

**Iowa Corporate Income Tax**

Iowa's single-factor, non-unitary tax is based only on the percentage of total sales income within the state - an Iowa manufacturer selling all its products outside Iowa would pay no Iowa corporate income tax. Iowa allows 50 percent deductibility of federal taxes from Iowa corporate income tax, and Iowa corporate income tax may be reduced or eliminated by the New Jobs Tax Credit.

**No Sales or Use Tax on Manufacturing Machinery and Equipment**

The purchase of industrial machinery and equipment and computers assessed as real property is exempt from Iowa sales or use tax. No sales tax is due on purchases of electricity or natural gas used directly in the manufacturing process.

**No Property Tax on New Industrial Machinery and Equipment**

Manufacturing machinery and equipment, as well as computers used to process data by insurance companies and financial institutions, are exempt from property tax.

**No Personal Property (Inventory) Tax**

Personal property is not assessed for tax purposes. In Iowa, personal property includes corporate inventories of salable goods, raw materials and goods in process.

**New Jobs and Income Program**

The Iowa New Jobs and Income Program provides a package of tax credits and exemptions to businesses making a capital investment of at least \$10.38 million and creating 50 or more jobs meeting wage and benefit targets.

**Local Tax Abatement**

Iowa law allows cities and counties to abate local property taxes for value added to industrial real estate. The maximum amount of actual value added at a new or expanded facility which is eligible to be exempt from taxation is:

Year One: 75 percent

Year Two: 60 percent

Year Three: 45 percent

Year Four: 30 percent

Year Five: 15 percent

**Tax Increment Financing**

City councils or county boards of supervisors may use the property taxes resulting from the increase in taxable valuation caused by the construction of new industrial or commercial facilities to provide economic development incentives to a business or industry. Tax Increment Financing may be used to offset the cost of public improvements and utilities that will serve the new private development, to finance direct grants or loans to a company, or to provide the local match for federal or state economic development assistance programs.

**Pollution Control or Recycling Property Tax Exemption**

Pollution control and recycling equipment may be eligible for a property tax exemption. Improvements to real property that are primarily used to control pollution of air or water, or primarily used for recycling, may qualify. An application must be filed for exemption.

**Unemployment Insurance**

Iowa has the lowest new employer unemployment insurance rate in the nation. The rate for all non-construction business is 1 percent for a three-year period until an experience rating is established. Iowa offers a zero rate for good experience; approximately 45 percent of Iowa employers are at a zero rate.

**New Jobs Tax Credit**

A business entering into an agreement under the state's training program - and increasing its workforce by at least 10 percent - may qualify for this Iowa corporate income tax credit. This credit is equal to 6 percent of the state unemployment insurance taxable wage base. The credit for 2005 is up to \$1,224 per new employee and can be carried forward up to 10 years.

**Research and Development Tax Credit**

A credit for increasing research activities is 6.5 percent of the company's allotted share of qualifying research expenditures in Iowa. A company must meet the qualifications of the federal research activities credit in order to be eligible for the credit on the Iowa return.

**Assistive Device Tax Credit**

Iowa small businesses can reduce their taxes by buying or renting products or equipment, or by making physical changes to the workplace to help employees with disabilities get or keep a job.