
Iowa Tax Credit for Soy Oil

Iowa Waste Reduction Center / University of Northern Iowa
319-273-8905 or 1-800-422-3109

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What is the Credit?

In an effort to help farmers by stimulating industrial use of vegetable oils, the governor of Iowa signed into law a bill providing tax breaks to manufacturers that convert to soybean-based metalworking oils.

General Requirements

This credit is available for individual and corporation income tax calculations.

A manufacturer is eligible to receive a credit equal to the costs incurred during the tax year for the purchase and replacement costs relating to the transition from using non soy-based cutting tool oil to using soy-based cutting tool oil. The costs must be incurred after June 30, 2005, and before January 1, 2007, and the costs must be incurred during the first 12 months of the transition. The costs of the purchase and replacement cannot exceed \$2 per gallon of soy-based cutting tool oil, and the number of gallons eligible for the credit cannot exceed 2,000 gallons.

If the manufacturer elects to take the tax credit, any costs incurred in the transition that are used for federal income tax purposes cannot be used for Iowa tax purposes. Any credit in excess of the tax liability can be refunded or credited to the next year's estimated tax. Any credit earned by a partnership, limited liability company, S corporation, estate or trust can be claimed by an individual based on the pro rata share of earnings of the partnership, limited liability company, S corporation, estate or trust.

You must fill out and include the table, found on the following pages, and return it to the Iowa Department of Revenue along with your tax return. The table can also be found at the following web-address: <http://www.state.ia.us/tax/forms/0641148.pdf>.

What are the benefits of using Soy-based Metalworking Oils?

Marketers of soy-based metalworking fluids claim they hold a number of advantages over alternatives made from mineral oil. First, they are less toxic and therefore easier to dispose of. Second, they present less of a health risk to employees working with the fluids and supporters also contend that soy-based fluids provide better lubrication in machining operations.

The Iowa Waste Reduction Center can assist your small business. Please contact the IWRC at 800/422-3109 for free, non-regulatory and confidential environmental assistance.



2006 IA 148 Tax Credits Schedule

Name(s)	Taxpayer Identification Number (SSN or FEIN)
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Part I — Nonrefundable Credits

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

Part II — Refundable Credits

	I Tax Credit Code (see instr.)	J Certificate Number (if applicable)	K Current Year Amount (earned by taxpayer or received from pass-through entity)
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Part I Total (Sum of column F; enter amount on line 54 of IA1040, line 10 of IA1040C, or line 2 of schedule C1 of IA1120 or line 13 of IA 1120A)

Part III — Total Credits
(Does not apply to individual income tax)

(Sum of Totals Part I and Part II; enter amount on line 17 of IA1120F, line 30 of IA1041, or the miscellaneous line of the Iowa Insurance Premium Tax Return)

Part II Total (Sum of column K; enter amount on line 66 of IA1040, line 14 of IA1040C, or line 3 of schedule C1 of IA1120 or line 14 of IA 1120A)

Part IV — Pass -Through Entity Schedule

L Line Number from Part I or Part II Above	M Pass-Through Entity Name	N Pass-Through Entity Federal ID Number	O Taxpayer's Percentage Share of Credit Earned by Pass-Through Entity

Instructions for IA 148 Tax Credits Schedule

Attach the Tax Credits Schedule to the tax return on which tax credits are being claimed. The tax credits schedule is used to claim tax credits against individual income tax, fiduciary income tax, corporation income tax, franchise tax, and insurance premium tax liabilities. Each credit should be entered on a separate line. Also, a separate line should be used for each unique tax credit certificate number.

Part I: Nonrefundable Tax Credits

Column A: Enter the tax credit code from the table below for the credit claimed on each line.

- 02 Economic Development Region Revolving Fund Credit
- 03 Endow Iowa Credit
- 04 Franchise Tax Credit (refer to worksheet IA 147)
- 05 Historic Preservation Credit
- 06 Housing Investment Tax Credit
- 07 Investment Tax Credit (attach form IA3468)
- 08 Iowa New Jobs Credit (attach form IA133)
- 09 Minimum Tax Credit (attach form IA8801 to IA1040 and IA1041; or form IA8827 to IA1120)
- 10 Renewable Energy Credit (476C)
- 11 S Corporation Apportionment Credit (attach form IA134)
- 12 School Tuition Organization Credit
- 13 Venture Capital Credit-Fund of Funds
- 14 Venture Capital Credit-Qualified Business or Seed Capital Fund
- 15 Venture Capital Credit-Venture Capital Funds
- 16 Wind Energy Production Credit (476B)

Column B: Enter the tax credit certificate number received from the agency or organization that awarded the tax credit. Tax credits awarded before July 2006 may not have a certificate number. Several credits do not require the award of a tax credit certificate and/or number from an agency or organization. The following nonrefundable credits do not require a certificate number: franchise tax credit, minimum tax credit, and S corporation apportionment credit. If the tax credit certificate does not have a certificate number, leave blank. For non-awarded credits, leave blank.

Column C: Enter any amount carried forward from previous tax years for each of the credits being claimed.

Column D: Enter the total amount of credit you earned directly or received from a pass-through entity (see definition of pass-through entity in instructions for Part IV) during the current tax year. The table for column A indicates if a credit requires a separate form. If the credit you are claiming lists a form number, please attach that form to your tax return. If a credit is received from a pass-through entity, Part IV must also be completed for the credit.

Column E: Add column C plus column D and enter total in column E.

Column F: Enter the amount of each credit being applied to the current tax year. If credits available (the sum of column F) exceed total liability (i.e., from line 53 of the IA1040 for the individual income tax), credits are to be claimed in the order provided in Iowa Administrative Rule 701-42.23 for individual income tax and fiduciary income tax and Iowa Administrative Rule 701-52.12 for corporation income tax, franchise tax, and insurance premiums tax. (To view the text of these rules, go to www.legis.state.ia.us/ACO/IAChtml/701.htm and scroll down to 42.23 or 52.12). The total of column F may not exceed total tax liability.

Column G: If the entire credit is not claimed by the end of the carryforward period, the remaining credit expires. Enter the amount of any credit that has expired.

Column H: Enter the amount from column E less any amount from column F and/or column G.

Part II: Refundable Tax Credits.

Column I: Enter the tax credit code from the table below for the credit claimed on each line.

- 51 Assistive Device Credit
- 52 Biodiesel Blended Fuel Credit (attach form IA 8864)
- 53 Claim of Right Credit
- 54 Ethanol Blended Gasoline Credit (attach form IA6478)
- 55 E85 Gasoline Promotion Credit (attach form IA 135)
- 56 Historic Preservation Credit Discounted Refund
- 57 Refundable Investment Tax Credit (attach form IA 3468)
- 58 Research Activities Credit (attach form IA128 or Form IA128A)
- 59 Additional Research Activities Credit (attach form IA128 or form IA128A)
- 60 Soy-Based Cutting Tool Oil Credit
- 61 Soy-Based Transformer Fluid Credit
- 62 Third Party Sales Tax Credit
- 63 Wage-Benefit Credit

Column J: Enter the tax credit certificate number received from the agency or organization that awarded the tax credit. Tax credits awarded before July 2006 may not have a certificate number. Several credits do not require the award of a tax credit certificate and/or number from an agency or organization. The following refundable credits do not require a certificate number: biodiesel blended fuel credit, claim of right credit, E85 gasoline promotion credit, ethanol blended gasoline credit, research activities credit (if not doubled under an Iowa Department of Economic Development program), and soy-based cutting tool oil credit. If the tax credit certificate does not have a number, leave blank. For non-awarded credits, leave blank.

Column K: Enter the total amount of credit you earned directly or received from a pass-through entity (see definition of pass-through entity in instructions for Part IV) during the current tax year. The table for column I indicates if a credit requires a separate form. If the credit you are claiming lists a form number, please attach that form to your tax return. If a credit is received from a pass-through entity, Part IV must also be completed for the credit.

Part III: Total Credits

Enter the sum of the total boxes for Part I and Part II. This total is entered on line 17 of IA1120F, line 30 of IA1041 or the miscellaneous line of the Iowa Insurance Premium Tax Return.

Part IV: Pass-Through Entity Schedule

Businesses that are organized as pass-through entities (such as partnerships, limited liability companies, cooperatives, S corporations, etc.) earn tax credits at the business level, but the credits are claimed by individuals and businesses that are

members of the ownership group. For each line in Part I or Part II with a credit received from a pass-through entity, complete a corresponding line in Part IV to indicate the source of the credits.

Column L: Enter the line number from Part I or Part II that includes credits received from a pass-through entity. This includes any carryforward (column C) claimed from credits received in prior years from a pass-through entity.

Column M: Enter the name of the pass-through entity from which credits were received.

Column N: Enter the Federal Employer Identification Number (FEIN) of the pass-through entity from which credits were received. This FEIN should be the same number provided to the awarding agency or organization. It also should be the same FEIN used to complete any required information returns (such as Form IA1065 and Schedule K-1 for partnerships).

Column O: Enter the percentage share of credits earned by the pass-through entity that you are claiming. Enter the percentage with one decimal place.

Special Instructions

Related to Individual Income and Fiduciary Tax:

Individuals using filing status 3 (married filing separately on this combined return) must complete a separate Form IA148 for each spouse with credits to claim.

The list of credits included in the instructions for column A and column I include tax credits for all types of taxpayers. In 2006, individuals are allowed to claim all credits except renewable energy credit, wind energy production credit, and third party sales tax credit. All credits except renewable energy credit, wind energy production credit and third party sales tax credit may also be claimed on fiduciary tax returns.

Related to Corporate Income Tax:

The list of credits included in the instructions for column A and column I include tax credits for all types of taxpayers. All of the credits except the claim of right credit, S corporation apportionment credit, and school tuition organization credit are allowed to be claimed on corporate income tax returns.

Related to Franchise Tax:

The list of credits included in the instructions for column A and column I include tax credits for all types of taxpayers. The following nonrefundable credits may be claimed against the franchise tax: economic development region revolving fund credit, endow Iowa credit, historic preservation credit, housing investment tax credit, investment tax credit, renewable energy credit, venture capital credit-fund of funds,

venture capital credit-qualified business or seed capital fund, venture capital credit-venture capital funds, and wind energy production credit. The following refundable credits may be claimed against the franchise tax: historic preservation credit discounted refund, refundable investment tax credit, third party sales tax credit, and wage-benefit tax credit. The minimum tax credit is reported on line 16 of the IA1120F and will not appear on the IA148.

Related to Insurance Premium Tax:

Currently, no refunds are issued for the insurance premium tax if payments and credits exceed tax liability. For insurance companies claiming credits that are refundable for other taxes, use Part II even though credits in excess of tax liability will not actually generate a refund.

The list of credits included in the instructions for column A and column I include tax credits for all types of taxpayers. The following nonrefundable credits may be claimed against the insurance premium tax: economic development region revolving fund credit, endow Iowa credit, historic preservation credit, housing investment tax credit, investment tax credit, renewable energy credit, venture capital credit-fund of funds, venture capital credit-qualified business or seed capital fund, venture capital credit-venture capital funds, and wind energy production credit. The following refundable credits may be claimed against the insurance premium tax: historic preservation credit discounted refund, refundable investment tax credit, third party sales tax credit, and wage-benefit tax credit.