

\*House Committee\*

## COMMITTEE MINUTES for APPROPRIATIONS

Date: *April 13, 2017*

Location: *RM 103, Sup. Ct. Chamber*

Convened: *11:05 AM*

Recessed: *11:10 AM*

Reconvened: *1:55 PM*

Recessed: *2:45 PM*

Reconvened: *4:35 PM*

Adjourned: *5:55 PM*

### Attendance Roll Call:

Present: Representatives Grassley-CH, Hinson-VC, Hall-RM, Bearinger, Best, Breckenridge, Brown-Powers, Deyoe, Dolecheck, Fisher, Heaton, Heddens, Highfill, Huseman, Landon, Mommsen, Oldson, Rogers, Running-Marquardt, Sexton, Taylor, R., Taylor, T., Thede, Winckler, Worthan

Absent:

Excused:

Chair Grassley called the meeting to order at 11:05 am.

The roll was dispensed.

The minutes from the previous meeting were passed with no objections or corrections.

Both parties went to caucus at 11:10 am and returned at 1:55 pm.

Chair Grassley turned the chair over to Representative Hinson.

The following bills were considered:

[HSB 187](#)- Chair Hinson recognized Representative Grassley for opening remarks. There was an amendment.

Amendment 187.2232- Chair Hinson recognized Representative Hall for opening remarks on amendment 187.2232. Representative Hall requested unanimous consent to withdraw the amendment.

Amendment 187.2142- Chair Hinson recognized Representative Grassley for opening remarks on amendment 187.2142. Discussion was then open. With no further discussion Chair Hinson recognized Representative Grassley for closing comments on the amendment. Representative Grassley requested a division and a record which was seconded by Representative Rogers. The clerk called the roll 14 (aye)- 10 (nay)- 1 (excused).

Representatives Hall, Bearinger, Breckenridge, Brown-Powers, Heddens, Oldson, Running-Marquardt, T. Taylor, Thede, and Winckler voted nay. Representative Sexton was excused. Amendment 187.2142 passed as a voice vote.

Discussion on [HSB 187](#) as amended was then open. With no further discussion Chair Hinson recognized Representative Grassley for closing comments. The clerk called the vote 14 (aye)-10 (nay)-1 (excused). Representatives Hall, Bearinger, Breckenridge, Brown-Powers, Heddens, Oldson, Running-Marquardt, T. Taylor, Thede, and Winckler voted nay. Representative Sexton was excused. [HSB 187](#) passed as amended as a committee bill.

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Representative Hall invoked Rule 55. Below is the failed amendment 2232 to [HSB 187](#).  
Unassigned-0

Amend House Study Bill 187 as follows:

1. By striking everything after the enacting clause and inserting:

#### DIVISION I

#### RESEARCH ACTIVITIES TAX CREDIT CAP

Section 1. Section 15.335, subsection 2, paragraph a, unnumbered paragraph 1, Code 2017, is amended to read as follows:

In the case of an eligible business whose gross revenues do not exceed twenty million dollars per year, the credit equals the sum of the following, not to exceed two million dollars per year:

Sec. 2. Section 15.335, subsection 2, paragraph b, unnumbered paragraph 1, Code 2017, is amended to read as follows:

In the case of an eligible business whose gross revenues exceed twenty million dollars per year, the credit equals the sum of the following, not to exceed two million dollars per year:

Sec. 3. Section 15.335, subsection 4, paragraph a, Code 2017, is amended to read as follows:

**a.** In lieu of the credit amount computed in subsection 2, an eligible business may elect to compute the credit amount for qualified research expenses incurred in this state in a manner consistent with the alternative simplified credit described in section 41(c)(5) of the Internal Revenue Code, but such credit amount shall not exceed two million dollars per year. The taxpayer may make this election regardless of the method used for the taxpayer's federal income tax. The election made under this paragraph is for the tax year and the taxpayer may use another or the same method for any subsequent year.

Sec. 4. Section 422.10, subsection 1, paragraph a, subparagraph (1), unnumbered paragraph 1, Code 2017, is amended to read as follows:

For individuals, the credit equals the sum of the following, not to exceed two million dollars per year:

Sec. 5. Section 422.10, subsection 1, paragraph b, Code 2017, is amended to read as follows:

**b.** In lieu of the credit amount computed in paragraph "**a**", subparagraph (1), subparagraph division (a), a taxpayer may elect to compute the credit amount for qualified research expenses incurred in this state in a manner consistent with the alternative simplified credit described in section 41(c)(5) of the Internal Revenue Code, but such credit amount shall not exceed two million dollars per year. The taxpayer may make this election regardless of the method used for the taxpayer's federal income tax. The election made under this paragraph is for the tax year and the taxpayer may use another or the same method for any subsequent year.

Sec. 6. Section 422.33, subsection 5, paragraph a, unnumbered paragraph 1, Code 2017, is amended to read as follows:

The taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state equal to the sum of the following, not to exceed two million dollars per year:

Sec. 7. Section 422.33, subsection 5, paragraph c, Code 2017, is amended to read as follows:

**c.** In lieu of the credit amount computed in paragraph "**a**", subparagraph (1), a corporation may elect to compute the credit amount for qualified research expenses incurred in this state in a manner consistent with the alternative simplified credit described in section 41(c)(5) of the Internal Revenue Code, but such credit amount shall not exceed two million dollars per year. The taxpayer may make this election regardless of the method used for the taxpayer's federal income tax. The election made under this paragraph is for the tax year and the taxpayer may use another or the same method for any subsequent year.

Sec. 8. EFFECTIVE UPON ENACTMENT. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 9. APPLICABILITY.

1. Except as provided in subsection 2, this division of this Act applies to tax years beginning on or after the effective date of this division of this Act.

2. The sections of this division of this Act amending section 15.335 apply to high quality jobs program awards made on or after the effective date of this division of this Act.

## **DIVISION II**

### **RESEARCH ACTIVITIES CREDIT AWARD**

Sec. 10. Section 422.10, subsection 1, unnumbered paragraph 1, Code 2017, is amended to read as follows:

~~The Subject to the limitations in subsection 7, the~~ taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state.

Sec. 11. Section 422.10, Code 2017, is amended by adding the following new subsection:

**NEW SUBSECTION.** 7. *a.* For tax years beginning on or after January 1, 2017, any entity that has claimed a research activities tax credit provided in this section, or section 422.33, subsection 5, for three consecutive tax years immediately preceding the tax year for which a research activities tax credit is sought, shall not be allowed to claim the credit in this section, or section 422.33, subsection 5, unless such credit is awarded to the entity for that tax year by the economic development authority.

*b.* An entity subject to paragraph “*a*” shall make an application for a research activities tax credit to the economic development authority in the manner and form prescribed by the authority. Each research activities tax credit application under this paragraph shall only apply to one tax year.

*c.* The economic development authority shall review the research activities tax credit application of each entity and make recommendations to the economic development authority board. The economic development authority board shall award research activities tax credits to an entity, not to exceed the amount calculated in this section, or section 422.33, subsection 5, as applicable, if the board determines that one or more of the following requirements is satisfied for the tax year for which the entity is seeking the tax credits:

(1) The entity engaged in qualified research for the development of a new or improved business component of the entity which business component was not the subject of qualified research during any of the previous three consecutive tax years for which a research activities tax credit was claimed. If an entity is awarded a research activities tax credit pursuant to this subparagraph, the award shall only be for that portion of the credit calculated in this section, or section 422.33, subsection 5, as applicable, which relates to qualified research of that new or improved business component.

(2) The research activities credit in this section, or section 422.33, subsection 5, represents substantial financial support to the entity conducting the research and, absent such credit, the entity would likely lack the financial resources to conduct such research.

Sec. 12. Section 422.33, subsection 5, paragraph a, unnumbered paragraph 1, Code 2017, is amended to read as follows:

~~The Subject to the limitations in paragraph “i”, the~~ taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state equal to the sum of the following:

Sec. 13. Section 422.33, subsection 5, Code 2017, is amended by adding the following new paragraph:

**NEW PARAGRAPH.** *i.* (1) For tax years beginning on or after January 1, 2017, any entity that has claimed a research activities tax credit provided in this subsection, or section 422.10, for three consecutive tax years immediately preceding the tax year for which a research activities tax credit is sought, shall not be allowed to claim the credit in this subsection, or section 422.10, unless such credit is awarded to the entity for that tax year by the economic development authority.

(2) An entity subject to subparagraph (1) shall make an application for a research activities tax credit to the economic development authority in the manner and form prescribed by the authority. Each research activities tax credit application under this paragraph shall only apply to

one tax year.

(3) The economic development authority shall review the research activities tax credit application of each entity and make recommendations to the economic development authority board. The economic development authority board shall award research activities tax credits to an entity, not to exceed the amount calculated in this subsection, or section 422.10, as applicable, if the board determines that one or more of the following requirements is satisfied for the tax year for which the entity is seeking the tax credits:

(a) The entity engaged in qualified research for the development of a new or improved business component of the entity which business component was not the subject of qualified research during any of the previous three consecutive tax years for which a research activities tax credit was claimed. If an entity is awarded a research activities tax credit pursuant to this subparagraph division, the award shall only be for that portion of the credit calculated in this subsection, or section 422.10, as applicable, which relates to qualified research of that new or improved business component.

(b) The research activities tax credit in this subsection, or section 422.10, represents substantial financial support to the entity conducting the research and, absent such credit, the entity would likely lack the financial resources to conduct such research.

Sec. 14. EFFECTIVE UPON ENACTMENT. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 15. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2017, for tax years beginning on or after that date.

#### DIVISION III

#### TWO-YEAR MORATORIUM ON THE ENACTMENT OF NEW TAX CREDITS

Sec. 16. TAX CREDIT ENACTMENT MORATORIUM. The general assembly finds that the state is experiencing a significant revenue shortfall that is putting tremendous strain on the ability to create an adequate budget to meet the needs of the citizens of the state. In order to ensure that the budget is not further strained in the immediate future, the general assembly shall not enact a new tax credit or tax credit program during the 2017 or 2018 regular sessions of the general assembly.

#### DIVISION IV

#### STATE EMPLOYEE RETIREMENT INCENTIVE PROGRAM

Sec. 17. STATE EMPLOYEE RETIREMENT INCENTIVE PROGRAM. It is the intent of the general assembly to enact a state employee retirement incentive program during the 2017 regular session that will be modeled after state employee retirement incentive programs enacted in previous years.

#### DIVISION V

#### TRANSFERABLE TAX CREDITS

Sec. 18. Section 15.293A, subsection 1, paragraph c, Code 2017, is amended by striking the paragraph and inserting in lieu thereof the following:

**c.** Any tax credit in excess of the taxpayer's liability for the tax year is refundable. In lieu of claiming a refund, the taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following tax year. A tax credit shall not be carried back to a tax year prior to the tax year in which the taxpayer first receives the tax credit.

Sec. 19. Section 15.293A, subsection 2, paragraph b, Code 2017, is amended to read as follows:

**b.** The tax credit certificate shall contain the taxpayer's name, address, tax identification number, the amount of the credit, the name of the qualifying investor, and any other information required by the department of revenue, ~~and a place for the name and tax identification number of a transferee and the amount of the tax credit being transferred.~~

Sec. 20. Section 15.293A, subsection 2, paragraphs d, e, and f, Code 2017, are amended by

striking the paragraphs.

Sec. 21. Section 15.293A, subsection 3, paragraphs a, b, c, and d, Code 2017, are amended to read as follows:

**a.** ~~Twelve~~ Eleven and four-hundredths percent of the taxpayer's qualifying investment in a grayfield site.

**b.** ~~Fifteen~~ Thirteen and eight-tenths percent of the taxpayer's qualifying investment in a grayfield site if the qualifying redevelopment project meets the requirements of a green development.

**c.** ~~Twenty-four~~ Twenty-two and eight-hundredths percent of the taxpayer's qualifying investment in a brownfield site.

**d.** ~~Thirty~~ Twenty-seven and six-tenths percent of the taxpayer's qualifying investment in a brownfield site if the qualifying redevelopment project meets the requirements of a green development.

Sec. 22. Section 15.355, subsection 3, paragraphs a and d, Code 2017, are amended to read as follows:

**a.** A housing business may claim a tax credit in an amount not to exceed ~~ten~~ nine and two-tenths percent of the qualifying new investment of a housing project.

**d.** Any tax credit in excess of the taxpayer's liability for the tax year is ~~not refundable but may be credited to the tax liability for the following five years or until depleted, whichever is earlier~~ refundable. In lieu of claiming a refund, the taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following tax year. A tax credit shall not be transferred to any other person.

Sec. 23. Section 15.355, subsection 3, paragraph e, subparagraph (2), Code 2017, is amended to read as follows:

(2) The tax credit certificate shall contain the taxpayer's name, address, tax identification number, the amount of the credit, the name of the eligible housing business, and any other information required by the department of revenue, ~~and a place for the name and tax identification number of a transferee and the amount of the tax credit being transferred.~~

Sec. 24. Section 15.355, subsection 3, paragraph e, subparagraphs (4), (5), and (6), Code 2017, are amended by striking the subparagraphs.

Sec. 25. Section 15E.52, subsection 3, Code 2017, is amended to read as follows:

3. The amount of a tax credit allowed under this section shall equal ~~twenty-five~~ twenty-two percent of the taxpayer's equity investment in an innovation fund.

Sec. 26. Section 15E.52, subsection 5, paragraphs d and e, Code 2017, are amended to read as follows:

**d.** The board shall, in cooperation with the department of revenue, establish criteria and procedures for the allocation and issuance of tax credits by means of certificates issued by the board. The criteria shall include the contingencies that must be met for a certificate to be redeemable in order to receive a tax credit. The procedures established by the board, in cooperation with the department of revenue, shall relate to the procedures for the issuance ~~and transfer~~ of the certificates and for the redemption of a certificate and related tax credit.

**e.** A certificate and related tax credit issued pursuant to this section shall be deemed a vested right of the original holder ~~or any transferee thereof~~, and the state shall not cause either to be redeemed in such a way that amends or rescinds the certificate or that curtails, limits, or withdraws the related tax credit, except as otherwise provided in this section or upon consent of the proper holder. A certificate issued pursuant to this section cannot pledge the credit of the state and any such certificate so pledged to secure the debt of the original holder or a transferee shall not constitute a contract binding the state.

Sec. 27. Section 15E.52, subsection 6, Code 2017, is amended by striking the subsection and inserting in lieu thereof the following:

6. Any tax credit in excess of the taxpayer's liability for the tax year is refundable. In lieu of claiming a refund, the taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following tax year. A tax credit shall not be carried back to a tax year prior to the tax year in which the taxpayer claims the tax

credit.

Sec. 28. Section 15E.52, subsections 11, 12, and 13, Code 2017, are amended by striking the subsections.

Sec. 29. Section 404A.2, subsection 1, Code 2017, is amended to read as follows:

1. An eligible taxpayer who has entered into an agreement under section 404A.3, subsection 3, is eligible to receive a historic preservation and cultural and entertainment district tax credit in an amount equal to ~~twenty-five~~ twenty-two percent of the qualified rehabilitation expenditures of a qualified rehabilitation project that are specified in the agreement.

Notwithstanding any other provision of this chapter or any provision in the agreement to the contrary, the amount of the tax credits shall not exceed ~~twenty-five~~ twenty-two percent of the final qualified rehabilitation expenditures verified by the authority pursuant to section 404A.3, subsection 5, paragraph “c”.

Sec. 30. Section 404A.2, subsection 3, Code 2017, is amended by striking the subsection.

Sec. 31. Section 404A.2, subsection 4, Code 2017, is amended by striking the subsection and inserting in lieu thereof the following:

4. Any credit in excess of the tax liability is refundable. In lieu of claiming a refund, the taxpayer may elect to have the overpayment shown on the taxpayer’s final, completed return credited to the tax liability for the following tax year.

Sec. 32. Section 404A.2, subsection 5, paragraph b, Code 2017, is amended to read as follows:

**b.** The tax credit certificate shall contain the taxpayer’s name, address, tax identification number, the amount of the credit, the name of the eligible taxpayer, and any other information required by the department of revenue; ~~and a place for the name and tax identification number of a transferee and the amount of the tax credit being transferred.~~

Sec. 33. Section 404A.3, subsection 4, paragraph c, subparagraph (2), Code 2017, is amended to read as follows:

(2) If an eligible taxpayer obtains a tax credit certificate from the authority by way of a prohibited activity, the eligible taxpayer ~~and any transferee~~ shall be ~~jointly and severally~~ liable to the state for the amount of the tax credits so issued, interest and penalties allowed under chapter 422, and reasonable attorney fees and litigation costs; ~~except that the liability of the transferee shall not exceed an amount equal to the amount of the tax credits acquired by the transferee.~~ The department of revenue, upon notification or discovery that a tax credit certificate was issued to an eligible taxpayer by way of a prohibited activity, shall revoke any outstanding tax credit and seek repayment of the value of any tax credit already claimed, and the failure to make such a repayment may be treated by the department of revenue in the same manner as a failure to pay the tax shown due or required to be shown due with the filing of a return or deposit form. ~~A qualifying transferee is not subject to the liability, revocation, and repayment imposed under this subparagraph.~~

Sec. 34. Section 404A.3, subsection 4, paragraph c, subparagraph (3), subparagraph divisions (a), (c), and (d), Code 2017, are amended by striking the subparagraph divisions.

Sec. 35. Section 476B.3, Code 2017, is amended to read as follows:

#### **476B.3 Credit amount.**

The wind energy production tax credit allowed under this chapter equals the product of ~~ninety-two-hundredths of~~ one cent multiplied by the number of kilowatt-hours of qualified electricity sold or used for on-site consumption by the owner during the taxable year.

Sec. 36. Section 476B.6A, Code 2017, is amended to read as follows:

#### **476B.6A Alternative tax credit qualification — pilot project.**

Notwithstanding any other provision of this chapter to the contrary, the board shall establish a pilot project which will allow for a wind energy production tax credit of one and ~~one-half cents~~ thirty-eight-hundredths of one cent multiplied by the number of kilowatt-hours of qualified electricity sold or used for on-site consumption by up to two qualified facilities selected for participation in the project. To be eligible for the project, a qualified facility shall meet all eligibility requirements otherwise applicable pursuant to this chapter, and in addition shall be located in a county in this state with a population of between forty-four thousand one hundred

fifty and forty-four thousand five hundred based on the 2006 census, and with a combined nameplate generating capacity of at least one megawatt per applicant. For purposes of the pilot project, the two megawatt minimum requirement for qualification pursuant to section 476B.1, subsection 4, paragraph “d”, shall not be applicable. The board shall reduce the remaining credits available under this chapter by a dollar amount equal to the amount of credits awarded pursuant to the project.

Sec. 37. Section 476B.8, Code 2017, is amended to read as follows:

**476B.8 Use of tax credit certificates.**

To claim a wind energy production tax credit under this chapter, a taxpayer must include one or more tax credit certificates with the taxpayer’s tax return, or if used against taxes imposed under chapter 423, the taxpayer shall comply with section 423.4, subsection 4, or if used against taxes imposed under chapter 437A, the taxpayer shall comply with section 437A.17B. A tax credit certificate shall not be used or included with a return filed for a taxable year beginning prior to July 1, 2006. The tax credit certificate or certificates included with the taxpayer’s tax return shall be issued in the taxpayer’s name, expire on or after the last day of the taxable year for which the taxpayer is claiming the tax credit, and show a tax credit amount equal to or greater than the tax credit claimed on the taxpayer’s tax return. Any tax credit in excess of the taxpayer’s tax liability for the taxable year ~~may be credited to the taxpayer’s tax liability for the following seven taxable years or until depleted, whichever is the earlier~~ is refundable. In lieu of claiming a refund, the taxpayer may elect to have the overpayment shown on the taxpayer’s final, completed return credited to the tax liability for the following tax year. If the tax credit is applied against the taxes imposed under chapter 423 or 437A, any credit in excess of the taxpayer’s tax liability ~~is carried over and can be filed with the refund claim for the following seven tax years or until depleted, whichever is earlier~~ is refundable. However, the certificate shall not be used to reduce tax liability for a tax period ending after the expiration date of the certificate.

Sec. 38. Section 476B.9, Code 2017, is amended to read as follows:

**476B.9 Registration of tax credit certificates.**

The department shall develop a system for the registration of the wind energy production tax credit certificates issued ~~or transferred~~ under this chapter and a system that permits verification that any tax credit claimed on a tax return is valid ~~and that transfers of the tax credit certificates are made in accordance with the requirements of this chapter.~~ The tax credit certificates issued under this chapter shall not be classified as a security pursuant to chapter 502.

Sec. 39. Section 476C.2, subsection 1, Code 2017, is amended to read as follows:

1. A producer or purchaser of renewable energy may receive renewable energy tax credits under this chapter in an amount equal to one and ~~one-half cents~~ thirty-eight-hundredths of one cent per kilowatt-hour of electricity, or four dollars and ~~fifty~~ fourteen cents per million British thermal units of heat for a commercial purpose, or four dollars and ~~fifty~~ fourteen cents per million British thermal units of methane gas or other biogas used to generate electricity, or one dollar and ~~forty-four~~ thirty-three cents per one thousand standard cubic feet of hydrogen fuel generated by and purchased from an eligible renewable energy facility or used for on-site consumption by the producer.

Sec. 40. Section 476C.6, subsection 1, Code 2017, is amended by striking the subsection and inserting in lieu thereof the following:

1. Renewable energy tax credit certificates issued under this chapter shall not be transferred to any person. However, for purposes of this subsection, a decision between a producer and purchaser of renewable energy regarding who claims the tax credit issued pursuant to this chapter shall not be considered a transfer and must be set forth in the application for the tax credit pursuant to section 476C.4.

Sec. 41. Section 476C.6, subsections 2 and 3, Code 2017, are amended to read as follows:

2. To claim a renewable energy tax credit under this chapter, a taxpayer must include one or more tax credit certificates with the taxpayer’s tax return, or if used against taxes imposed under chapter 423, the taxpayer shall comply with section 423.4, subsection 4, or if used against taxes imposed under chapter 437A, the taxpayer shall comply with section 437A.17B. A tax

credit certificate shall not be used or included with a return filed for a taxable year beginning prior to July 1, 2006. The tax credit certificate or certificates included with the taxpayer's tax return shall be issued in the taxpayer's name, expire on or after the last day of the taxable year for which the taxpayer is claiming the tax credit, and show a tax credit amount equal to or greater than the tax credit claimed on the taxpayer's tax return. Any tax credit in excess of the taxpayer's tax liability for the taxable year ~~may be credited to the taxpayer's tax liability for the following seven tax years or until the credit is depleted, whichever is earlier~~ is refundable. In lieu of claiming a refund, the taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following tax year. If the tax credit is applied against the taxes imposed under chapter 423 or 437A, any credit in excess of the taxpayer's tax liability is ~~carried over and can be filed with the refund claim for the following seven tax years or until depleted, whichever is earlier~~ refundable. However, the certificate shall not be used to reduce tax liability for a tax period ending after the expiration date of the certificate.

3. The department shall develop a system for the registration of the renewable energy tax credit certificates issued ~~or transferred~~ under this chapter and a system that permits verification that any tax credit claimed on a tax return is valid ~~and that transfers of the tax credit certificates are made in accordance with the requirements of this chapter.~~ The tax credit certificates issued under this chapter shall not be classified as a security pursuant to chapter 502.

Sec. 42. REPEAL. Section 476B.7, Code 2017, is repealed.

Sec. 43. REDEVELOPMENT TAX CREDITS APPLICABILITY. The sections of this division of this Act amending section 15.293A apply to qualifying redevelopment projects registered on or after July 1, 2017, and qualified redevelopment projects registered prior to July 1, 2017, including tax credit certificates issued in relation to awards made for those qualified redevelopment projects, shall be governed by section 15.293A, Code 2017.

Sec. 44. WORKFORCE HOUSING TAX CREDITS APPLICABILITY. The sections of this division of this Act amending section 15.355 apply to housing projects registered on or after July 1, 2017, and housing projects registered prior to July 1, 2017, including tax credit certificates issued in relation to awards made for those housing projects, shall be governed by section 15.355, Code 2017.

Sec. 45. INNOVATION FUND TAX CREDITS APPLICABILITY. The sections of this division of this Act amending section 15E.52 apply to equity investments in an innovation fund made on or after July 1, 2017, and equity investments in an innovation fund made prior to July 1, 2017, including tax credit certificates issued in relation to those equity investments, shall be governed by section 15E.52, Code 2017.

Sec. 46. HISTORIC PRESERVATION TAX CREDITS APPLICABILITY. The sections of this division of this Act amending sections 404A.2 and 404A.3 apply to qualified rehabilitation projects registered on or after July 1, 2017, and qualified rehabilitation projects registered prior to July 1, 2017, including tax credit certificates issued in relation to awards made for those qualified rehabilitation projects, shall be governed by sections 404A.2 and 404A.3, Code 2017.

Sec. 47. WIND ENERGY PRODUCTION TAX CREDITS APPLICABILITY —  
TRANSITION PROVISIONS.

1. The sections of this division of this Act amending sections 476B.3, 476B.6A, 476B.7, 476B.8, and 476B.9, apply to kilowatt-hours of qualified electricity sold or used on or after July 1, 2017, and such qualified electricity sold or used prior to July 1, 2017, shall be governed by sections 476B.3, 476B.6A, 476B.7, 476B.8, and 476B.9, Code 2017.

2. An owner of a qualified facility that submits a wind energy production tax credit application on or after July 1, 2017, that includes qualified electricity sold or used before and after July 1, 2017, shall identify in the tax credit application the amount of qualified electricity sold or used prior to July 1, 2017, and the amount of qualified electricity sold or used on or after July 1, 2017. If the application is approved by the utilities board and the department of revenue pursuant to chapter 476B, the department of revenue shall issue two tax credit certificates for the applicable period, with one such tax credit certificate covering qualified electricity sold or used prior to July 1, 2017, and governed by sections 476B.3, 476B.6A,



476B.7, 476B.8, and 476B.9, Code 2017, and one such tax certificate covering qualified electricity sold or used on or after July 1, 2017, and governed by sections 476B.3, 476B.6A, 476B.7, 476B.8, and 476B.9, as amended in this division of this Act.

#### Sec. 48. RENEWABLE ENERGY TAX CREDITS APPLICABILITY — TRANSITION PROVISIONS.

1. The sections of this division of this Act amending sections 476C.2 and 476C.6 apply to renewable energy produced on or after July 1, 2017, and renewable energy produced prior to July 1, 2017, shall be governed by sections 476C.2 and 476C.6, Code 2017.

2. A producer or purchaser of renewable energy that submits a renewable energy tax credit application on or after July 1, 2017, that includes renewable energy produced before and after July 1, 2017, shall identify in the tax credit application the amount of renewable energy produced prior to July 1, 2017, and the amount of renewable energy produced on or after July 1, 2017. If the application is approved by the utilities board and the department of revenue pursuant to chapter 476C, the department of revenue shall issue two tax credit certificates for the applicable period, with one such tax credit certificate covering renewable energy produced prior to July 1, 2017, and governed by sections 476C.2 and 476C.6, Code 2017, and one such tax certificate covering renewable energy produced on or after July 1, 2017, and governed by sections 476C.2 and 476C.6, as amended in this division of this Act.

#### DIVISION VI

#### MINIMUM WAGE INCREASE

Sec. 49. Section 91D.1, subsection 1, paragraphs a and d, Code 2017, are amended to read as follows:

**a.** (1) ~~The state hourly wage shall be at least \$6.20 as of April 1, 2007, and \$7.25 as of January 1, 2008 \$8.75 as of July 1, 2017, \$9.75 as of January 1, 2018, and \$10.75 as of January 1, 2019.~~

(2) The state hourly wage, including the state hourly wage for the first ninety calendar days of employment provided in paragraph “d”, shall be increased annually on January 1, beginning January 1, 2020, by the same percentage as the cost-of-living increase in federal social security benefits authorized during the current state fiscal year by the federal social security administration pursuant to section 215 of the federal Social Security Act, 42 U.S.C. §415.

**d.** An employer is not required to pay an employee the applicable state hourly wage provided in paragraph “a” until the employee has completed ninety calendar days of employment with the employer. An employee who has completed ninety calendar days of employment with the employer ~~prior to April 1, 2007, or January 1, 2008,~~ shall earn the applicable state hourly minimum wage as of ~~that the~~ the date of completion. An employer shall pay an employee who has not completed ninety calendar days of employment with the employer an hourly wage of at least ~~\$5.30 as of April 1, 2007, and \$6.35 as of January 1, 2008 \$7.85 as of July 1, 2017, \$8.85 as of January 1, 2018, and \$9.85 as of January 1, 2019.~~

#### DIVISION VII

#### RETURN ON INVESTMENT RATIO REQUIREMENT FOR CERTAIN TAX CREDIT PROGRAMS

Sec. 50. **NEW SECTION. 15.119A** **Return on investment ratio requirement for certain economic development program tax incentive awards.**

1. Notwithstanding any provision to the contrary in any of the programs listed in subsection 2, the authority shall not award an amount of tax incentives under a program specified in subsection 2 unless the proposed tax incentive award has a return on investment ratio of at least two and one-half dollars to one dollar, as determined by the authority. For purposes of this section, “**return on investment ratio**” means a ratio calculated by estimating the amount of taxes to be received by the state from a business which are directly related to the activity, project, or investment for which the tax incentive will be provided, and dividing that estimate by the estimated cost to the state of providing the tax incentive to that business, reflecting a ten-year period and expressed in terms of current dollars. “**Return on investment ratio**” does not

include taxes received by political subdivisions.

2. *a.* The historic preservation and cultural and entertainment district tax credit administered pursuant to chapter 404A.

*b.* The high quality jobs program administered pursuant to sections 15.326 through 15.336.

*c.* The redevelopment tax credit program for brownfields and grayfields administered pursuant to sections 15.293A and 15.293B.

*d.* The renewable chemical production tax credit program administered pursuant to sections 15.315 through 15.322.

*e.* The tax credits for investments in an innovation fund pursuant to section 15E.52.

*f.* The tax credits for investments in qualifying businesses issued pursuant to section 15E.43.

*g.* The workforce housing tax incentives program administered pursuant to section 15.351 through 15.356.

3. The authority shall submit to the chairpersons and ranking members of the standing committees on ways and means and to the legislative services agency on or before August 15, 2018, and on or before August 15 of each year thereafter, a report on the return on investment ratio of each tax incentive award made during the fiscal year under each of the programs described in subsection 2.

Sec. 51. Section 403.19A, subsection 3, paragraph c, subparagraph (2), Code 2017, is amended to read as follows:

(2) The pilot project city and the economic development authority shall not enter into a withholding agreement after June 30, 2018. On or after July 1, 2017, a pilot project city and the economic development authority shall not enter into a withholding agreement unless the proposed agreement has a return on investment ratio of at least two and one-half dollars to one dollar, as determined by the authority. For purposes of this subparagraph, “return on investment ratio” means the same as defined in section 15.119A. The authority shall submit to the chairperson and ranking members of the standing committees on ways and means and to the legislative services agency on or before August 15, 2018, and on or before August 15 of each year thereafter, a report on the return on investment ratio of each agreement entered into during the fiscal year, if any.

## DIVISION VIII

### HISTORIC PRESERVATION TAX CREDIT CLAIMS CAP

Sec. 52. NEW SECTION. 404A.4A Aggregate tax credit claim limit.

1. **Definition.** For purposes of this section, “*department*” means the department of revenue.

2. **Maximum historic tax credit claims.** Notwithstanding any other provision of law to the contrary, the maximum aggregate amount of tax credits that may be claimed under section 404A.2 during any fiscal year beginning on or after July 1, 2017, shall not exceed forty-five million dollars.

3. **Excess tax credit claims disallowed.**

*a.* Notwithstanding any other provision of law to the contrary, if in any fiscal year the maximum aggregate limit for tax credit claims described in subsection 2 for that fiscal year is reached, any tax credit considered to be claimed in that fiscal year but after the date the limit is reached shall be disallowed.

*b.* If in any fiscal year the maximum aggregate limit for tax credit claims described in subsection 2 for that fiscal year is exceeded, all tax credits considered to be claimed on the date the maximum aggregate limit for tax credit claims described in subsection 2 is exceeded shall be reduced in a prorated fashion, if necessary, until the maximum aggregate limit for the fiscal year is reached.

4. **When tax credits considered received.** The department shall consider tax credit claims in the order they are received by the department. For purposes of this chapter, a tax credit claim shall be considered received by the department when the final, completed tax return on which the tax credit is reported is received by the department.

5. **When tax credit considered claimed.**

*a.* For purposes of this section, a tax credit shall only be considered claimed to the extent the

claim would reduce tax liability or be issued as a refund.

**b.** For purposes of this section, a tax credit shall be considered claimed on the date it is accepted by the department. For purposes of this section, a tax credit claim shall be considered accepted by the department when the department determines that the final, completed tax return on which the tax credit is reported is complete and capable of being processed by the department, and if the tax credit appears valid on its face.

**c.** Notwithstanding paragraph “**b**”, if for a fiscal year the maximum aggregate limit for tax credit claims described in subsection 2 is reached, any tax credit reported on a tax return that was due during that fiscal year, including extensions if applicable, but that is received by the department in a subsequent fiscal year, shall be considered claimed in the fiscal year in which the return was due, but after the date the maximum aggregate limit had been reached, and shall be disallowed.

**d.** If a tax expenditure is considered by the department to be claimed for purposes of this section, and the taxpayer later files an amended tax return that increases the amount of that tax credit, the tax credit reported on the amended return shall be considered a new tax credit claim made on the date it is accepted by the department to the extent it exceeds the amount of the tax credit reported on the previous return. However, if the original tax credit claim was disallowed pursuant to this section, the entire tax credit claim reported on the amended return shall be disallowed. If the tax credit amount reported on the amended return is less than the tax credit amount reported on the previous return, the total amount of tax credit claims considered to be made in a previous fiscal year for purposes of this section shall not decrease.

**e.** If after acceptance of a tax credit claim such claim is later increased or decreased following an audit or other similar review of the tax credit claim by the department, that tax credit claim increase or decrease shall not cause the total amount of tax credit claims considered to be made in a fiscal year, as calculated by the department for purposes of this section, to increase or decrease.

**f.** For purposes of this section, a tax credit allowed a partnership, limited liability company, S corporation, estate, trust, or other entity electing to have the income taxed directly to the individual shall be considered to be claimed when the department determines that the individual’s final, completed tax return on which the tax credit is reported is complete and capable of being processed by the department, and if the tax credit appears valid on its face.

**6. *Treatment of disallowed claims.***

**a.** If, but for the disallowance of the tax credit claim, the tax credit would have been nonrefundable to the taxpayer in the tax year for which it is disallowed, whether by operation of law or pursuant to an election by the taxpayer, the disallowed tax credit amount shall be considered eligible for carryforward to a future tax year, and the remaining number of tax years for which the tax credit may be carried forward shall not be reduced as a result of the disallowance.

**b.** If, but for the disallowance of the tax credit claim, the tax credit would have been refundable to the taxpayer in the tax year for which it is disallowed, whether by operation of law or pursuant to an election by the taxpayer, the disallowed tax credit amount may be carried forward to a future tax year or years until the tax credit is allowed pursuant to this section, and the tax credit shall be treated as a refundable tax credit in the year it is claimed.

**DIVISION IX**

**ACROSS-THE-BOARD REDUCTION IN TAX CREDIT VALUES**

**Sec. 53. NEW SECTION. 421C.1 Tax expenditure defined.**

Any reference to “*tax expenditure*” in this chapter includes all of the following:

1. ***Withholding tax credits.*** The targeted jobs withholding tax credit allowed under chapter 403.19A.

2. ***Tax credits.***

**a.** The wind energy production tax credit and the renewable energy production tax credit allowed under chapters 476B and 476C, section 422.IIJ, section 422.33, subsection 16, section 422.60, subsection 7, section 432.12E, and section 437A.17B.

*b.* The biodiesel blended fuel tax credit allowed under section 422.11P and section 422.33, subsection 11C.

*c.* The E-15 plus gasoline promotion tax credit allowed under section 422.11Y and section 422.33, subsection 11D.

*d.* The E-85 gasoline promotion tax credit allowed under section 422.11O and section 422.33, subsection 11B.

*e.* The ethanol promotion tax credit allowed under section 422.11N and section 422.33, subsection 11A.

*f.* The renewable chemical production tax credit allowed under sections 15.319 and 422.10B, and section 422.33, subsection 22.

*g.* The investment tax credit allowed under section 15.333, 15E.196, Code 2014, section 15E.193B, subsection 6, Code 2014, section 422.11F, subsection 2, section 422.33, subsection 12, paragraph “*b*”, section 422.60, subsection 5, paragraph “*b*”, and section 533.329, subsection 2, paragraph “*e*”.

*h.* The insurance premiums tax credit allowed under section 15.333A, section 15E.196, Code 2014, section 15E.193B, Code 2014, and section 432.12C, subsection 2.

*i.* The new jobs tax credit allowed under section 422.11A, and section 422.33, subsection 6.

*j.* The innovation fund investment tax credit allowed under sections 15E.52 and 422.11Z, section 422.33, subsection 13, section 422.60, subsection 11, section 432.12M, and section 533.329, subsection 2, paragraph “*j*”.

*k.* The Iowa fund of funds tax credit allowed under sections 15E.66 and 422.11Q, section 422.33, subsection 20, section 422.60, subsection 9, section 432.12I, and section 533.329, subsection 2, paragraph “*g*”.

*l.* The venture capital fund investment tax credit allowed under section 15E.51, Code 2009, section 422.11G, Code 2009, section 422.33, subsection 13, Code Supplement 2009, section 422.60, subsection 6, Code Supplement 2009, section 432.12B, Code 2009, and section 533.329, subsection 2, paragraph “*i*”, Code Supplement 2009.

*m.* The workforce housing investment tax credit allowed under section 15.355, subsection 3, section 422.11C, section 422.33, subsection 15, section 422.60, subsection 13, section 432.12G, and section 533.329, subsection 2, paragraph “*k*”.

*n.* The research activities credit and supplemental research activities credit allowed under section 15E.196, Code 2014, sections 15.335 and 422.10, and section 422.33, subsection 5.

*o.* The assistive device tax credit allowed under section 422.33, subsection 9.

*p.* The corporate tax credit for certain sales taxes paid by third-party developers allowed under section 15.331C, section 422.33, subsection 19, section 422.60, subsection 8, section 432.12H, and section 533.329, subsection 2, paragraph “*d*”.

*q.* The historic preservation and cultural and entertainment district tax credit allowed under chapter 404A, section 422.11D, section 422.33, subsection 10, section 422.60, subsection 4, and section 432.12A.

*r.* The redevelopment tax credit allowed under chapter 15, subchapter II, part 9, section 422.11V, section 422.33, subsection 26, section 422.60, subsection 10, section 432.12L, and section 533.329, subsection 2, paragraph “*i*”.

*s.* The investment tax credit allowed under section 15E.43, section 422.11F, subsection 1, section 422.33, subsection 12, section 422.60, subsection 5, paragraph “*a*”, section 432.12C, subsection 1, and section 533.329, subsection 2, paragraph “*f*”.

### **3. Sales and use tax refunds.**

*a.* The high quality jobs program sales and use tax refund allowed under section 15.331A.

*b.* The enterprise zone program sales and use tax refund allowed under section 15E.196, Code 2014, and section 15.331A.

*c.* The enterprise zone program eligible housing business sales and use tax refund allowed under section 15E.193B, subsection 6, Code 2014.

*d.* The workforce housing tax incentive program sales and use tax refund allowed under section 15.355, subsection 2.

*e.* The wind energy production tax credit and the renewable energy production tax credit

sales and use tax refunds allowed under chapters 476B and 476C, and section 423.4, subsection 4.

Sec. 54. **NEW SECTION.** **421C.2 Tax expenditure reductions — intent and purpose.**

1. The general assembly finds that the state is experiencing a significant revenue shortfall that is putting tremendous strain on the ability to create an adequate budget to meet the needs of the citizens of the state. In order to ensure that the budget is not further strained in the immediate future, the general assembly finds that tax expenditures should be reduced, and it is the intent and purpose of this chapter to reduce the value of any tax expenditure claimed on or after July 1, 2017, by three and one-half percent, as provided in subsection 2.

2. Notwithstanding any other provision of law to the contrary, the amount of a tax expenditure claimed on or after July 1, 2017, shall be an amount equal to the product of the amount of the tax expenditure as determined by other applicable provisions of law without regard to this section, multiplied by ninety-six and five-tenths percent.

3. For purposes of this chapter, a tax expenditure shall be considered claimed on the date when the withholding return, tax return, or sales and use tax refund claim form upon which the tax expenditure is claimed is received by the department of revenue. Tax credit carryforward amounts originally claimed on a previous return shall not be considered a tax expenditure claim for purposes of the reduction required in this section.

**DIVISION X**

**TAXPAYERS TRUST FUND**

Sec. 55. Section 8.57E, subsection 2, Code 2017, is amended to read as follows:

2. **a.** Moneys in the taxpayers trust fund shall only be used pursuant to appropriations or transfers made by the general assembly for tax relief.

**b.** During each fiscal year beginning on or after July 1, 2014, in which the balance of the taxpayers trust fund equals or exceeds thirty million dollars, exclusive of the balance of the tax expenditure limitation account in subsection 2A, there is transferred from the taxpayers trust fund to the Iowa taxpayers trust fund tax credit fund created in section 422.11E, the entire balance of the taxpayers trust fund, except the balance of the tax expenditure limitation account in subsection 2A, to be used for the Iowa taxpayers trust fund tax credit in accordance with section 422.11E, subsection 5.

Sec. 56. Section 8.57E, Code 2017, is amended by adding the following new subsection:

**NEW SUBSECTION.** 2A. A tax expenditure limitation account shall be created as a separate account in the taxpayers trust fund that shall consist of transfers made pursuant to law by the general assembly, and moneys in the account shall not be commingled with other moneys within the taxpayers trust fund. Interest or earnings on moneys deposited in the account shall be credited to the account. Moneys in the account shall be expended for the homestead credit and elderly and disabled property tax credit in chapter 425, the agricultural law tax credit in chapter 426, and the military service tax credit in chapter 426A.

Sec. 57. Section 8.57E, subsection 4, Code 2017, is amended to read as follows:

4. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys deposited in the taxpayers trust fund shall be credited to the fund and, if applicable, to the appropriate account within the fund.>

2. Title page, by striking lines 1 through 7 and inserting

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**PROPOSED COMMITTEE AMENDMENT**

Chair Hinson returned the chair to Representative Grassley.

Both parties went to caucus at 2:45 pm and returned at 4:35 pm.

[HSB 202](#)- Chair Grassley recognized Representative Worthan for opening remarks on [HSB 202](#). Discussion was then open. With no further discussion Chair Grassley recognized Representative Worthan for closing comments. The clerk called the vote 14 (aye)-9 (nay)-2 (excused). Representatives Hall, Bearinger, Breckenridge, Heddens, Oldson, Running-Marquardt, T. Taylor, Thede, and Winckler voted nay. Representatives Brown-Powers and Sexton were excused. [HSB 202](#) passed as a committee bill.

[HSB 201](#)- Chair Grassley recognized Representative Worthan for opening remarks on [HSB 201](#). Discussion was then open. With no further discussion Chair Grassley recognized Representative Worthan for closing comments. The clerk called the vote 14 (aye)-9 (nay)-2 (excused). Representatives Hall, Bearinger, Breckenridge, Heddens, Oldson, Running-Marquardt, T. Taylor, Thede, and Winckler voted nay. Representatives Brown-Powers and Sexton were excused. [HSB 201](#) passed as a committee bill.

[HSB 203](#)- Chair Grassley recognized Representative Mommsen for opening remarks on [HSB 203](#). Discussion was then open. With no further discussion Chair Grassley recognized Representative Mommsen for closing comments. The clerk called the vote 14 (aye)-9 (nay)-2 (excused). Representatives Hall, Bearinger, Breckenridge, Heddens, Oldson, Running-Marquardt, T. Taylor, Thede, and Winckler voted nay. Representatives Brown-Powers and Sexton were excused. [HSB 203](#) passed as a committee bill.

[HSB 204](#)- Chair Grassley recognized Representative Huseman for opening remarks on [HSB 204](#). Discussion was then open. With no further discussion Chair Grassley recognized Representative Huseman for closing comments. The clerk called the vote 14 (aye)-9 (nay)-2 (excused). Representatives Hall, Bearinger, Breckenridge, Heddens, Oldson, Running-Marquardt, T. Taylor, Thede, and Winckler voted nay. Representatives Brown-Powers and Sexton were excused. [HSB 204](#) passed as a committee bill.

[HSB 198](#)- Chair Grassley recognized Representative Hinson for opening remarks on [HSB 198](#). Discussion was then open. With no further discussion Chair Grassley recognized Representative Hinson for closing comments. The clerk called the vote 18 (aye)-5 (nay)-2 (excused). Representatives Hall, Heddens, Oldson, T. Taylor, and Winckler voted nay. Representatives Brown-Powers and Sexton were excused. [HSB 198](#) passed as a committee bill.

There was no further business.

Representative Bearinger moved to adjourn the meeting at 5:55 pm.

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Representative Pat Grassley

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Anna Determann, Committee Secretary