

**261—56.2(85GA, HF648) Program eligibility, application, and funding decisions.**

**56.2(1) Program eligibility.** To be eligible under the program, an applicant shall meet all of the following requirements:

- a. The business is interested in establishing an ESOP.
- b. The business is, or documents intent to become, an Internal Revenue Service (IRS) subchapter C or subchapter S corporation.
- c. The business has a valuation that is sufficient to make an ESOP feasible. A business with valuation less than \$5 million is generally not considered a feasible candidate for an ESOP.
- d. The business has a number of employees, eligible employee types, and a total payroll that are sufficient to make an ESOP feasible. A business with fewer than 25 full-time, permanent employees is generally not considered a feasible candidate for an ESOP.
- e. The applicant shall have a cash flow level sufficient to make an ESOP feasible. A business with cash flow less than \$500,000 is generally not considered a feasible candidate for an ESOP.
- f. The business is not a business engaged in the business of sale at retail of tangible personal property or taxable services in this state or online. “Sale at retail” means the same as defined in Iowa Code section 423.1(46). Any business obligated to collect sales or use tax under Iowa Code chapter 423 may be ineligible pursuant to this paragraph.
- g. The business is not a publicly traded company.
- h. The business has not completed a feasibility study for purposes of exploring formation of a qualified Iowa ESOP in the three years prior to application for the program.

**56.2(2) Application.** The authority will accept applications for the program on a rolling basis. Information on submitting an application is available on the authority’s website.

**56.2(3) Application scoring.** The authority may engage outside experts for assistance in evaluating the applications as needed. An applicant may be required to interview with authority staff or outside experts engaged by the authority. Authority staff will score applications based on the extent to which an applicant is a feasible candidate to form a qualified Iowa ESOP. The authority will keep records of the scoring process and make those records available to applicants.

**56.2(4) Funding decisions.** The director will make the final funding decision on each application, taking into consideration the score and the funding recommendation of authority staff. The director will not approve funding for an application that receives an average score of less than 50 points.

**56.2(5) Amount of assistance.** An applicant to the program may be approved for financial assistance in an amount equal to 50 percent of the cost incurred for obtaining a feasibility study conducted by an independent financial professional. The total amount of financial assistance provided to an applicant will not exceed \$25,000.

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