

3. This section applies to the following classes of third-party payment provider contracts or policies delivered, issued for delivery, continued, or renewed in this state on or after July 1, 2000:

a. Individual or group accident and sickness insurance providing coverage on an expense-incurred basis.

b. An individual or group hospital or medical service contract issued pursuant to chapter 509, 514, or 514A.

c. An individual or group health maintenance organization contract regulated under chapter 514B.

d. Any other entity engaged in the business of insurance, risk transfer, or risk retention, which is subject to the jurisdiction of the commissioner.

e. A plan established pursuant to chapter 509A for public employees.

f. An organized delivery system licensed by the director of public health.

4. This section shall not apply to accident only, specified disease, short-term hospital or medical, hospital confinement indemnity, credit, dental, vision, Medicare supplement, long-term care, basic hospital and medical-surgical expense coverage as defined by the commissioner, disability income insurance coverage, coverage issued as a supplement to liability insurance, workers' compensation or similar insurance, or automobile medical payment insurance.

Approved May 16, 2000

## CHAPTER 1194

### INCOME AND PROPERTY TAXES — CREDITS, DEDUCTIONS, AND EXEMPTIONS

*H.F. 2560*

† AN ACT providing an individual and corporate income tax credit for the rehabilitation of certain eligible commercial and residential property and barns, an alternative method for computing the individual and corporate income tax credit for increasing research and development, an assistive device tax credit under the individual and corporate taxes for assisting persons with a disability in the workplace, and an increase in the deduction for pension and retirement income for income tax purposes, and a property tax exemption for increasing the value of certain barns as a result of the rehabilitation of the barns, and a property tax exemption for increasing the value of one-room schoolhouses as a result of the rehabilitation of the one-room schoolhouses, and including applicability dates.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. Section 15.335, Code Supplement 1999, is amended to read as follows:

15.335 RESEARCH ACTIVITIES CREDIT.

1. An eligible business may claim a corporate tax credit for increasing research activities in this state during the period the eligible business is participating in the program.

a. The credit equals ~~six and one-half percent of the state's apportioned share of the qualifying expenditures for increasing research activities; the sum of the following:~~

(1) Six and one-half percent of the excess of qualified research expenses during the tax year over the base amount for the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

† Estimate of additional local revenue expenditures required by state mandate on file with the Secretary of State

(2) Six and one-half percent of the basic research payments determined under section 41(e)(1)(A) of the Internal Revenue Code during the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to total qualified research expenditures.

b. In lieu of the credit amount computed in paragraph "a", subparagraph (1), 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 incremental credit described in section 41(c)(4) of the Internal Revenue Code. 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.

c. For purposes of the alternate credit computation method in paragraph "b", the credit percentages applicable to qualified research expenses described in clauses (i), (ii), and (iii) of section 41(c)(4)(A) of the Internal Revenue Code are one and sixty-five hundredths percent, two and twenty hundredths percent, and two and seventy-five hundredths percent, respectively.

2. The credit allowed in this section is in addition to the credit authorized in section 422.33, subsection 5, and section 422.10. However, if the alternative credit computation method is used in section 422.33, subsection 5, or section 422.10, the credit allowed in this section shall also be computed using that method.

3. If the eligible business is a partnership, subchapter S corporation, limited liability company, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, subchapter S corporation, limited liability company, or estate or trust.

4. For purposes of this section, "qualifying expenditures for increasing research activities" means the qualifying expenditures "base amount", "basic research payment", and "qualified research expense" mean the same as defined for the federal credit for increasing research activities which would be allowable under section 41 of the Internal Revenue Code in effect on January 1, 1999, except that for the alternative incremental credit such amounts are for research conducted within this state. For purposes of this section, "Internal Revenue Code" means the Internal Revenue Code in effect on January 1, 2000.

5. Any credit in excess of the tax liability for the taxable year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on its final, completed return credited to the tax liability for the following year.

Sec. 2. Section 15A.9, subsection 8, Code Supplement 1999, is amended to read as follows:

8. CORPORATE TAX RESEARCH CREDIT. A corporate tax credit shall be available to the primary business or a supporting business for increasing research activities in this state within the zone.

a. The credit equals thirteen percent of the state's apportioned share of the qualifying expenditures for increasing research activities. the sum of the following:

(1) Thirteen percent of the excess of qualified research expenses during the tax year over the base amount for the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

(2) Thirteen percent of the basic research payments determined under section 41(e)(1)(A) of the Internal Revenue Code during the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state within the zone to total qualified research expenditures.

b. In lieu of the credit amount computed in paragraph "a", subparagraph (1), a business may elect to compute the credit amount for qualified research expenses incurred in this state within the zone in a manner consistent with the alternative incremental credit described in section 41(c)(4) of the Internal Revenue Code. 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.

c. For purposes of the alternate credit computation method in paragraph "b", the credit percentages applicable to qualified research expenses described in clauses (i), (ii), and (iii) of section 41(c)(4)(A) of the Internal Revenue Code are three and thirty hundredths percent, four and forty hundredths percent, and five and fifty hundredths percent, respectively.

d. Any credit in excess of the tax liability for the tax year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, the primary business or a supporting business may elect to have the overpayment shown on its final return credited to its tax liability for the following tax year.

e. For the purposes of this section, "qualifying expenditures for increasing research activities" means the qualifying expenditures subsection, "base amount", "basic research payment", and "qualified research expense" mean the same as defined for the federal credit for increasing research activities which would be allowable under section 41 of the Internal Revenue Code in effect on January 1, 1999, except that for the alternative incremental credit such amounts are for research conducted within this state within the zone. For purposes of this subsection, "Internal Revenue Code" means the Internal Revenue Code in effect on January 1, 2000.

f. The credit authorized in this subsection is in lieu of the credit authorized in section 422.33, subsection 5 and section 422.10.

### Sec. 3. NEW SECTION. 404A.1 PROPERTY REHABILITATION TAX CREDIT — ELIGIBLE PROPERTY.

1. A property rehabilitation tax credit, subject to the availability of the credit, is granted against the income tax imposed under chapter 422, division II or division III, for the rehabilitation of eligible property located in this state as provided in this chapter. Tax credits in excess of tax liabilities shall be refunded as provided in section 404A.4, subsection 3.

2. Eligible property for which a taxpayer may receive the property rehabilitation tax credit computed under this chapter includes all of the following:

- a. Property listed on the national register of historic places or is eligible for such listing.
- b. Property designated as of historic significance to a district listed in the national register of historic places or is eligible for such designation.
- c. Property or district designated a local landmark by a city or county ordinance.
- d. A barn constructed prior to 1937.

### Sec. 4. NEW SECTION. 404A.2 AMOUNT OF CREDIT.

The amount of the credit equals twenty-five percent of the qualified rehabilitation costs made to eligible property. In the case of commercial property, rehabilitation costs must equal at least fifty percent of the assessed value of the property, excluding the land, prior to the rehabilitation. In the case of residential property or barns, the rehabilitation costs must equal at least twenty-five thousand dollars or twenty-five percent of the fair market value, excluding the land, prior to the rehabilitation, whichever is less. In computing the tax credit for eligible property that is classified as residential or as commercial with multifamily residential units, the rehabilitation costs used shall not exceed one hundred thousand dollars per residential unit. In computing the tax credit, the only costs which may be included are the rehabilitation costs incurred between the period ending on the project completion date and beginning on the later of either the date of issuance of the approval of the project as provided in section 404A.3 or two years prior to the project completion date.

For purposes of this chapter, qualified rehabilitation costs include amounts if they are properly includable in computing the basis for tax purposes of the eligible property. Amounts

treated as an expense and deducted in the tax year in which they are paid or incurred and amounts that are otherwise not added to the basis for tax purposes of the eligible property are not qualified rehabilitation costs. Amounts incurred for architectural and engineering fees, site survey fees, legal expenses, insurance premiums, development fees, and other construction-related costs are qualified rehabilitation costs to the extent they are added to the basis for tax purposes of the eligible property. Costs of sidewalks, parking lots, and landscaping do not constitute qualified rehabilitation costs.

Any rehabilitation costs used in the computation of the tax credit under this chapter shall not be deductible for purposes of individual and corporate income taxes.

**Sec. 5. NEW SECTION. 404A.3 APPROVAL OF REHABILITATION PROJECT.**

1. a. In order for costs of a rehabilitation project to qualify for a tax credit, the rehabilitation project must receive approval from the state historical preservation office<sup>1</sup> of the department of cultural affairs.

b. Applications for approvals from the state historical preservation office of the department of cultural affairs shall be on forms approved by the state historical preservation office and shall contain information as required by the state historical preservation office. The information shall at least include the approximate date of the start of rehabilitation, the approximate date of completion, as well as the cost.

c. The approval process shall not exceed ninety days beginning from the date the rehabilitation project is submitted. After the ninety-day limit, the rehabilitation project is deemed to be approved.

2. The state historical preservation office shall establish selection criteria and standards for rehabilitation projects involving eligible property. The main emphasis of the standards shall be to ensure that a rehabilitation project maintains the integrity of the eligible property. To the extent applicable, the standards shall be consistent with the standards of the United States secretary of the interior for rehabilitation of eligible property that is listed on the national register of historic places or is designated as of historic significance to a district listed in the national register of historic places or shall be consistent with standards for issuance of certificates of appropriation<sup>2</sup> under sections 303.27 through 303.32.

The selection standards shall provide that a person who qualifies for the rehabilitation tax credit under section 47 of the Internal Revenue Code shall automatically qualify for the state property rehabilitation tax credit under this chapter.

**Sec. 6. NEW SECTION. 404A.4 PROJECT COMPLETION AND TAX CREDIT CERTIFICATION — CREDIT REFUND.**

1. Upon completion of the rehabilitation project, a certification of completion must be obtained from the state historical preservation office<sup>3</sup> of the department of cultural affairs. A completion certificate shall identify the person claiming the tax credit under this chapter and the rehabilitation costs incurred up to the two years preceding the completion date.

2. After verifying the eligibility for the tax credit, the state historical preservation office, in consultation with the department of economic development, shall issue a property rehabilitation tax credit certificate to be attached to the person's tax return. The tax credit certificate shall contain the taxpayer's name, address, tax identification number, the date of project completion, the amount of credit, and other information required by the department of revenue and finance.

3. A person receiving a property rehabilitation tax credit under this chapter which is in excess of the person's tax liability for the tax year is entitled to a refund of the excess at a discounted value. The discounted value of the tax credit refund, as calculated by the department of economic development, in consultation with the department of revenue and finance, shall be determined based on the discounted value of the tax credit five years after the tax year of the project completion at an interest rate equivalent to the prime rate plus two percent. The refunded tax credit shall not exceed seventy-five percent of the allowable tax credit.

<sup>1</sup> State historic preservation office probably intended

<sup>2</sup> Certificates of "appropriateness" probably intended

<sup>3</sup> State historic preservation office probably intended

4. The total amount of tax credits that may be approved for a fiscal year under this chapter shall not exceed two million four hundred thousand dollars. Tax credit certificates shall be issued on the basis of the earliest awarding of certifications of completion as provided in subsection 1. The departments of economic development and revenue and finance shall each adopt rules to jointly administer this subsection and shall provide by rule for the method to be used to determine for which fiscal year the tax credits are approved.

Sec. 7. NEW SECTION. 404A.5 ECONOMIC IMPACT — RECOMMENDATIONS.

The department of cultural affairs, in consultation with the department of economic development, shall be responsible for keeping the general assembly and the legislative fiscal bureau informed on the overall economic impact to the state of the rehabilitation of eligible properties. An annual report shall be filed which shall include, but is not limited to, data on the number and potential value of rehabilitation projects begun during the latest twelve-month period, the total property rehabilitation tax credits originally granted during that period, the potential reduction in state tax revenues as a result of all tax credits still unused and eligible for refund, and the potential increase in local property tax revenues as a result of the rehabilitated projects. The department, to the extent it is able, shall provide recommendations on whether a limit on tax credits should be established, the need for a broader or more restrictive definition of eligible property, and other adjustments to the tax credits under this chapter.

Sec. 8. Section 422.7, subsection 31, Code 1999, is amended to read as follows:

31. For a person who is disabled, or is fifty-five years of age or older, or is the surviving spouse of an individual or a survivor having an insurable interest in an individual who would have qualified for the exemption under this subsection for the tax year, subtract, to the extent included, the total amount of a governmental or other pension or retirement pay, including, but not limited to, defined benefit or defined contribution plans, annuities, individual retirement accounts, plans maintained or contributed to by an employer, or maintained or contributed to by a self-employed person as an employer, and deferred compensation plans or any earnings attributable to the deferred compensation plans, up to a maximum of ~~five~~ six thousand dollars for a person, other than a husband or wife, who files a separate state income tax return and up to a maximum of ~~ten~~ twelve thousand dollars for a husband and wife who file a joint state income tax return. However, a surviving spouse who is not disabled or fifty-five years of age or older can only exclude the amount of pension or retirement pay received as a result of the death of the other spouse. A husband and wife filing separate state income tax returns or separately on a combined state return are allowed a combined maximum exclusion under this subsection of up to ~~ten~~ twelve thousand dollars. The ~~ten~~ twelve thousand dollar exclusion shall be allocated to the husband or wife in the proportion that each spouse's respective pension and retirement pay received bears to total combined pension and retirement pay received.

Sec. 9. Section 422.10, Code Supplement 1999, is amended to read as follows:

422.10 RESEARCH ACTIVITIES CREDIT.

1. The taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state.

a. For individuals, the credit equals ~~six and one-half percent of the state's apportioned share of the qualifying expenditures for increasing research activities; the sum of the following:~~

(1) Six and one-half percent of the excess of qualified research expenses during the tax year over the base amount for the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

(2) Six and one-half percent of the basic research payments determined under section 41(e)(1)(A) of the Internal Revenue Code during the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to total qualified research expenditures.

b. In lieu of the credit amount computed in paragraph "a", subparagraph (1), a taxpayer may elect to compute the credit amount for qualified research expenses incurred in this state in a manner consistent with the alternative incremental credit described in section 41(c)(4) of the Internal Revenue Code. 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.

c. For purposes of the alternate credit computation method in paragraph "b", the credit percentages applicable to qualified research expenses described in clauses (i), (ii), and (iii) of section 41(c)(4)(A) of the Internal Revenue Code are one and sixty-five hundredths percent, two and twenty hundredths percent, and two and seventy-five hundredths percent, respectively.

2. For purposes of this section, an individual may claim a research credit for ~~qualifying research expenditures~~ incurred by a partnership, ~~subchapter S corporation~~, limited liability company, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of a partnership, ~~subchapter S corporation~~, limited liability company, estate, or trust.

3. For purposes of this section, ~~"qualifying expenditures for increasing research activities"~~ means the ~~qualifying expenditures~~ "base amount", "basic research payment", and "qualified research expense" mean the same as defined for the federal credit for increasing research activities ~~which would be allowable~~ under section 41 of the Internal Revenue Code ~~in effect on January 1, 1999~~, except that for the alternative incremental credit such amounts are for research conducted within this state. For purposes of this section, "Internal Revenue Code" means the Internal Revenue Code in effect on January 1, 2000.

4. Any credit in excess of the tax liability imposed by section 422.5 less the credits allowed under sections 422.11A, 422.12, and 422.12B for the taxable year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following taxable year.

Sec. 10. NEW SECTION. 422.11D PROPERTY REHABILITATION TAX CREDIT.

1. The taxes imposed under this division, less the credits allowed under sections 422.12 and 422.12B, shall be reduced by a property rehabilitation tax credit equal to the amount as computed under chapter 404A for rehabilitating eligible property. Any credit in excess of the tax liability shall be refunded as provided in section 404A.4, subsection 3.

2. An individual may claim a property rehabilitation tax credit allowed a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of a partnership, limited liability company, S corporation, estate, or trust.

3. For purposes of this section, "eligible property" means the same as used in section 404A.1.

Sec. 11. NEW SECTION. 422.11E ASSISTIVE DEVICE TAX CREDIT — SMALL BUSINESS.

1. The taxes imposed under this division, less the credits allowed under sections 422.12 and 422.12B, shall be reduced by an assistive device tax credit. A small business purchasing, renting, or modifying an assistive device or making workplace modifications for an individual with a disability who is employed or will be employed by the small business is eligible, subject to availability of credits, to receive this assistive device tax credit which is equal to fifty percent of the first five thousand dollars paid during the tax year for the purchase, rental, or modification of the assistive device or for making the workplace modifications. Any credit in excess of the tax liability shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a 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 small business elects to take the assistive device tax credit, the small business shall not deduct for Iowa tax purposes any amount of the cost of an assistive device or workplace modifications which is deductible for federal tax purposes.

2. To receive the assistive device tax credit, the eligible small business must submit an application to the department of economic development. If the taxpayer meets the criteria for eligibility, the department of economic development shall issue to the taxpayer a certification of entitlement for the assistive device tax credit. However, the combined amount of tax credits that may be approved for a fiscal year under this section and section 422.33, subsection 8A, shall not exceed five hundred thousand dollars. Tax credit certificates shall be issued on an earliest filed basis. The certification shall contain the taxpayer's name, address, tax identification number, the amount of the credit, and tax year for which the certificate applies. The taxpayer must file the tax credit certificate with the taxpayer's individual income tax return in order to claim the tax credit. The departments of economic development and revenue and finance shall each adopt rules to jointly administer this section and shall provide by rule for the method to be used to determine for which fiscal year the tax credits are approved.

3. An individual may claim an assistive device tax credit allowed a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, limited liability company, S corporation, estate, or trust.

4. For purposes of this section:

a. "Assistive device" means any item, piece of equipment, or product system which is used to increase, maintain, or improve the functional capabilities of an individual with a disability in the workplace or on the job. "Assistive device" does not mean any medical device, surgical device, or organ implanted or transplanted into or attached directly to an individual. "Assistive device" does not include any device for which a certificate of title is issued by the state department of transportation, but does include any item, piece of equipment, or product system otherwise meeting the definition of "assistive device" that is incorporated, attached, or included as a modification in or to such a device issued a certificate of title.

b. "Disability" means the same as defined in section 225C.46.

c. "Small business" means a business that either had gross receipts for its preceding tax year of three million dollars or less or employed not more than fourteen full-time employees during its preceding tax year.

d. "Workplace modifications" means physical alterations to the work environment.

Sec. 12. Section 422.33, subsection 5, Code Supplement 1999, is amended to read as follows:

5. a. The taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state equal to ~~six and one-half percent of the state's apportioned share of the qualifying expenditures for increasing research activities;~~ the sum of the following:

(1) Six and one-half percent of the excess of qualified research expenses during the tax year over the base amount for the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

(2) Six and one-half percent of the basic research payments determined under section 41(e)(1)(A) of the Internal Revenue Code during the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to the total qualified research expenditures.

b. 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 incremental credit described in section

41(c)(4) of the Internal Revenue Code. 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.

c. For purposes of the alternate credit computation method in paragraph "b", the credit percentages applicable to qualified research expenses described in clauses (i), (ii), and (iii) of section 41(c)(4)(A) of the Internal Revenue Code are one and sixty-five hundredths percent, two and twenty hundredths percent, and two and seventy-five hundredths percent, respectively.

d. For purposes of this subsection, "qualifying expenditures for increasing research activities" means the qualifying expenditures "base amount", "basic research payment", and "qualified research expense" mean the same as defined for the federal credit for increasing research activities which would be allowable under section 41 of the Internal Revenue Code in effect on January 1, 1999, except that for the alternative incremental credit such amounts are for research conducted within this state. For purposes of this subsection, "Internal Revenue Code" means the Internal Revenue Code in effect on January 1, 2000.

e. Any credit in excess of the tax liability for the taxable year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on its final, completed return credited to the tax liability for the following taxable year.

Sec. 13. Section 422.33, Code Supplement 1999, is amended by adding the following new subsection:

NEW SUBSECTION. 8A. a. The taxes imposed under this division shall be reduced by an assistive device tax credit. A small business purchasing, renting, or modifying an assistive device or making workplace modifications for an individual with a disability who is employed or will be employed by the small business is eligible, subject to availability of credits, to receive this assistive device tax credit which is equal to fifty percent of the first five thousand dollars paid during the tax year for the purchase, rental, or modification of the assistive device or for making the workplace modifications. Any credit in excess of the tax liability shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a 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 small business elects to take the assistive device tax credit, the small business shall not deduct for Iowa tax purposes any amount of the cost of an assistive device or workplace modifications which is deductible for federal income tax purposes.

b. To receive the assistive device tax credit, the eligible small business must submit an application to the department of economic development. If the taxpayer meets the criteria for eligibility, the department of economic development shall issue to the taxpayer a certification of entitlement for the assistive device tax credit. However, the combined amount of tax credits that may be approved for a fiscal year under this subsection and section 422.11E shall not exceed five hundred thousand dollars. Tax credit certificates shall be issued on an earliest filed basis. The certification shall contain the taxpayer's name, address, tax identification number, the amount of the credit, and tax year for which the certificate applies. The taxpayer must file the tax credit certificate with the taxpayer's corporate income tax return in order to claim the tax credit. The departments of economic development and revenue and finance shall each adopt rules to jointly administer this subsection and shall provide by rule for the method to be used to determine for which fiscal year the tax credits are approved.

c. For purposes of this subsection:

(1) "Assistive device" means any item, piece of equipment, or product system which is used to increase, maintain, or improve the functional capabilities of an individual with a disability in the workplace or on the job. "Assistive device" does not mean any medical device, surgical device, or organ implanted or transplanted into or attached directly to an individual. "Assistive device" does not include any device for which a certificate of title is



issued by the state department of transportation, but does include any item, piece of equipment, or product system otherwise meeting the definition of "assistive device" that is incorporated, attached, or included as a modification in or to such a device issued a certificate of title.

(2) "Disability" means the same as defined in section 225C.46.

(3) "Small business" means a business that either had gross receipts for its preceding tax year of three million dollars or less or employed not more than fourteen full-time employees during its preceding tax year.

(4) "Workplace modifications" means physical alterations to the work environment.

Sec. 14. Section 422.33, Code Supplement 1999, is amended by adding the following new subsection:

**NEW SUBSECTION.** 9. a. The taxes imposed under this division shall be reduced by a property rehabilitation tax credit equal to the amount as computed under chapter 404A for rehabilitating eligible property. Any credit in excess of the tax liability shall be refunded as provided in section 404A.4, subsection 3.

b. For purposes of this subsection, "eligible property" means the same as used in section 404A.1.

Sec. 15. Section 427.1, Code Supplement 1999, is amended by adding the following new subsection:

**NEW SUBSECTION.** 31. BARN PRESERVATION. The increase in assessed value added to a farm structure constructed prior to 1937 as a result of improvements made to the farm structure for purposes of preserving the integrity of the internal and external features of the structure as a barn is exempt from taxation. To be eligible for the exemption, the structure must have been first placed in service as a barn prior to 1937. The exemption shall apply to the assessment year beginning after the completion of the improvements to preserve the structure as a barn.

For purposes of this subsection, "barn" means an agricultural structure, in whatever shape or design, which is used for the storage of farm products or feed or for the housing of farm animals, poultry, or farm equipment.

Application for this exemption shall be filed with the assessing authority not later than February 1 of the first year for which the exemption is requested, on forms provided by the department of revenue and finance. The application shall describe and locate the specific structure for which the added value is requested to be exempt.

Once the exemption is granted, the exemption shall continue to be granted for subsequent assessment years without further filing of applications as long as the structure continues to be used as a barn. The taxpayer shall notify the assessing authority when the structure ceases to be used as a barn.

Sec. 16. Section 25B.7 does not apply to the exemption granted pursuant to section 15 of this Act.

Sec. 17. Section 427.1, Code Supplement 1999, is amended by adding the following new subsection:

**NEW SUBSECTION.** 32. ONE-ROOM SCHOOLHOUSE PRESERVATION. The increase in assessed value added to a one-room schoolhouse as a result of improvements made to the structure for purposes of preserving the integrity of the internal and external features of the structure as a one-room schoolhouse is exempt from taxation. The exemption shall apply to the assessment year beginning after the completion of the improvements to preserve the structure as a one-room schoolhouse.

Application for this exemption shall be filed with the assessing authority not later than February 1 of the first year for which the exemption is requested, on forms provided by the department of revenue and finance. The application shall describe and locate the specific one-room schoolhouse for which the added value is requested to be exempt.

Once the exemption is granted, the exemption shall continue to be granted for subsequent assessment years without further filing of applications as long as the structure is not used for dwelling purposes and the structure is preserved as a one-room schoolhouse. The taxpayer shall notify the assessing authority when the structure ceases to be eligible. The exemption in this subsection applies even though the one-room schoolhouse is no longer used for instructional purposes.

Sec. 18. Section 25B.7 does not apply to the exemption granted pursuant to section 17 of this Act.

Sec. 19. The legislative council is requested to establish an interim study committee to review the benefits of allowing state tax credits to be transferable. In reviewing the transferability of state tax credits, the study committee shall analyze the benefits to the transferor, the transferee, and to the state, the administrative costs involved, the conditions under which transferability should be allowed, and the restrictions that should be placed on transferability, if any. The study committee's report along with its recommendations shall be filed with the legislative council by January 1, 2001.

Sec. 20. **APPLICABILITY PROVISION.** Chapter 404A, enacted in this Act, applies to qualified rehabilitation costs incurred on or after July 1, 2000.

Sec. 21. **APPLICABILITY DATE.** Sections 1, 2, 9, 11, 12, and 13, of this Act apply retroactively to January 1, 2000, for tax years beginning on or after that date. Section 8 of this Act applies to tax years beginning on or after January 1, 2001.

Approved May 16, 2000

---

## CHAPTER 1195

### SALES AND USE TAXES — INFORMATION SERVICES — TRANSACTIONS DELIVERED ELECTROMAGNETICALLY, DIGITALLY, OR VIA CABLE OR FIBER OPTICS

*H.F. 2562*

**AN ACT** relating to the treatment for sales and use tax purposes of sales where the substance of the transactions is delivered by electromagnetic waves, digitally, or by way of cable or fiber optics, the exemption from the sales and use taxes of the furnishing, sale, or rental of information services, providing of refunds, requesting a task force be established, and including an effective and retroactive applicability date provision.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. Section 421.17, Code Supplement 1999, is amended by adding the following new subsection:

**NEW SUBSECTION.** 22B. Enter into agreements or compacts with remote sellers, retailers, or third-party providers for the voluntary collection of Iowa sales or use taxes attributable to sales into Iowa and to enter into multistate agreements or compacts that provide for the voluntary collection of sales and use taxes. The agreements or compacts shall generally conform to the provisions of Iowa sales and use tax statutes. All fees for services, reimbursements, remuneration, incentives, and costs incurred by the department associated with these agreements or compacts may be paid or reimbursed from the additional revenue gen-