

15E.45 Community-based seed capital funds.

1. An investment in a community-based seed capital fund shall qualify for a tax credit under section 15E.43 provided that all requirements of sections 15E.43, 15E.44, and this section are met.
2. In order to be a community-based seed capital fund qualifying under this section, a community-based seed capital fund must meet all of the following criteria:
 - a. The fund is a limited partnership or limited liability company.
 - b. The fund has, on or after January 1, 2002, a total of both capital commitments from investors and investments in qualifying businesses of at least one hundred twenty-five thousand dollars, but not more than three million dollars. However, if a fund is either a rural business investment company under the rural business investment program of the federal Farm Security and Rural Investment Act of 2002, Pub. L. No. 107-171, or an Iowa-based seed capital fund with at least forty percent of its committed capital subscribed by community-based seed capital funds, the fund may qualify notwithstanding having capital in excess of the limits set forth in this paragraph as long as the fund otherwise meets the requirements of this subsection.
 - c. The fund has no fewer than five investors who are not affiliates, with no single investor and affiliates of that investor together owning a total of more than twenty-five percent of the ownership interests outstanding in the fund.
3.
 - a. In order for an investment in a community-based seed capital fund to qualify for a tax credit, the community-based seed capital fund in which the investment is made shall, within one hundred twenty days of the date of the first investment, notify the board of all of the following:
 - (1) The names, addresses, taxpayer identification numbers, equity interests issued, consideration paid for the interests, and the amount of any tax credits.
 - (2) All limited partners or members who may initially qualify for the tax credits.
 - (3) The earliest year in which the tax credits may be redeemed.
 - b. The list of limited partners or members who may qualify for the tax credits shall be amended as new equity interests are sold or as any information on the list shall change.
4. After verifying the eligibility of the community-based seed capital fund, the board shall issue a tax credit certificate to be attached to the taxpayer's tax return. The tax credit certificate shall contain the taxpayer's name, address, tax identification number, the amount of the tax credit, the name of the community-based seed capital fund, and other information required by the department of revenue. The tax credit certificate, unless rescinded by the board, shall be accepted by the department of revenue or a local taxing district, as applicable, as payment for taxes imposed pursuant to chapter 422, divisions II, III, and V, and chapter 432, and as payment for the moneys and credits tax imposed pursuant to section 533.24, subject to any conditions or restrictions placed by the board on the face of the tax credit certificate and subject to the limitations of section 15E.43.
5. The manager of the community-based seed capital fund shall have the burden of proof to demonstrate to the board the community-based seed capital fund's qualifications under this section, and shall have the obligation to notify the board in a timely manner of any changes in the qualifications of the community-based seed capital fund, in the qualifications of any qualifying business in which the fund has invested, or in the eligibility of limited partners or members to redeem the investment tax credits in any year.
6. In the event that a community-based seed capital fund fails to meet or maintain any requirement set forth

in this section, or in the event that at least thirty-three percent of the invested capital of the community-based seed capital fund has not been invested in one or more separate qualifying businesses, measured at the end of the forty-eighth month after commencing the fund's investing activities, the board shall rescind any tax credit certificates issued to limited partners or members and shall notify the department of revenue that it has done so, and the tax credit certificates shall be null and void. However, a community-based seed capital fund may apply to the board for a one-year waiver of the requirements of this subsection.

7. An investor in a community-based seed capital fund shall receive a tax credit pursuant to this division only for the investor's investment in the community-based seed capital fund and shall not receive any additional tax credit for the investor's share of investments made by the community-based seed capital fund in a qualifying business or in an Iowa-based seed capital fund with at least forty percent of its committed capital subscribed by community-based seed capital funds. However, an investor in a community-based seed capital fund may receive a tax credit under this division with respect to a separate direct investment made by the investor in the same qualifying business in which the community-based seed capital fund invests.

8. A community-based seed capital fund shall not invest in the Iowa fund of funds, if organized pursuant to section 15E.65, but may invest up to sixty percent of its committed capital in an Iowa-based seed capital fund with at least forty percent of its committed capital subscribed by community-based seed capital funds.

2002 Acts, ch 1006, §5, 13; 2003 Acts, ch 44, §10; 2003 Acts, ch 145, §286; 2003 Acts, ch 179, §98, 159; 2004 Acts, ch 1148, §57; 2005 Acts, ch 157, §3, 4

Section takes effect February 28, 2002, and applies retroactively to tax years beginning on or after January 1, 2002; 2002 Acts, ch 1006, §13

2003 amendment to subsection 2, paragraph c, is effective May 30, 2003, and applies retroactively to January 1, 2002, for tax years beginning on or after that date; 2003 Acts, ch 179, §159

2004 amendments to subsection 2, paragraphs b and c, and subsection 6 apply retroactively to tax years beginning on or after January 1, 2002; 2004 Acts, ch 1148, §7