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# CACTAS – Tax Credit Research and Analysis in Iowa

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# Outline

- Iowa's CACTAS
  - History
  - Goals for system
  - Successes and set-backs
  - Current status
- Iowa Tax Credit Analysis
  - What CACTAS provides

# Tax Credit Iowa History

- 2006 – Tax Credit Tracking and Analysis System developed
  - Tax credit award push from agencies
    - ❖ Basic data required in standardized format
  - Tax credit claim data pull from returns
    - ❖ IA 148 Tax Credit Schedule created
- Utilized the data to begin forecasting revenue impacts and tax credit evaluations
- 2008 - Awarded FTA outstanding research award

# IA 148 – Taxpayer Validation

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**2016 IA 148**  
Iowa Tax Credits Schedule  
<https://tax.iowa.gov>

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

## Part I – Nonrefundable Tax Credits

	A	B	C	D	E	F	G	H
	Tax Credit Code	Certificate Number (if applicable)	Amount Carried Forward from Prior Year	Current Year Amount (earned or received from pass-through entity)	Total Available (C+D=E)	Current Year Amount Applied (may not exceed total tax liability)	Expired Amount	Amount Carried Forward to Future Years (E-F-G=H)
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								

Part I Total – Sum column F and enter on line 52 of IA 1040, line 10 of IA 1040C, or line 2 of schedule C1 of IA 1120.....

\_\_\_\_\_



# IA 148 – Pass-Through Data

## Part II – Refundable Tax Credits

	I Tax Credit Code	J Certificate Number (if applicable)	K Current Year Amount (earned or received from pass-through entity)
11			
12			
13			
14			
15			
16			
17			
18			

## Part III – Total Credits

Sum Part I and Part II Totals. Enter on line 16 of the IA 1120F, line 30 of IA 1041, or the miscellaneous line of the Iowa Insurance Premium Tax Return.

Part III Total

**Part II Total** - Sum column K and enter on line 62 of IA 1040, line 13 of IA 1040C, or line 2 of schedule C1 of IA 1120 .....

## Part IV – Pass-Through Entity Information from Schedule K-1

L Line Number from Part I or Part II	M Pass-Through Entity Name	N Pass-Through Entity FEIN	O Taxpayer's Share of Tax Credit from Pass-Through Entity



# TCTAS Drawbacks

- Tax credit award push from agencies
  - ❖ Limited success in getting agencies to share data regularly when required data manipulation and push
  - ❖ Transfer process completely outside the system
- Tax credit claim data pull from returns
  - ❖ Taxpayers often made errors
  - ❖ No ability to edit taxpayer claim data so workaround developed in Access
  - ❖ Simple data entry from paper returns often required second review by analysts
  - ❖ Electronic claims often missed by the system
  - ❖ Manual verification can take years

# CACTAS History

- 2012 – Effort to automate the award data push with Iowa Economic Development Authority failed after a year of trying to get IDR server to talk to EDA server
- December 2013 – Concept of Tax Credit Award, Claim & Transfer Administration System was born
  - ✓ tCACTAS – first “t” is silent!

# CACTAS Goals

- Develop on-line tax credit award applications for all programs
  - ❖ Agency award data is the same data IDR accesses daily
  - ❖ Leverage modern tools for tax credit administration
- Integrate transfer process into award database
- Develop sophisticated claim tracking system
  - ❖ Editable with logging of changes and notes
  - ❖ Business rules established to verify claims automatically against award data, form calculations and prior year claim information
  - ❖ Alerts if electronic data is not pulled into system



# Iowa “Other” Income Tax Credits

## ■ During FY 2017

- \$203 million in awards (under \$270 million cap)
- \$43.5 million in tax credits transferred
- \$272.7 million in tax credits claimed on IA 148
  - ✓ \$117.3 million in awarded tax credits
  - ✓ \$75.3 million in automatic tax credits
  - ✓ \$80.1 million in administrative tax credits
- Excludes EITC and other tax credits on IA 1040

# Research and Analysis

- Responsibilities regarding tax credits
  - Forecasts of claims by tax type three times per year
  - Complete tax credit evaluation studies annually
  - Estimate fiscal impacts of proposed changes to tax credits
  
- Require complete, timely and accurate tax credit award and claim data

# Multiple Agencies Award Tax Credits

- Iowa Economic Development Authority (8 programs, 10 credits + sales & use refunds)
- Iowa Finance Authority (1 program, 2 credits)
- Iowa Utilities Board (2 programs, 2 credits)
- Iowa Department of Revenue (4 programs, 4 credits)
- 12 School Tuition Organizations (1 program, 1 credit)



# Rocky Development Start

- Started January 2014 with High Quality Jobs– the largest tax program (\$130 million annual cap) – and Claims rules
- Major legislative change to Historic Preservation Tax Credit program during 2014 session upended priorities
  - Needed tool for IDR and Department of Cultural Affairs to jointly administer the \$45 million in awards
  - New project manager and business analyst
  - Four dedicated developers and two quality testers

# Development – Next Steps

- Historic Preservation Tax Credit Award component went live January 2015
- Venture Capital/Innovation Fund Award component went live May 2015 (\$10 million annual cap)
- Solar Energy System Tax Credit Award component went live September 2015 (\$5 million annual cap)

# Enhance Taxpayer Communication

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## Solar Energy System Tax Credit

**Did you know?**

To request a Solar Energy System Tax Credit, you are required to be received by May 1 following the year of the installation of the system.

If you installed a system during 2014 and did not submit an application to claim on your 2016 tax return or from the current available award cap year, whichever is later.

If you installed a system during 2015 and did not submit an application by May 1, 2016, you can still submit that application today. If the application is complete, you can receive an award to claim on your 2017 tax return or from the current available award cap year, whichever is later.

### Residential Installations

The application for the Iowa credit cannot be made for individuals until the installation of the solar energy system is complete.

Qualifying installations must meet the federal residential energy efficient property credit related to solar energy provided in sections 25D(a)(1) and 25D(a)(2) of the Internal Revenue Code. Installations that occur in your tax year that begins on or after January 1, 2014 but before December 31, 2015, the award is equal to 60% of the federal credit, not to exceed \$5,000. Installations that occur after January 1, 2016 are equal to 50% of the federal credit up to \$5,000.


### Business Installations

An application for the Iowa credit for businesses cannot be made until the installation of the solar system is complete and the system is placed in service. Qualifying installations must meet the federal energy efficient property credit related to solar energy provided in sections 48(a)(3)(A)(i) and 48(a)(3)(A)(ii) of the Internal Revenue Code. Installations that occur in your tax year that begins on or after January 1, 2014 but before December 31, 2015, the award is equal to 60% of the federal credit, not to exceed \$20,000. Installations that occur after January 1, 2016 are equal to 50% of the federal credit up to \$20,000.

## Solar Energy System Tax Credit Awarded by Year

2017	\$3,434,239*
2016	\$4,996,103

\*Additional applications may be waiting review. This number does not reflect all applications received because some applications have not been processed yet.

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# Development - Continued

- Team expanded to over 20 business analysts, developers, testers; new project manager
- Brownfield/Grayfield Redevelopment Award component went live May 2016
- Renewable Energy and Wind Energy Production Awards component went live December 2016
- High Quality Jobs under development – replacing existing software, working to improve on complex tool
- Renewable Chemical Production Award under development – first NEW program all within CACTAS

# Enhance Internal Communication

## Dashboard

### Tax Credit Awards

Fiscal Year	Total Awarded	Total Allocated	Total Cap Balance
2018	\$0	\$0	\$10,000,000
2017	\$0	\$9,300,000	\$700,000
2016	\$1,302,437	\$8,621,606	\$75,957
2015	\$2,927,599	\$6,749,804	\$322,597
2014	\$7,437,856	\$2,417,771	\$144,373
2013	\$4,061,136	\$909,426	\$29,438
2012	\$3,737,857	\$1,187,246	\$74,897
2010	\$546,510	\$0	\$453,490





# Claims!!

- After two years of rules development and migration of over 400,000 records – Claims in production May 2017
- IA 148 data collected along with all auxiliary forms
  - Form math checked (currently 13 forms)
  - Claims compared to awards based on certificate numbers
  - Date of claim tracked (FY timing critical)
  - Full editing of claims including notes
- Interacts with other Department systems to stop errors before refunds are paid

# Final Steps

- Pull of award data from alternative on-line award tool used by EDA for Workforce Housing Tax Incentive Program and Endow Iowa Tax Credit
- Transfers
- Tracking Sales and Use Refunds associated with EDA Programs
- School Tuition Organization Tax Credit
- Beginning Farmer Program

# Tax Credit Analysis

- Award data is critical for accurate revenue forecasting
  - Knowing \$ awarded in a fiscal year is only a start
  - Awards by tax type and year of expected claim is critical
- Example: Angel investor tax credit
  - \* Awards on a fiscal year basis but claims can begin in the year of investment
  - \* For investments made July 1, 2015 and later, became refundable for natural persons (individual income taxpayers)

# Tax Credit Analysis (cont)

- For FY 2016 \$1.2 million awarded
  - 100% nonrefundable
  - 64% can be claimed in 2015 or earlier
- For FY 2017 \$2 million awarded
  - 85% refundable
  - 98% can be claimed in tax year 2016 or earlier

# Fiscal Impact Matters

- During 2016 Legislative session, new \$10 million per year program to promote renewable chemicals was proposed
- EDA proposed to make the new tax credit revenue neutral
- Worked with IDR estimates to determine the timing and magnitude of necessary cap change for other programs
- Legislation built in a contingency to increase the cap change if estimated slow start-up of awards is incorrect

# CACTAS Successes

- Modernized tax credit administration in Iowa
- Resulted in conversations between agencies about the benefit of data sharing
- Improved the understanding of tax credit program administration by all parties
- Enhanced the quality of claims data and analysis ability (although transition continues to be a little rocky)
- Pulled timely data for GASB 77 reporting on “tax abatements” to meet local and state obligations
- More to come!

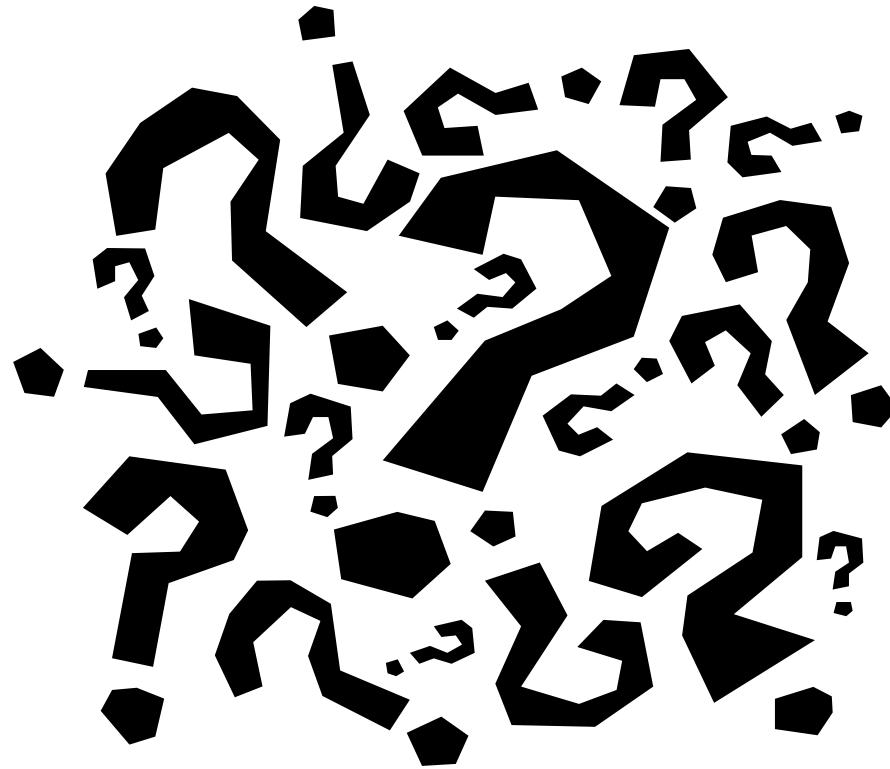
# MORE INFORMATION

## Tax Credits User's Manual

2016 → 2017 soon!

<https://tax.iowa.gov/resources/research-statistics>

# Questions?

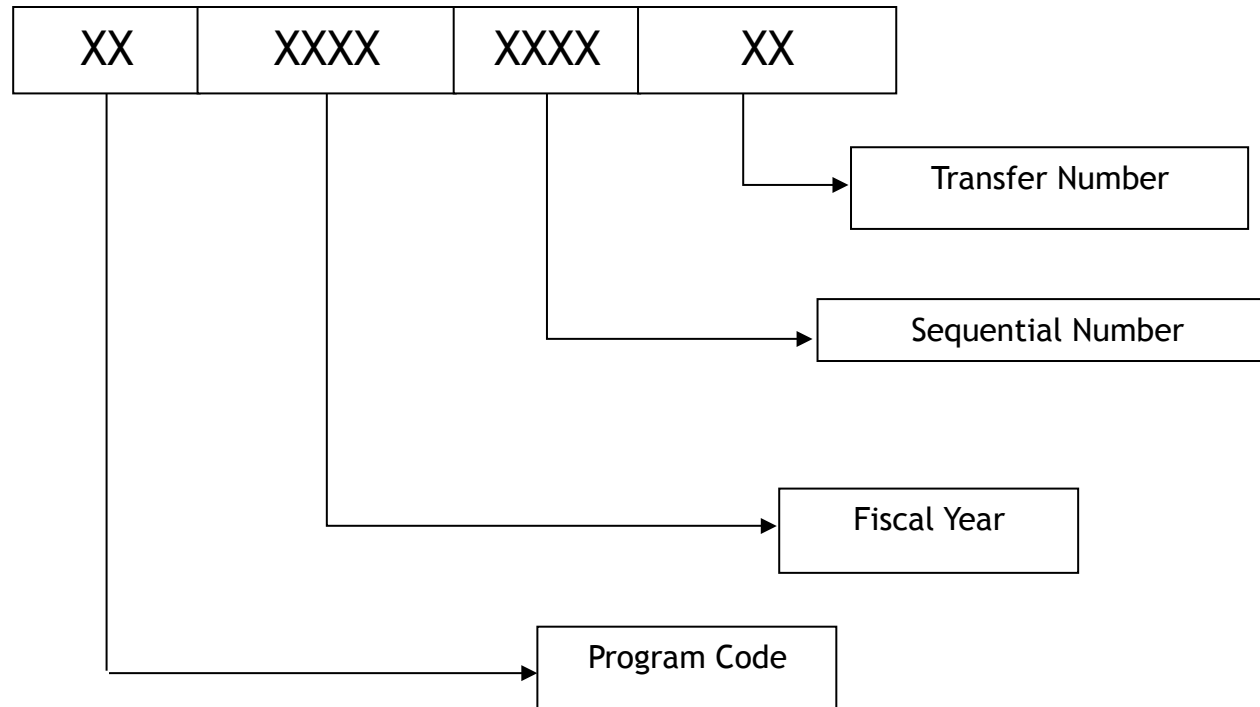


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# Tax Credit Certificate Number

The certificate number is a 12-digit number



The last six digits change depending on the tax credit rules