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Sub Comm. - W. & Meane  
Rosenberg, McLean, Murphy

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SENATE FILE 112  
BY PATE

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to the establishment of a corporate and personal  
2 income tax credit for capital expenditures in connection with  
3 the manufacture of products composed of postconsumer waste.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF112

1 Section 1. NEW SECTION. 422.11D CAPITAL EXPENDITURE  
2 WASTE CREDIT.

3 1. The taxes imposed under this division shall be reduced  
4 by a qualified capital expenditure waste credit. For an  
5 individual taxpayer, the credit equals twenty percent of the  
6 costs incurred by the taxpayer for the qualifying capital  
7 expenditures. If the amount of the credit exceeds the amount  
8 of income taxes otherwise due on the income of the taxpayer in  
9 the income tax year for which the credit is being claimed, the  
10 amount of the credit not used as an offset against income  
11 taxes in that year may be carried forward as a credit against  
12 subsequent years' income tax liability for a period not  
13 exceeding seven years and shall be applied first to the  
14 earliest income tax years possible. Any amount not used  
15 within the seven-year period shall not be refundable to the  
16 taxpayer.

17 2. For purposes of this section, an individual may claim a  
18 capital expenditure waste credit for qualifying capital  
19 expenditures incurred by a partnership, subchapter S  
20 corporation, estate, or trust electing to have the income  
21 taxed directly to the individual. The amount claimed by the  
22 individual shall be based upon the pro rata share of the  
23 individual's earnings of a partnership, subchapter S  
24 corporation, estate, or trust.

25 3. The credit under this section shall apply to qualified  
26 capital expenditures made on or after January 1, 1993, but  
27 before December 31, 1997.

28 4. As used in this section, unless the context otherwise  
29 requires:

30 a. "Cost" means the amount of the purchase price or the  
31 amount of the annual lease payment.

32 b. "Energy conversion" means the use of postconsumer waste  
33 for the transformation of materials into heat to be converted  
34 into steam, electrical power, or other forms of energy which  
35 results in a corresponding decrease in the use of coal,

1 natural gas, or other naturally occurring fuel for such  
2 purposes. "Energy conversion" includes but is not limited to  
3 methods by which gases generated by the decomposition of  
4 organic waste are captured in order to be sold in lieu of  
5 other energy-producing gases. "Energy conversion" does not  
6 include incineration of solid waste for the primary purpose of  
7 reducing the quantity of such solid waste.

8 c. "Postconsumer waste" means only those products  
9 generated by a business or consumer which have served their  
10 intended end uses, and which have been separated or diverted  
11 from solid waste for the purposes of collection, recycling,  
12 and disposition.

13 d. "Product" means any material resulting from a  
14 manufacturing process and offered for sale to the private or  
15 public sector which is composed of at least seventy-five  
16 percent postconsumer waste, including energy conversion  
17 occurring in such manufacturing process, and which is used  
18 exclusively for any purpose other than as virgin material in a  
19 separate manufacturing process. "Product" does not include  
20 any shredded material unless the shredded material is  
21 incorporated directly into the manufacturing process, is to be  
22 used for energy conversion, or is to be used as compost.

23 e. "Qualified capital expenditure" means expenditure for  
24 real property or personal property used for the production of  
25 individual products which are composed of a minimum of  
26 seventy-five percent postconsumer waste or used for the  
27 production of products, for which in the aggregate is used  
28 seventy-five percent postconsumer waste.

29 Sec. 2. Section 422.33, Code 1993, is amended by adding  
30 the following new subsection:

31 NEW SUBSECTION. 9. a. The taxes imposed under this  
32 division shall be reduced by a qualified capital expenditure  
33 waste credit. A taxpayer who makes a qualified capital  
34 expenditure shall be entitled to a credit to the extent  
35 provided in this subsection, upon compliance with the

1 provisions of this subsection.

2 b. The credit under this subsection shall apply to  
3 qualified capital expenditures made on or after January 1,  
4 1993, but before December 31, 1997.

5 c. The credit shall be limited to an amount equal to  
6 twenty percent of the costs incurred by the taxpayer for the  
7 qualified capital expenditure.

8 d. If the amount of the credit exceeds the amount of  
9 income taxes otherwise due on the income of the taxpayer in  
10 the income tax year for which the credit is being claimed, the  
11 amount of the credit not used as an offset against income  
12 taxes in that year may be carried forward as a credit against  
13 subsequent years' income tax liability for a period not  
14 exceeding seven years and shall be applied first to the  
15 earliest income tax years possible. Any amount not used  
16 within the seven-year period shall not be refundable to the  
17 taxpayer.

18 e. As used in this subsection, unless the context  
19 otherwise requires:

20 (1) "Cost" means the amount of the purchase price or the  
21 amount of the annual lease payment.

22 (2) "Energy conversion" means the use of postconsumer  
23 waste for the transformation of materials into heat to be  
24 converted into steam, electrical power, or other forms of  
25 energy which results in a corresponding decrease in the use of  
26 coal, natural gas, or other naturally occurring fuel for such  
27 purposes. "Energy conversion" includes but is not limited to  
28 methods by which gases generated by the decomposition of  
29 organic waste are captured in order to be sold in lieu of  
30 other energy-producing gases. "Energy conversion" does not  
31 include incineration of solid waste for the primary purpose of  
32 reducing the quantity of such solid waste.

33 (3) "Postconsumer waste" means only those products  
34 generated by a business or consumer which have served their  
35 intended end uses, and which have been separated or diverted

1 from solid waste for the purposes of collection, recycling,  
2 and disposition.

3 (4) "Product" means any material resulting from a  
4 manufacturing process and offered for sale to the private or  
5 public sector which is composed of at least seventy-five  
6 percent postconsumer waste, including energy conversion  
7 occurring in such manufacturing process, and which is used  
8 exclusively for any purpose other than as virgin material in a  
9 separate manufacturing process. "Product" does not include  
10 any shredded material unless the shredded material is  
11 incorporated directly into the manufacturing process, is to be  
12 used for energy conversion, or is to be used as compost.

13 (5) "Qualified capital expenditure" means expenditure for  
14 real property or personal property used for the production of  
15 individual products which are composed of a minimum of  
16 seventy-five percent postconsumer waste or used for the  
17 production of products, for which in the aggregate is used  
18 seventy-five percent postconsumer waste.

19 EXPLANATION

20 This bill provides for a corporate and personal income tax  
21 credit for capital expenditures which are made and result in  
22 the manufacture of products a percentage of which are made of  
23 postconsumer waste. The bill provides that a percentage of  
24 the capital expenditure made for the period beginning January  
25 1, 1993, and ending December 31, 1997, may be taken as a tax  
26 credit.

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SENATE FILE 112  
FISCAL NOTE

REQ. BY SENATOR ROSENBERG

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A fiscal note for Senate File 112 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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Senate File 112 provides for a corporate and personal income tax credit for capital expenditures which are made and result in the manufacture of products a percentage of which are made of postconsumer waste. The bill provides that 20.0% of the qualified capital expenditure made for the period beginning January 1, 1993, and ending December 31, 1997, may be taken as a tax credit. The credit may be carried-forward until depleted for up to 7 years.

Fiscal Impact

The bill would reduce General Fund revenues for individual and corporate income tax revenues. There is not enough information available to estimate the impact of the credit.

Source: Department of Natural Resources

(LSB 1539ss, PDD)

FILED MARCH 15, 1993

BY DENNIS PROUTY, FISCAL DIRECTOR