

# Brownfield and Grayfield Redevelopment Tax Credit Program: CPA Audit Report

The Brownfield and Grayfield Redevelopment Tax Credit Program is an investment tax credit program that requires an “audit” of qualifying expenses from an independent CPA licensed in Iowa. The program awardee will be required to provide proof that they did in fact incur and pay for project expenses that qualify under the program per an executed contract with the Iowa Economic Development Authority. Iowa Administrative Rules: 261-65.8(6) “Upon completion of a registered project, an audit of the project, completed by an independent certified public accountant licensed in this state, must be submitted to the authority.” A more accurate phrase to an accounting professional, instead of the word “audit” would be “cost certification”. The expectation is for an Iowa CPA firm to certify a dollar amount of a qualifying investment, defined as (261-65.2) “...costs that are directly related to a qualifying redevelopment project and that are incurred after the project has been registered and approved by the board. *“Qualifying Investment”* only includes the purchase price, the cleanup costs, and the redevelopment costs.” The certification process would include the review of the actual project expenses/invoices, etc., matching them up with proof of payment of each, and verification that the expenses were all incurred and paid after IEDA Board approval and prior to a project completion date. (A project becomes registered upon Board approval, and only expenses incurred and paid after that date qualify. A project has 30 months from the date it is registered to be completed.)

A form that is required with a claim submission for the tax credits is called “Exhibit C: Schedule of Claimed Expenses Form”. This form is a simple spreadsheet that breaks out the various project expenses into categories. The claim submission needs to include copies of proof of all project expenses (such as an invoice) and copies of proof of payment of each of those same expenses (such as a cancelled check). Exhibit C is expected to be used as an index in a report of those copies of project expenses and corresponding payments.

An example of a statement that could be included in the CPA report: “I certify that I have reviewed invoices and other documentation reflecting expenses directly related to the redevelopment project at (address of project) on behalf of (contract holder name), and I have reviewed (proof of payment, copies of cancelled checks, etc.) regarding those same expenses. I further certify that these same expenses were incurred and paid by (contract holder name) after IEDA Board approval date of (date per contract) and prior to project completion date of (date per contract) in the amount of (dollar amount).”

The dollar amount of the ultimate qualifying investment is determined by IEDA staff after reviewing all documentation submitted. The amount of the tax credit certificate to be issued is calculated by multiplying the qualifying investment as determined by IEDA times the appropriate tax credit percentage, subject to limitations as to maximum amounts by project and per executed contract.