6, 2025, retired the Research Activities Credit and replaced it with an application-based program run by the Iowa Economic Development Authority (IEDA).

2026
Applies to tax years beginning on or after Jan. 1, 2026; tax years 2025 and earlier stay under the old credit.

3.5%
Maximum award rate on eligible Iowa research expenditures, versus up to 6.5% under the old credit.

$40M
Statewide annual cap. When requests exceed it, IEDA reduces every award pro rata.

2 steps
Certify as a qualified business, then apply every year with an independent CPA's verification.

Sources: SF 657 (2025); IEDA, Iowa R&D Tax Credit Program Guidance (2026).

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74

R&D TAX CREDIT | OLD VS. NEW

Old credit vs. new program

	Research Activities Credit Tax years 2025 and earlier	R&D Tax Credit Program Tax years beginning on or after Jan. 1, 2026
Administered by	Iowa Department of Revenue	Iowa Economic Development Authority (IEDA)
How you get it	Claim it on the Iowa return	Certify, then apply for an annual award
Eligible industries	Manufacturing, life sciences, software engineering, aviation and aerospace	Advanced manufacturing, bioscience, insurance and finance, technology and innovation
Credit base	Iowa QREs above a base amount	Eligible Iowa QREs (IRC §41 definitions)
Rate	Up to 6.5%	Up to 3.5%, set in the IEDA agreement
Statewide cap	None	$40 million a year, allocated pro rata
Verification	Return documentation	Independent CPA verification every year
Refundable	Yes	Yes; not transferable
When claimed	Return for the year incurred	Return for the tax year after the spend

Sources: Iowa Dept. of Revenue, Research Activities Credit guidance; IEDA, Iowa R&D Tax Credit Program Guidance (2026); SF 657.

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75

R&D TAX CREDIT | ELIGIBILITY

Who can qualify — and who can't

Eligibility turns on the business's primary industry, and the research must be performed in Iowa.

ELIGIBLE INDUSTRIES

Advanced manufacturing

Bioscience

Insurance and finance

Technology and innovation

Qualified research and expenses follow IRC §41 definitions.

R&D SECTORS THAT MAY QUALIFY

Second-generation food innovation
Food ingredients and supplements
Crop protection
Hybrid seed technologies
Diagnostic analytics and immunotherapies
Chip technologies and microelectronics
Medical equipment and supplies
Software and technology
Aerospace
Pharmaceuticals
Consumer products

NOT ELIGIBLE

Businesses primarily engaged in accounting, agriculture production, agricultural cooperatives, architecture, collection, construction, ethanol biorefining, finance or investment, publishing, real estate, retail, transportation or wholesale.

Also excluded
A documented pattern of legal or regulatory violations, or ties to a foreign adversary.

Source: IEDA, Iowa R&D Tax Credit Program webpage and Program Guidance (2026).

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76

R&D TAX CREDIT | PROCESS

Two steps: certify, then apply

STEP 1

Certify as a qualified business

Window	Feb. 2 to Sept. 30 (2026 cycle)
Review	About 90 days after a complete filing
Term	Up to 5 years; annual report Jan. 31
Who files	Common parent for the filing group
Documents	Returns, Form 6765, entity records
Contract	Non-negotiable agreement with IEDA

STEP 2

Apply for the credit every year

Portal	Opened Sept. 1, 2026
Deadline	Jan. 31 after the federal return
Target	Within 90 days of the federal return
Award	By about April 1; certificate issued
Claim	IA 148, tax year after the spend
Value	Refundable; not transferable

No certification, no credit: only businesses holding an IEDA certification letter may apply.

Source: IEDA, Iowa R&D Tax Credit Program Guidance (2026).

77

R&D TAX CREDIT | DOCUMENTATION

What the application must show

Each annual application includes

01 Eligible Iowa expenditures by entity and expense type

02 Eligible Iowa expenditures by business component

03 Schedules of qualified wages, supplies, contract research and computer rental or lease costs

04 The Iowa R&D credit amount requested

05 Federal return pages, including Forms 6765, 851 and 3800

06 Iowa return pages, including Schedule H and the IA 148

07 IEDA's CPA Verification Form, completed by an independent CPA

THE NEW GATEKEEPER

Independent CPA verification

Who
A CPA authorized to practice in Iowa, independent of the business and its related entities

The standard
Not an audit, review or attestation: the CPA concludes claimed expenditures are, in professional judgment, more likely than not eligible, accurate and complete in all material respects

Scope
IRC §41 and §41(d) eligibility, plus Iowa-specific adjustments

Sources: IEDA Program Guidance (2026); BrownWinick, "Iowa's New R&D Tax Credit" (Aug. 21, 2026).

78

R&D TAX CREDIT | AWARD MATH

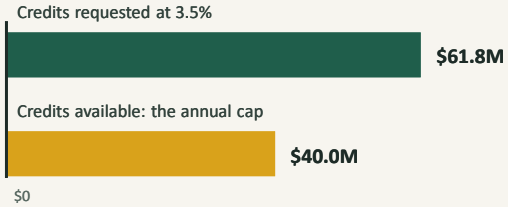
Your award is a pro-rata share

UNADJUSTED CREDIT
Eligible Iowa expenditures × the contract rate (up to 3.5%)

ADJUSTED (PRO-RATA) CREDIT
Your share of all approved expenditures × the $40M available, less any set-aside

YOUR AWARD
The lesser of the unadjusted and adjusted credit

IEDA's sample: 10 applicants, $1.77B of eligible spend



2.26% effective rate for every applicant in IEDA's sample, versus the 3.5% maximum

Illustrative example published by IEDA; actual proration depends on total approved requests each year.

Source: IEDA, Iowa R&D Tax Credit Program Guidance (2026), calculation of award and sample calculation.

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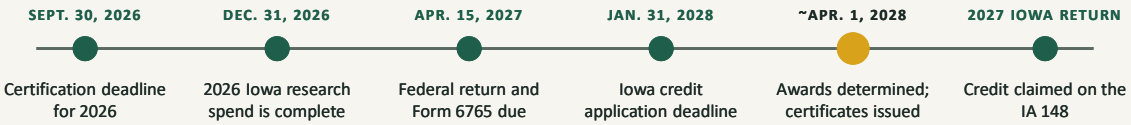
79

R&D TAX CREDIT | FIRST CYCLE

When 2026 R&D credits arrive

Example: a calendar-year taxpayer certified for 2026. The award follows the federal return and is claimed on the 2027 Iowa return.



The gap year
No new-program credit lands on 2026 returns: tax year 2025 is the last Research Activities Credit year (IA 128), and 2026 awards are claimed on 2027 returns.

Your timing lever
The application keys off the filed and accepted federal return. A federal extension can push the Iowa filing, and the award, into a later cycle.

Source: IEDA, Iowa R&D Tax Credit Program Guidance (2026), example timeline charts; Honkamp (Sept. 11, 2026).

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80

R&D TAX CREDIT | COMPLIANCE

Compliance doesn't end at award

ANNUAL REPORT

Due Jan. 31 while certified

Report total R&D investment, the Iowa location where R&D occurred, jobs created, wages paid and employee residence locations. IEDA reports results to the General Assembly in aggregate.

CLAWBACK RISK

Noncompliance has a price

Failing a program or agreement requirement can mean revoked certification, ineligibility, or repayment of credits.

IEDA DISCRETION

Awards are not automatic

IEDA may request more information, visit sites, award in part or reject applications. Applying confers no right to an award, and IEDA decisions are final.

CONFIDENTIALITY

Protected, with limits

Program records are presumed to be trade secrets, but each recipient's identity and credit amount are public information.

Source: IEDA, Iowa R&D Tax Credit Program Guidance (2026): compliance, additional information and confidentiality.

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81

R&D TAX CREDIT | ACTION ITEMS

Six moves to make now

1 **Confirm certification status**
The 2026 window closed Sept. 30, 2026; missing it may forfeit tax year 2026. Talk with IEDA and prepare for the next window.

2 **Track Iowa QREs by component**
Capture wages, supplies, contract research and computer costs by entity, expense type and business component.

3 **Line up an independent CPA**
Engage an Iowa CPA verifier before the federal return is filed; the CPA can't be an employee of the business or a related entity.

4 **Manage the federal filing date**
The Iowa application keys off the filed and accepted federal return; IEDA asks for it within 90 days.

5 **Model a pro-rata haircut**
Budget below the 3.5% ceiling; IEDA's own sample lands at an effective 2.26%.

6 **Finish the old credit cleanly**
Claim tax year 2025 and earlier under the Research Activities Credit (IA 128), and review open years.

Sources: IEDA Program Guidance (2026); Honkamp (Sept. 11, 2026); BrownWinick (Aug. 21, 2026).

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82

OTHER INCENTIVES | BUSINESS INCENTIVES FOR GROWTH

BIG replaced High Quality Jobs

WHAT A PROJECT CAN RECEIVE

Investment tax credit
Earned as assets go into service; spread over 5 years; refundable

Sales tax refund
Sales tax paid on construction materials

Local property tax exemption
Up to 10 years on improvements, with city or county approval

Training reimbursement
New BIG Training Fund (HF 2799), expected spring 2027

WHO QUALIFIES, HOW MUCH

Eligible industries
Advanced manufacturing, bioscience, insurance and finance, technology

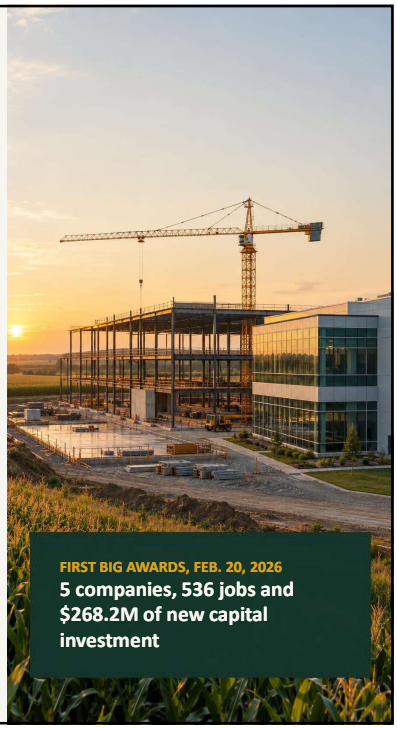
Wage thresholds
New jobs at 100% and retained jobs at 120% of the laborshed wage

Maximum award
5% of qualifying investment; 7.5% in counties under 20,000 people

Program cap
$50M a year, down from $68M under High Quality Jobs

Get approval before any construction, purchase, lease or announcement.

Sources: IEDA BIG program page and fact sheet; HF 2799 (2026); Governor's office, Feb. 20, 2026; KE Andrews.



FIRST BIG AWARDS, FEB. 20, 2026
5 companies, 536 jobs and $268.2M of new capital investment

83

OTHER INCENTIVES | NEW JOBS TAX CREDIT

New Jobs Tax Credit: repealed

HF 2799 repealed the credit on enactment (June 2, 2026). The separate 260E withholding credit that repays training bonds continues, under tighter rules.

WHAT IT WAS WORTH

REPEALED

$1,224

maximum credit per new job in 2026: 6% of the $20,400 unemployment insurance taxable wage base

How it worked
Required a 260E agreement and at least 10% growth in base employment; claimed once per job; 10-year carryforward

WHAT FILLS THE GAP

BIG Training Fund
Reimburses training on BIG projects from up to 1.5% of project wages diverted from withholding; IEDA expects it in spring 2027

EDGE headquarters credit
Up to 15% of wages for new HQ jobs (1% for retained, capped at $1M) for up to 3 years; jobs must pay 200% of the qualifying wage

Sources: Iowa Code §422.11A; LSA final fiscal note, HF 2799 (May 19, 2026); Site Selection Group (July 9, 2026).

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OTHER INCENTIVES | 260E AND 260F TRAINING

Training runs through community colleges

260E | INDUSTRIAL NEW JOBS TRAINING
Training for new jobs

Funding
Community college bonds pay to train new hires

Repayment
1.5% or 3% of new jobs' wages, from Iowa withholding

Bonus
Up to 50% of the award can cover on-the-job training

260F | IOWA JOBS TRAINING
Training for current employees

Funding
Forgivable loan via the college, with a business match

Limits
$50,000 per site; $100,000 per site in 3 fiscal years

Consortium
Two or more businesses share a project, up to $100,000

WHAT CHANGED FOR 260E
HF 2799, agreements from July 1, 2026

7 yrs	70%	15%	Dec. 15
max repayment deferral (was 10)	max share of costs funded by bonds	cap on college admin costs	interim study report due

Sources: Iowa Workforce Development 260E and 260F pages; LSA final fiscal note, HF 2799 (May 19, 2026); LSA budget brief, FY 2026.

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85

OTHER INCENTIVES | TARGETED JOBS WITHHOLDING

Targeted Jobs: five pilot cities

A three-party agreement approved by the IEDA Board; no new agreements after June 30, 2027.

EMPLOYER
Diverts up to 3% of covered employees' gross wages from Iowa withholding each quarter

→

CITY PROJECT FUND
Pays the costs of the employer's project; agreements can run for up to 10 years

←

PILOT CITY
Adds $1 of local financial support for every $1 of withholding credit it receives

WHO QUALIFIES

1. Moving to Iowa from another state and creating jobs at or above the county wage threshold
2. An Iowa business creating or retaining 10 jobs at or above that threshold
3. An Iowa business investing at least $1 million in the pilot city

PILOT CITIES, FY 2026 HOURLY WAGE THRESHOLDS

City	County	Wage
Burlington	Des Moines	$25.16
Council Bluffs	Pottawattamie	$27.23
Fort Madison, Keokuk	Lee	$28.09
Sioux City	Woodbury	$26.40

Sources: Iowa Code §403.19A; IAC 261—ch. 71; IEDA Targeted Jobs Withholding Tax Credit page (FY 2026 thresholds).

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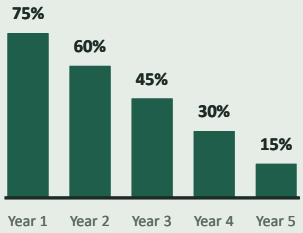
86

OTHER INCENTIVES | LOCAL PROPERTY TAX

Property tax relief is set locally

Industrial exemption
Ch. 427B schedule: share of new value added exempt



Covers all local levies, including schools. File with the assessor by Feb. 1.

Urban revitalization (ch. 404)
In city-designated areas: e.g., 100% of value added for 3 years, or a 10-year schedule starting at 80%

Tax increment financing (ch. 403)
Cities can rebate increment. SF 2472: new TIF capped at 23 years; school foundation levy excluded from 2027

BIG property tax exemption
Part of value added, up to 10 years, all levies but schools; local approval; counts in BIG's cap

Sources: Iowa Code chs. 403, 404, 427B; Iowa League of Cities; SF 2472 (2026); IEDA BIG fact sheet.



87

OTHER INCENTIVES | AMP'D IOWA

AMP'D Iowa pays for training

An Iowa Workforce Development grant backed by federal funds

80%
max reimbursement of training costs

$4,000
maximum per employee trained

$250,000
maximum award per employer

WHO QUALIFIES

1. Iowa advanced manufacturers training workers in listed occupations
2. No recent layoffs, bankruptcy or tax debts; SAM.gov registration
3. Priority for small and mid-sized employers (0–499 employees)

FIRST AWARDS

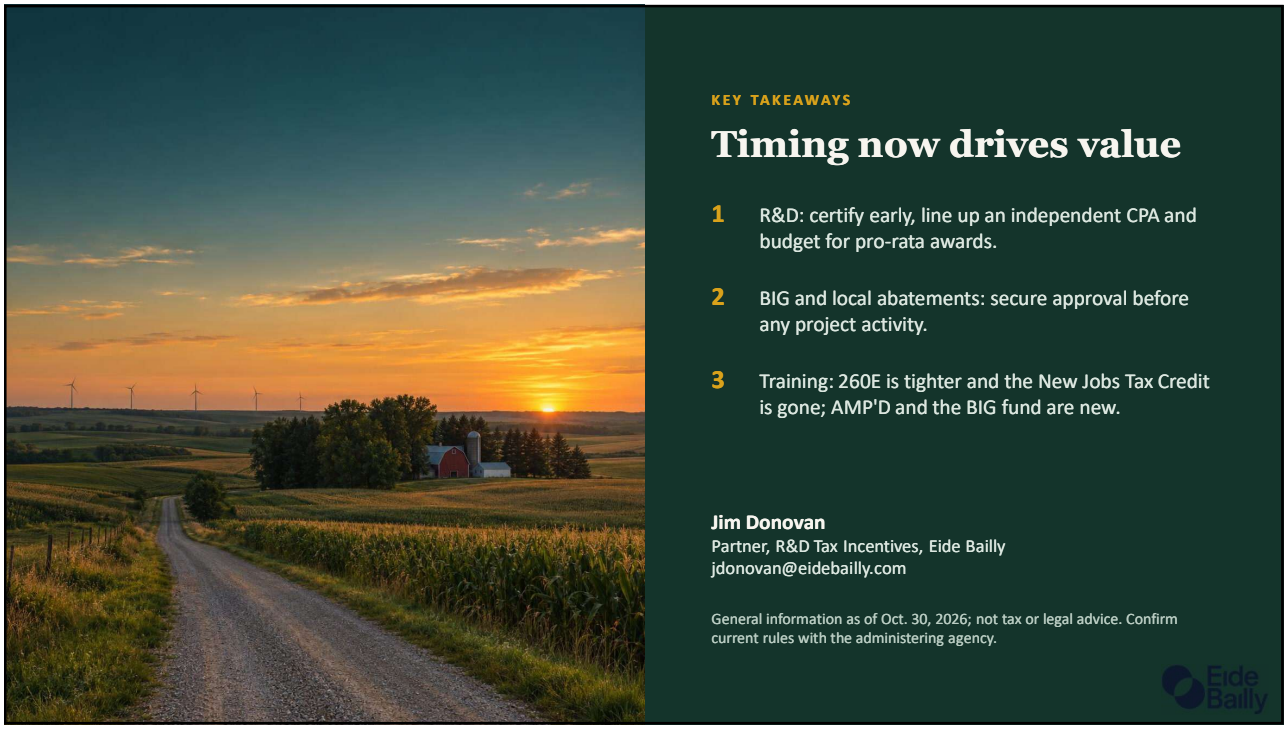
631

workers to be trained at 16 manufacturers
$1,391,547 awarded Oct. 13, 2026; applications remain open

Sources: Iowa Workforce Development AMP'D Iowa page, NOFO and releases (2026).



88


KEY TAKEAWAYS
Timing now drives value
1 R&D: certify early, line up an independent CPA and budget for pro-rata awards.
2 BIG and local abatements: secure approval before any project activity.
3 Training: 260E is tighter and the New Jobs Tax Credit is gone; AMP'D and the BIG fund are new.
Jim Donovan
Partner, R&D Tax Incentives, Eide Bailly
jdonovan@eidebailly.com
General information as of Oct. 30, 2026; not tax or legal advice. Confirm current rules with the administering agency.
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89


Payments, IDOR Issues, etc.
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PAYMENTS, IDOR ISSUES, ETC.: INCOME TAX

Income Tax Items

- 2026 withholding formula and IA W-4.
- NOLs and depreciation: Open question.

91

PAYMENTS, IDOR ISSUES, ETC.: INCOME TAX

Withholding: 2026 Formula and IA W-4

- 2026 formula and IA W-4 revised for OBBBA.
- Annual deduction: $13,000, $19,500 or $26,000.
- Line 6: Age 65+ exemption, up to $6,000.
- No allowance for tips, overtime, car loans.
- [2027 tables and IA W-4: To be released soon].

92

PAYMENTS, IDOR ISSUES, ETC.: INCOME TAX

Tax Year 2025 Form Changes

- IA 1040 line 1f: Senior deduction add-back.
- IA 125, IA 100G: Prior election questions.
- IA 1041 K-1: Retirement income box.
- New IA 60F: Franchise combined returns.
- [Tax year 2026 forms: Not posted yet].

93

PAYMENTS, IDOR ISSUES, ETC.: INCOME TAX

NOLs and Depreciation: 2025 Question

- Post-2022 losses: Iowa uses the federal NOL.
- No separate Iowa NOL calculation.
- IA 124 tracks only pre-2023 carryforwards.
- Depreciation reversal question: No IDR answer.

94

PAYMENTS, IDOR ISSUES, ETC.: PAYMENTS

Payments

- 2026 interest rate.
- First-time e-payment verification.
- Business estimates: Filing period.
- USPS postmark rule.
- Federal paper checks: Iowa unchanged.



95

PAYMENTS, IDOR ISSUES, ETC.: PAYMENTS

IDR Interest Rate

- 2026: 10% annually (0.8% monthly).
- Formula: Average prime rate, plus 2 points.
- 2027: 9% annually (0.8% monthly).

96

PAYMENTS, IDOR ISSUES, ETC.: PAYMENTS

First-Time E-Payment Verification

- First GovConnectIowa e-payment: Up to 5 days.
- Account may show a balance due meanwhile.
- Penalty and interest removed automatically.
- Bank filter company ID: 9426004574.

97

PAYMENTS, IDOR ISSUES, ETC.: PAYMENTS

Business Estimates: Choose the Right Period

- Filing period: Last day of the tax year.
- Not the installment due date.
- Due 4th, 6th, 9th and 12th months.
- Required at $1,000+ of tax.



98

PAYMENTS, IDOR ISSUES, ETC.: PAYMENTS

USPS Postmark Rule

- Postmark may post-date the day mailed.
- USPS rule effective Dec. 24, 2025.
- IDR: E-file, e-pay or mail early.
- Or ask for a manual postmark.

99

PAYMENTS, IDOR ISSUES, ETC.: PAYMENTS

Federal Paper Checks Phased Out; Iowa Unchanged

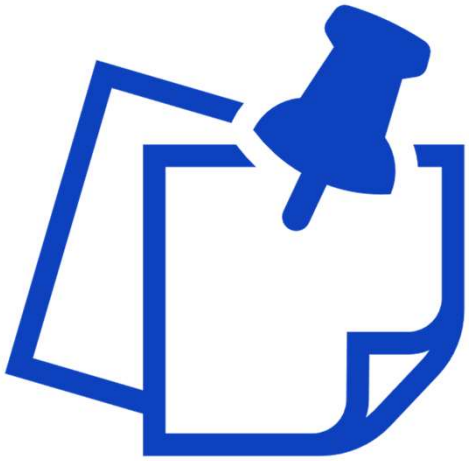
- Federal: Executive Order 14247 ends Treasury paper checks.
- Iowa: No change found.
- IDR still accepts checks.
- IDR still issues paper refund checks.

100

PAYMENTS, IDOR ISSUES, ETC.: NOTICES AND REPRESENTATION

Notices and Representation

- GovConnectIowa modernization complete.
- Respond to a letter online.
- Return attachments and notices.
- IA 2848 Power of Attorney.



101

PAYMENTS, IDOR ISSUES, ETC.: NOTICES AND REPRESENTATION

GovConnectIowa Modernization Complete

- 22 legacy systems now in one portal.
- Other Party Administrator access for preparers.
- Two-step verification is mandatory.
- Income tax returns still go through MeF.

102

PAYMENTS, IDOR ISSUES, ETC.: NOTICES AND REPRESENTATION

Respond to a Letter



- From GovConnectIowa home screen: Respond to a Letter.
- Enter Letter ID and Letter Date.
- Upload requested documents directly.
- Also confirms a letter is legitimate.

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PAYMENTS, IDOR ISSUES, ETC.: NOTICES AND REPRESENTATION

Notices: Return Attachments

- Notices get examiner review before mailing.
- Examiners work from the return file.
- Attachments may not be reviewed.

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PAYMENTS, IDOR ISSUES, ETC.: NOTICES AND REPRESENTATION

IA 2848 Power of Attorney

- Revised form; can be filed online.
- Rep ID: SSN/ITIN, PTIN, CAF or IAN.
- New filing revokes prior POAs, same matters.
- Submit within six months of signature.

105

PAYMENTS, IDOR ISSUES, ETC.: FILING AND COMPLIANCE

Filing and Compliance

Voluntary disclosure program.

Return preparers: CE and PTIN.

Mandatory e-filing for business returns.

106

PAYMENTS, IDOR ISSUES, ETC.: FILING AND COMPLIANCE

Voluntary Disclosure Program

- Now rule 701-19.6.
- Lookback: Generally, five years.
- Anonymous until the agreement is executed.
- Apply on IDR's form.

107

PAYMENTS, IDOR ISSUES, ETC.: FILING AND COMPLIANCE

Return Preparers: CE and PTIN

- 10+ paid returns: 15 hours CE yearly.
- Includes 2 ethics hours; report by Feb. 15.
- CPAs exempt from CE, not PTIN rule.
- $50 per return without a PTIN.
- Penalty capped at $25,000 a year.

108

PAYMENTS, IDOR ISSUES, ETC.: FILING AND COMPLIANCE

Mandatory E-Filing for Business Returns

- IA 1120, 1120S, 1065, 1120F and 1041.
- $250,000+ gross receipts triggers e-file.
- Also $25,000+ credits or 10+ Iowa K-1s.
- Paper return when required: Not valid.



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PAYMENTS, IDOR ISSUES, ETC.: FUEL EXCISE TAX

Dyed Diesel Proclamation

- Dyed diesel allowed on roads for ag hauling.
- State taxes and penalties suspended.
- Runs through Feb. 4, 2027 (per IDR).
- Use tax due after it expires.

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110

Other Iowa Topics

111

OTHER IOWA TOPICS: CAPITAL GAIN DEDUCTIONS (REFRESHER)

Capital Gain Deductions: No 2026 Changes

- Breeding livestock: IA 100A.
- Retired farmer election: IA 100G.
- Farm real property: IA 100H.
- Employer stock: IA 100J.
- Iowa Code 422.7(13), (42), (44) not amended.

112

OTHER IOWA TOPICS: CAPITAL GAIN DEDUCTIONS (REFRESHER)

Employer Stock Deduction Recap

- Fully phased in: 100% from 2025.
- Stock held 10 years, acquired through employment.
- One lifetime election, one qualified corporation.
- Corporation: 10 years of Iowa employees, 5+ shareholders.
- Rule 701-302.41 proposed for re-promulgation.

113

OTHER IOWA TOPICS: AGRICULTURE

Agriculture: What Is New for 2026

- SF 2465: Veterinarian loan repayment exclusion (TY2027).
- SF 2493: E85+ fuel excise exemption, farm implements.
- Biofuel credits end Jan. 1, 2028; HF 2643 reporting.
- USDA payments, drought relief, IRC 1062 proposed regs.
- Ag rollback 59.4401%; dyed diesel; Chickasaw ruling.



114

OTHER IOWA TOPICS: AGRICULTURE

USDA Payments and Drought Relief

- Bridge Assistance: Corn $44.36/acre, soybeans $30.88/acre.
- $155,000 payment limit; AGI over $900,000 ineligible.
- SDRP payment factor raised from 35% to 70%.
- No Iowa exclusion found; flows through federal income.
- Notice 2026-54: Drought relief in 25 Iowa counties.

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OTHER IOWA TOPICS: AGRICULTURE

Biofuel Credits End Jan. 1, 2028

- E15 9 cents; E85 16 cents per gallon.
- Biodiesel blend credit: 5, 7 or 10 cents.
- Credits and production refund repeal Jan. 1, 2028.
- HF 2643: Gallons report due Feb. 10.
- Late report: No E15, E85, biodiesel credits.

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OTHER IOWA TOPICS: ZERO-BASED RULEMAKING

What Zero-Based Rulemaking Is

- Rules expire; agencies must justify each one.
- Started by Executive Order 10.
- Made permanent in the 2024 session.
- Automatic repeal and readoption every five years.

117

OTHER IOWA TOPICS: ZERO-BASED RULEMAKING

Zero-Based Rulemaking: 2026 Status

IDR Phase 3 chapters due Dec. 31, 2026.

Covers income, pass-through, corporate, franchise, property rules.

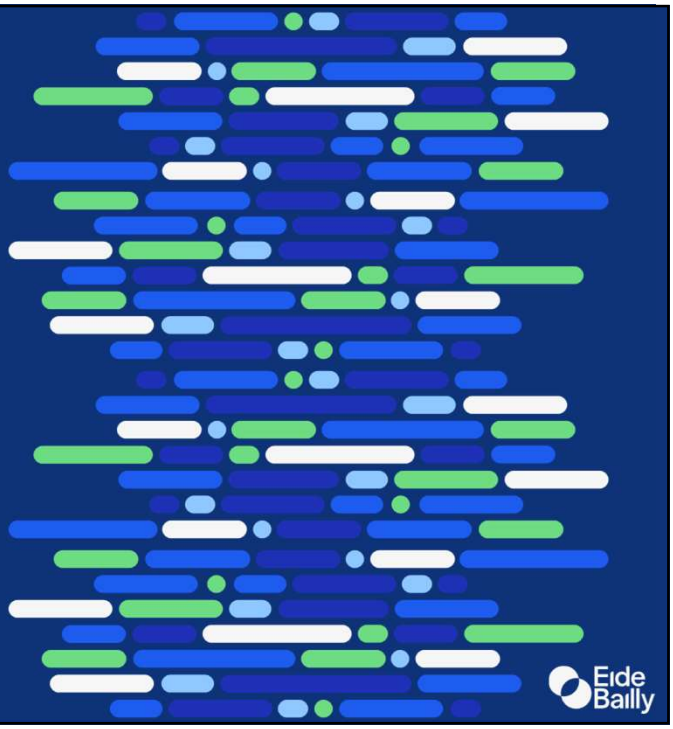
Chapter 700 fiduciary rules readopted, effective July 29, 2026.

Chapter 302: 77 rules proposed for repeal.

Chapter 302 sunsets Jan. 1, 2028.

118

Iowa CPA Licensing Update



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119

IOWA CPA LICENSING UPDATE

HF 778: 120-Hour Route to CPA Licensure

- Effective July 1, 2026.
- 150 hours plus 1 year experience.
- Or 120 hours plus 2 years experience.
- Degree required on both routes; exam unchanged.

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IOWA CPA LICENSING UPDATE

Practice Privilege and Board Rules

- Substantially equivalent test struck for out-of-state CPAs.
- Individual test: Home license plus Iowa conditions.
- Board rules still proposed, not final.
- Proposed: 2 years = 4,000 hours over 2-4 years.

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121

Questions?

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122