

*Reprinted*

*2/20/95 Wags & Meane*

FILED FEB 15 1995  
*2/28/95 Amend / Do Pass w/s. 3078*

SENATE FILE 156  
BY COMMITTEE ON SMALL BUSINESS,  
ECONOMIC DEVELOPMENT AND  
TOURISM

(SUCCESSOR TO SF 111)

Passed Senate, Date 3-8-95 <sup>(P.555)</sup> Passed House, Date \_\_\_\_\_  
Vote: Ayes 46 Nays 4 Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to corporate, franchise, and insurance premiums  
2 tax credits for entities investing in a qualified venture  
3 capital company and providing applicability provisions.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

S.F. 156

*Reprinted*

*2/20/95 Wmp & Smeone*

**FILED FEB 15 1995**  
*2/28/95 Amend / Do Pass w/s. 3078*

SENATE FILE 156

BY COMMITTEE ON SMALL BUSINESS,  
ECONOMIC DEVELOPMENT AND  
TOURISM

(SUCCESSOR TO SF 111)

Passed Senate, Date <sup>(P.555)</sup> 3-8-95  
Vote: Ayes 46 Nays 4  
Approved \_\_\_\_\_

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

**A BILL FOR**

1 An Act relating to corporate, franchise, and insurance premiums  
2 tax credits for entities investing in a qualified venture  
3 capital company and providing applicability provisions.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22

**S.F. 156**

1 Section 1. NEW SECTION. 15E.175 DEFINITIONS.

2 As used in this section and sections 15E.176 and 15E.177:

3 1. "Iowa business" means a business or industry,  
4 incorporated or unincorporated, which meets all the following  
5 criteria:

6 a. Has or will have, within thirty days after a loan or  
7 investment is made by a qualified venture capital company, at  
8 least fifty percent of its employees or assets located in  
9 Iowa.

10 b. Needs financial assistance in order to commence or  
11 expand such business or industry which provides or intends to  
12 provide goods or services.

13 2. "Qualified venture capital company" means a  
14 corporation, limited liability company, or a general or  
15 limited partnership with its principal place of business  
16 located within this state, which meets all of the following  
17 requirements:

18 a. Has an initial capitalization of not less than twenty  
19 million dollars.

20 b. Is organized by the Iowa business investment  
21 corporation, organized under division XV of this chapter, to  
22 directly or indirectly through its subsidiaries or affiliates  
23 invest in debt and equity securities of Iowa businesses and  
24 provide financial assistance for housing initiatives in rural  
25 areas or in cities having a demonstrated need for affordable  
26 housing.

27 c. Maintains a small business investment company that is  
28 incorporated in Iowa and maintains its principal place of  
29 business in this state the purpose of which includes  
30 increasing the availability of funds for investment in and  
31 loans to Iowa businesses or housing initiatives.

32 d. Will provide or arrange for managerial and other  
33 advice, assistance, and support for Iowa businesses and  
34 housing initiatives.

35 3. "Taxpayer" means an entity subject to tax under chapter

1 422, division III, chapter 422, division V, or chapter 432.

2 4. "Tax year" means for entities subject to the state  
3 corporate income tax or the state franchise tax under chapter  
4 422, division III or V, respectively, the tax year as defined  
5 for those divisions or means for insurance companies subject  
6 to the gross premiums tax under chapter 432, the calendar year  
7 for which the premiums are taxed.

8 Sec. 2. NEW SECTION. 15E.176 TAX CREDITS.

9 1. For tax years beginning on or after January 1, 1995,  
10 there is allowed a credit against that tax imposed under the  
11 corporate income tax in chapter 422, division III, the  
12 franchise tax in chapter 422, division V, or the gross  
13 premiums tax in chapter 432, for investments made by the  
14 taxpayer in a qualified venture capital company whose purpose  
15 includes establishing or expanding Iowa business and  
16 affordable housing within the state.

17 2. The amount of credit allowed under subsection 1,  
18 subject to subsection 4, is computed as follows:

19 a. The amount of the qualified venture capital company's  
20 investment in Iowa companies is divided by the amount of new  
21 cash invested in the qualified venture capital company.

22 b. The resulting percentage, which shall not exceed fifty  
23 percent, is multiplied by the amount of the taxpayer's  
24 investment in the qualified venture capital company.

25 c. The amount of the credit is equal to ten percent of the  
26 product determined in paragraph "b".

27 d. The qualified venture capital company shall compute as  
28 of the end of the taxpayer's tax year the amounts under  
29 paragraph "c" for each tax year the taxpayer is entitled to  
30 the credit.

31 3. The taxpayer is allowed the credit as computed each  
32 year in subsection 2 for up to ten consecutive years beginning  
33 with the first year for which the credit is taken.

34 If the amount of the credit exceeds the taxpayer's tax  
35 liability for the tax year, the excess may be credited to the

1 tax liability for the following five tax years or until  
2 depleted, whichever is the earlier, and is in addition to any  
3 other credit allowed under this section.

4 4. Notwithstanding the amount of credit computed in  
5 subsection 2, the total amount of credits for all taxpayers  
6 that shall be allowed under subsection 1 for any fiscal year  
7 of the qualified venture capital company shall not exceed two  
8 million five hundred thousand dollars and for all fiscal years  
9 of the qualified venture capital company shall not exceed  
10 twenty-five million dollars. In determining if the credit  
11 allowed has exceeded the fiscal year limit, credits carried  
12 over from a previous tax year are not counted.

13 5. The credit provided for in subsection 2, to the extent  
14 not previously utilized, shall be freely transferable to and  
15 by subsequent transferees for a period of ten years from the  
16 date the credit is first available to the taxpayer.

17 Sec. 3. NEW SECTION. 15E.177 COORDINATION OF RESOURCES.

18 If a qualified venture capital company is organized by the  
19 Iowa business investment corporation on or before December 31,  
20 1996, within ninety days following its organization, the  
21 qualified venture capital company shall develop and submit a  
22 written proposal to the shareholders of each business  
23 development finance corporation organized pursuant to division  
24 XIII of this chapter, calling for the investment of all the  
25 assets of each business development finance corporation in  
26 securities of the qualified venture capital company. A notice  
27 of a special meeting of the shareholders of the business  
28 development finance corporation and the written proposal made  
29 to the business development finance corporation by the  
30 qualified venture capital company shall be delivered to the  
31 shareholders of each business development finance corporation  
32 entitled to vote at the special shareholders meeting not less  
33 than ten nor more than sixty days before the meeting date  
34 given by the qualified venture capital company. Action on the  
35 written proposal by the board of directors of the business

1 development finance corporation or any other person shall not  
2 be required to call the special meeting or authorize voting on  
3 the written proposal by the shareholders of the business  
4 development finance corporation. If at the special meeting of  
5 shareholders of the business development finance corporation  
6 or any recesses thereof, a majority of the shareholders  
7 present or represented at the special meeting approve the  
8 investment proposed by the qualified venture capital company,  
9 the business development finance corporation shall immediately  
10 make such an investment of all of its assets. The investment  
11 by a business development finance corporation of all of its  
12 assets in the qualified venture capital corporation shall not  
13 be considered a sale of assets other than in the usual and  
14 regular course of business and division XIII of the Iowa  
15 business development finance Act shall not apply to the  
16 transaction.

17 Sec. 4. Section 422.33, Code 1995, is amended by adding  
18 the following new subsection:

19 NEW SUBSECTION. 9. There is allowed as a credit against  
20 the tax determined in subsection 1 for a tax year an amount  
21 equal to the qualified venture capital credit as provided in  
22 section 15E.176. Notwithstanding any other provision, the  
23 credit allowed for in this subsection shall be applied prior  
24 to all other credits allowed the taxpayer. The taxpayer shall  
25 not receive for the same investment a credit under subsection  
26 8 and this subsection.

27 Sec. 5. Section 422.60, Code 1995, is amended by adding  
28 the following new subsection:

29 NEW SUBSECTION. 4. There is allowed as a credit against  
30 the tax determined in this division for a tax year an amount  
31 equal to the qualified venture capital credit as provided in  
32 section 15E.176. Notwithstanding any other provision, the  
33 credit allowed for in this subsection shall be applied prior  
34 to all other credits allowed the taxpayer. The allocation of  
35 revenues to a city or county under section 422.65 shall be

1 determined as if the credit under this subsection had not been  
2 taken.

3 Sec. 6. Section 432.1, Code 1995, is amended by adding the  
4 following new subsection:

5 NEW SUBSECTION. 5. There is allowed as a credit against  
6 the tax determined in subsection 1 or 2 for a tax year an  
7 amount equal to the qualified venture capital credit as  
8 provided in section 15E.176. Notwithstanding any other  
9 provision, the credit allowed for in this subsection shall be  
10 applied prior to all other credits allowed the taxpayer.

11 Sec. 7. 1992 Iowa Acts, chapter 1244, section 1,  
12 subsection 2, paragraph e, unnumbered paragraph 1, as amended  
13 by 1993 Iowa Acts, chapter 180, section 46, as amended by 1994  
14 Iowa Acts, chapter 1201, section 29, is amended to read as  
15 follows:

16 For transfer to the treasurer of state for the purpose of  
17 facilitating the organization and private capitalization of  
18 the small business investment company or other entity under  
19 sections 15E.169 through 15E.171. If the small business  
20 investment company or another entity for which the funds are  
21 to be used is not organized ~~within-thirty-six-months-of-the~~  
22 ~~effective-date-of-this-Act~~, unused funds shall revert to the  
23 general fund of the state, however, if such an entity is  
24 organized, the unused funds shall be transferred irrevocably  
25 to the qualified venture capital company or other entity for  
26 which the funds are to be used:

27 ..... \$ 200,000

28 Sec. 8. APPLICABILITY. This Act applies for tax years of  
29 entities subject to the state corporate income tax or  
30 franchise tax which begin on or after January 1, 1996. This  
31 Act applies for calendar years beginning on or after January  
32 1, 1996, for entities subject to the gross premiums tax under  
33 chapter 432.

34 EXPLANATION

35 This bill allows a corporation, financial institution, or

1 insurance company to take a corporate, franchise, or insurance  
2 premiums tax credit for its investment in a qualified venture  
3 capital company. The qualified venture capital company is an  
4 entity formed by the existing Iowa business investment  
5 corporation with an initial capitalization of at least \$20  
6 million. The purpose of the qualified venture capital company  
7 is to invest primarily in debt and equity securities of Iowa  
8 businesses and housing initiatives. The total amount of the  
9 tax credit for all taxpayers is computed each year based on  
10 the total amount invested in Iowa businesses by the qualified  
11 venture capital company as of the end of its fiscal year. The  
12 amount of the annual tax credit for a single taxpayer is equal  
13 to up to 10 percent of the taxpayer's investment in the  
14 qualified venture capital company multiplied by the percentage  
15 the investments in Iowa businesses represent of the total new  
16 cash invested in the qualified venture capital company. The  
17 tax credit is allowed for 10 consecutive years following the  
18 first year the tax credit is taken by the taxpayer. The bill  
19 limits to \$2.5 million the total amount of tax credits that  
20 can be taken by all taxpayers in any fiscal year of the  
21 qualified venture capital company. The bill also limits to  
22 \$25 million the total amount of tax credits that can be taken  
23 by all taxpayers in all fiscal years of the qualified venture  
24 capital company. The bill applies to tax years beginning on  
25 or after January 1, 1996.

26  
27  
28  
29  
30  
31  
32  
33  
34  
35

---

**SENATE FILE 156  
FISCAL NOTE**

---

A fiscal note for **Senate File 156** as passed by the Senate 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.

---

Senate File 156 as passed by the Senate allows a corporation, financial institution, or insurance company to take a corporate, franchise, or insurance premium tax credit for its investment in a qualified venture capital company. The tax credit is allowed for ten consecutive years following the first year the tax credit is taken by the taxpayer. The Bill limits to \$1.25 million the total amount of tax credits that can be taken by all taxpayers in any fiscal year.

**FISCAL IMPACT**

Senate File 156 is expected to result in a decrease in revenues to the General Fund of an amount not exceeding \$1.25 million in FY 1997 and each subsequent fiscal year through FY 2006. This estimate assumes there will be one qualified venture capital company. This estimate does not take into account any economic effects of the Bill.

(LSB 1623sv.2, JAM)

FILED MARCH 9, 1995

BY DENNIS PROUTY, FISCAL DIRECTOR

**SENATE FILE 156  
FISCAL NOTE****REQ. BY SENATOR VILSACK**

---

A fiscal note for **Senate File 156** 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.

---

Senate File 156 allows a corporation, financial institution, or insurance company to take a corporate, franchise, or insurance premium tax credit for its investment in a qualified venture capital company. The tax credit is allowed for ten consecutive years following the first year the tax credit is taken by the taxpayer. The Bill limits to \$2.5 million the total amount of tax credits that can be taken by all taxpayers in any fiscal year.

**FISCAL IMPACT**

Senate File 156 is expected to result in a decrease in revenues to the General Fund of an amount not exceeding \$2.5 million in FY 1997 and each subsequent fiscal year through FY 2006. This estimate assumes there will be one qualified venture capital company. This estimate does not take into account any economic effects of the Bill.

(LSB 1623SV, JAM)

FILED MARCH 2, 1995

BY DENNIS PROUTY, FISCAL DIRECTOR



## SENATE FILE 156

S-3083

1 Amend Senate File 156 as follows:

- 2 1. Page 1, line 18, by inserting after the word  
3 "initial" the following: "private".  
4 2. Page 1, line 27, by striking the word  
5 "Maintains" and inserting the following: "Seeks  
6 approval from the federal small business  
7 administration to establish".  
8 3. Page 2, line 9, by striking the figure "1995"  
9 and inserting the following: "1996".  
10 4. Page 2, line 20, by striking the word  
11 "companies" and inserting the following:  
12 "businesses".  
13 5. Page 2, line 28, by striking the word  
14 "taxpayer's" and inserting the following: "qualified  
15 venture capital company's".  
16 6. Page 2, line 29, by striking the word  
17 "taxpayer" and inserting the following: "qualified  
18 venture capital company".  
19 7. Page 2, line 31, by striking the word  
20 "taxpayer" and inserting the following: "qualified  
21 venture capital company".  
22 8. Page 2, line 34, by striking the word  
23 "taxpayer's" and inserting the following: "qualified  
24 venture capital company's".  
25 9. Page 3, line 5, by striking the word  
26 "taxpayers" and inserting the following: "qualified  
27 venture capital companies".  
28 10. Page 3, line 7, by striking the word "two"  
29 and inserting the following: "one".  
30 11. Page 3, line 8, by striking the words "five  
31 hundred" and inserting the following: "two hundred  
32 fifty".  
33 12. Page 3, line 10, by striking the words  
34 "twenty-five million" and inserting the following:  
35 "twelve million five hundred thousand".  
36 13. Page 3, line 16, by striking the word  
37 "taxpayer" and inserting the following: "qualified  
38 venture capital company".  
39 14. Page 4, line 16, by inserting after the word  
40 "transaction." the following: "The qualified venture  
41 capital company may make additional proposals as often  
42 as it desires to the shareholders of each business  
43 development finance corporation that did not approve  
44 the initial investment proposal. Except for the  
45 requirement that a written proposal be presented to  
46 the shareholders within ninety days of the  
47 organization of the qualified venture capital company,  
48 the provisions of this section shall apply to all  
49 additional proposals."

By TOM VILSACK

S-3083 FILED MARCH 1, 1995

(P 555) 3-8-95  
*Adopted*

SENATE FILE 156

S-3078

1 Amend Senate File 156 as follows:

2 1. Page 1, line 9, by inserting after the word  
3 "Iowa" the following: "and agrees to maintain at  
4 least fifty percent of its employees or assets in Iowa  
5 following investment in the business by a qualified  
6 venture capital company".

7 2. Page 1, by striking lines 10 through 12 and  
8 inserting the following:

9 "b. A business which is unable to raise equity  
10 capital or obtain financing from conventional sources  
11 in order to remain viable or to commence or expand its  
12 ability to provide goods or services."

13 3. Page 1, by striking lines 23 through 26 and  
14 inserting the following: "invest in debt and equity  
15 securities of Iowa businesses."

16 4. Page 1, line 31, by striking the words "or  
17 housing initiatives".

18 5. Page 1, lines 33 and 34, by striking the words  
19 "and housing initiatives".

20 6. Page 1, by inserting after line 34 the  
21 following:

22 "\_\_\_\_\_. Does not invest funds under this division  
23 for the expansion of operations of an Iowa business in  
24 another state."

25 7. Page 2, lines 15 and 16, by striking the words  
26 "and affordable housing within the state".

By COMMITTEE ON WAYS AND MEANS  
WILLIAM D. PALMER, Chairperson

S-3078 FILED FEBRUARY 28, 1995

*Adopted*

3-8-95

P.(555)

H - 3/13/95 Economic Dev.  
H - 3/30/95 Amend/Do Pass  
w/ H - 3647

SENATE FILE 156  
BY COMMITTEE ON SMALL BUSINESS,  
ECONOMIC DEVELOPMENT AND  
TOURISM

(SUCCESSOR TO SF 111)

(AS AMENDED AND PASSED BY THE SENATE MARCH 8, 1995)

- \_\_\_\_\_ - New Language by the Senate
- \* - Language Stricken by the Senate

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

**A BILL FOR**

1 An Act relating to corporate, franchise, and insurance premiums  
 2 tax credits for entities investing in a qualified venture  
 3 capital company and providing applicability provisions.  
 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
 5  
 6  
 7  
 8  
 9  
 10  
 11  
 12  
 13  
 14  
 15  
 16  
 17  
 18  
 19

S.F. 156

1 Section 1. NEW SECTION. 15E.175 DEFINITIONS.

2 As used in this section and sections 15E.176 and 15E.177:

3 1. "Iowa business" means a business or industry,  
4 incorporated or unincorporated, which meets all the following  
5 criteria:

6 a. Has or will have, within thirty days after a loan or  
7 investment is made by a qualified venture capital company, at  
8 least fifty percent of its employees or assets located in Iowa  
9 and agrees to maintain at least fifty percent of its employees  
10 or assets in Iowa following investment in the business by a  
11 qualified venture capital company.

12 b. A business which is unable to raise equity capital or  
13 obtain financing from conventional sources in order to remain  
14 viable or to commence or expand its ability to provide goods  
15 or services.

16 2. "Qualified venture capital company" means a  
17 corporation, limited liability company, or a general or  
18 limited partnership with its principal place of business  
19 located within this state, which meets all of the following  
20 requirements:

21 a. Has an initial private capitalization of not less than  
22 twenty million dollars.

23 b. Is organized by the Iowa business investment  
24 corporation, organized under division XV of this chapter, to  
25 directly or indirectly through its subsidiaries or affiliates  
26 invest in debt and equity securities of Iowa businesses.

27 c. Seeks approval from the federal small business  
28 administration to establish a small business investment  
29 company that is incorporated in Iowa and maintains its  
30 principal place of business in this state the purpose of which  
31 includes increasing the availability of funds for investment  
\* 32 in and loans to Iowa businesses.

33 d. Will provide or arrange for managerial and other  
\* 34 advice, assistance, and support for Iowa businesses.

35 e. Does not invest funds under this division for the

1 expansion of operations of an Iowa business in another state.

2 3. "Taxpayer" means an entity subject to tax under chapter  
3 422, division III, chapter 422, division V, or chapter 432.

4 4. "Tax year" means for entities subject to the state  
5 corporate income tax or the state franchise tax under chapter  
6 422, division III or V, respectively, the tax year as defined  
7 for those divisions or means for insurance companies subject  
8 to the gross premiums tax under chapter 432, the calendar year  
9 for which the premiums are taxed.

10 Sec. 2. NEW SECTION. 15E.176 TAX CREDITS.

11 1. For tax years beginning on or after January 1, 1996,  
12 there is allowed a credit against that tax imposed under the  
13 corporate income tax in chapter 422, division III, the  
14 franchise tax in chapter 422, division V, or the gross  
15 premiums tax in chapter 432, for investments made by the  
16 taxpayer in a qualified venture capital company whose purpose  
\* 17 includes establishing or expanding Iowa business.

18 2. The amount of credit allowed under subsection 1,  
19 subject to subsection 4, is computed as follows:

20 a. The amount of the qualified venture capital company's  
21 investment in Iowa businesses is divided by the amount of new  
22 cash invested in the qualified venture capital company.

23 b. The resulting percentage, which shall not exceed fifty  
24 percent, is multiplied by the amount of the taxpayer's  
25 investment in the qualified venture capital company.

26 c. The amount of the credit is equal to ten percent of the  
27 product determined in paragraph "b".

28 d. The qualified venture capital company shall compute as  
29 of the end of the qualified venture capital company's tax year  
30 the amounts under paragraph "c" for each tax year the  
31 qualified venture capital company is entitled to the credit.

32 3. The qualified venture capital company is allowed the  
33 credit as computed each year in subsection 2 for up to ten  
34 consecutive years beginning with the first year for which the  
35 credit is taken.

1 If the amount of the credit exceeds the qualified venture  
2 capital company's tax liability for the tax year, the excess  
3 may be credited to the tax liability for the following five  
4 tax years or until depleted, whichever is the earlier, and is  
5 in addition to any other credit allowed under this section.

6 4. Notwithstanding the amount of credit computed in  
7 subsection 2, the total amount of credits for all qualified  
8 venture capital companies that shall be allowed under  
9 subsection 1 for any fiscal year of the qualified venture  
10 capital company shall not exceed one million two hundred fifty  
11 thousand dollars and for all fiscal years of the qualified  
12 venture capital company shall not exceed twelve million five  
13 hundred thousand dollars. In determining if the credit  
14 allowed has exceeded the fiscal year limit, credits carried  
15 over from a previous tax year are not counted.

16 5. The credit provided for in subsection 2, to the extent  
17 not previously utilized, shall be freely transferable to and  
18 by subsequent transferees for a period of ten years from the  
19 date the credit is first available to the qualified venture  
20 capital company.

21 Sec. 3. NEW SECTION. 15E.177 COORDINATION OF RESOURCES.

22 If a qualified venture capital company is organized by the  
23 Iowa business investment corporation on or before December 31,  
24 1996, within ninety days following its organization, the  
25 qualified venture capital company shall develop and submit a  
26 written proposal to the shareholders of each business  
27 development finance corporation organized pursuant to division  
28 XIII of this chapter, calling for the investment of all the  
29 assets of each business development finance corporation in  
30 securities of the qualified venture capital company. A notice  
31 of a special meeting of the shareholders of the business  
32 development finance corporation and the written proposal made  
33 to the business development finance corporation by the  
34 qualified venture capital company shall be delivered to the  
35 shareholders of each business development finance corporation

1 entitled to vote at the special shareholders meeting not less  
2 than ten nor more than sixty days before the meeting date  
3 given by the qualified venture capital company. Action on the  
4 written proposal by the board of directors of the business  
5 development finance corporation or any other person shall not  
6 be required to call the special meeting or authorize voting on  
7 the written proposal by the shareholders of the business  
8 development finance corporation. If at the special meeting of  
9 shareholders of the business development finance corporation  
10 or any recesses thereof, a majority of the shareholders  
11 present or represented at the special meeting approve the  
12 investment proposed by the qualified venture capital company,  
13 the business development finance corporation shall immediately  
14 make such an investment of all of its assets. The investment  
15 by a business development finance corporation of all of its  
16 assets in the qualified venture capital corporation shall not  
17 be considered a sale of assets other than in the usual and  
18 regular course of business and division XIII of the Iowa  
19 business development finance Act shall not apply to the  
20 transaction. The qualified venture capital company may make  
21 additional proposals as often as it desires to the  
22 shareholders of each business development finance corporation  
23 that did not approve the initial investment proposal. Except  
24 for the requirement that a written proposal be presented to  
25 the shareholders within ninety days of the organization of the  
26 qualified venture capital company, the provisions of this  
27 section shall apply to all additional proposals.

28 Sec. 4. Section 422.33, Code 1995, is amended by adding  
29 the following new subsection:

30 NEW SUBSECTION. 9. There is allowed as a credit against  
31 the tax determined in subsection 1 for a tax year an amount  
32 equal to the qualified venture capital credit as provided in  
33 section 15E.176. Notwithstanding any other provision, the  
34 credit allowed for in this subsection shall be applied prior  
35 to all other credits allowed the taxpayer. The taxpayer shall

1 not receive for the same investment a credit under subsection  
2 8 and this subsection.

3 Sec. 5. Section 422.60, Code 1995, is amended by adding  
4 the following new subsection:

5 NEW SUBSECTION. 4. There is allowed as a credit against  
6 the tax determined in this division for a tax year an amount  
7 equal to the qualified venture capital credit as provided in  
8 section 15E.176. Notwithstanding any other provision, the  
9 credit allowed for in this subsection shall be applied prior  
10 to all other credits allowed the taxpayer. The allocation of  
11 revenues to a city or county under section 422.65 shall be  
12 determined as if the credit under this subsection had not been  
13 taken.

14 Sec. 6. Section 432.1, Code 1995, is amended by adding the  
15 following new subsection:

16 NEW SUBSECTION. 5. There is allowed as a credit against  
17 the tax determined in subsection 1 or 2 for a tax year an  
18 amount equal to the qualified venture capital credit as  
19 provided in section 15E.176. Notwithstanding any other  
20 provision, the credit allowed for in this subsection shall be  
21 applied prior to all other credits allowed the taxpayer.

22 Sec. 7. 1992 Iowa Acts, chapter 1244, section 1,  
23 subsection 2, paragraph e, unnumbered paragraph 1, as amended  
24 by 1993 Iowa Acts, chapter 180, section 46, as amended by 1994  
25 Iowa Acts, chapter 1201, section 29, is amended to read as  
26 follows:

27 For transfer to the treasurer of state for the purpose of  
28 facilitating the organization and private capitalization of  
29 the small business investment company or other entity under  
30 sections 15E.169 through 15E.171. If the small business  
31 investment company or another entity for which the funds are  
32 to be used is not organized ~~within-thirty-six-months-of-the~~  
33 ~~effective-date-of-this-Act~~, unused funds shall revert to the  
34 general fund of the state, however, if such an entity is  
35 organized, the unused funds shall be transferred irrevocably

1 to the qualified venture capital company or other entity for  
2 which the funds are to be used:

3 ..... \$ 200,000

4 Sec. 8. APPLICABILITY. This Act applies for tax years of  
5 entities subject to the state corporate income tax or  
6 franchise tax which begin on or after January 1, 1996. This  
7 Act applies for calendar years beginning on or after January  
8 1, 1996, for entities subject to the gross premiums tax under  
9 chapter 432.

10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35



## SENATE FILE 156

H-3647

- 1 Amend Senate File 156, as amended, passed, and  
2 reprinted by the Senate, as follows:
- 3 1. Page 1, line 9, by striking the words "agrees  
4 to maintain" and inserting the following: ", as of  
5 the end of each fiscal year of the qualified venture  
6 capital company, maintains".
- 7 2. Page 1, by striking lines 10 and 11 and  
8 inserting the following: "or assets in Iowa."
- 9 3. Page 1, line 12, by striking the words "raise  
10 equity capital or".
- 11 4. Page 1, line 13, by inserting after the word  
12 "obtain" the following: "adequate".
- 13 5. Page 1, line 13, by inserting after the word  
14 "financing" the following: "on suitable terms".
- 15 6. Page 2, lines 23 and 24, by striking the words  
16 ", which shall not exceed fifty percent,".
- 17 7. Page 2, line 25, by inserting after the word  
18 "company." the following: "The cumulative tax credit  
19 for all years claimed shall not exceed fifty percent  
20 of the taxpayer's new cash invested in the qualified  
21 venture capital company."
- 22 8. Page 2, line 31, by striking the words  
23 "qualified venture capital company" and inserting the  
24 following: "taxpayer".
- 25 9. Page 2, line 32, by striking the words  
26 "qualified venture capital company" and inserting the  
27 following: "taxpayer".
- 28 10. Page 3, lines 1 and 2, by striking the words  
29 "qualified venture capital company's" and inserting  
30 the following: "taxpayer's".
- 31 11. Page 3, lines 7 and 8, by striking the words  
32 "qualified venture capital companies" and inserting  
33 the following: "taxpayers".
- 34 12. Page 3, lines 19 and 20, by striking the  
35 words "qualified venture capital company" and  
36 inserting the following: "taxpayer".
- 37 13. Page 4, line 14, by inserting after the word  
38 "assets" the following: "as private capitalization in  
39 the qualified venture capital company".

By COMMITTEE ON ECONOMIC DEVELOPMENT  
LARSON of Linn, Chairperson

H-3647 FILED MARCH 30, 1995