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[HF 2674](#) – Rural Development Tax Credit Program (LSB6330HV)  
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Fiscal Note Version – New

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## **Description**

[House File 2674](#) creates the Iowa Rural Development Tax Credit Program under the Iowa Economic Development Authority (IEDA). The Bill establishes guidelines for various areas of the Program related to applications, tax credit revocation and recapture, annual reports, exit requirements, and State reimbursements.

The Bill allows the IEDA to approve up to \$45.0 million in eligible investment authority and \$27.0 million in credit-eligible capital contributions under the Program. Tax credits issued under the Program may be claimed against the franchise tax, the insurance premium tax, or the moneys and credits tax. The tax credits are nonrefundable and may be carried forward until depleted.

## **Background**

A “credit-eligible capital contribution” is defined as a cash investment in a rural business growth fund that receives a tax credit under the Bill. The investment may be used to purchase an equity interest in the growth fund or a debt instrument issued by the growth fund.

A “growth investment” is defined as any of the following:

- A capital or equity investment in a qualified business.
- A loan to a qualified business if certain conditions are met.
- A senior secured loan if certain conditions are met.

## **Assumptions**

- The IEDA will begin accepting applications on January 7, 2025.
- Three rural business growth funds will be approved by the IEDA. One growth fund will be approved in each calendar year from 2025 to 2027 for \$15.0 million in investment authority and \$9.0 million in credit-eligible capital contributions.
- One applicant will be awarded tax credit certificates each year from FY 2026 to FY 2028.
- The three approved rural business growth funds will close in 2027, 2028, and 2029.
- Tax credit claims will be made at the maximum rate allowed and will begin in the fiscal year following the third, fourth, and fifth anniversaries of a growth fund’s closing date.
- All franchise, insurance premium, and moneys and credits taxpayers that have a credit-eligible capital contribution will be eligible for the tax credit. The tax liability for each taxpayer type was not estimated separately but is assumed to exceed the capital contribution. It is assumed that all tax types will be assessed taxes in the projected years at the current rate.
- All requirements of the Bill will be met by investors and growth funds. No revocation or recapture of awarded tax credits will be necessary, and no State reimbursements will be made.

**Fiscal Impact**

House File 2674 is estimated to decrease revenue to the General Fund by the following amounts each fiscal year:

- FY 2031 = \$3.0 million
- FY 2032 = \$6.0 million
- FY 2033 = \$9.0 million
- FY 2034 = \$6.0 million
- FY 2035 = \$3.0 million

**Sources**

Iowa Department of Revenue  
Iowa Economic Development Authority

/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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