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[HF 339](#) – Investor and Innovation Fund Investment Tax Credit Allocations (LSB1250HV)  
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Fiscal Note Version – New

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**Description**

[House File 339](#) increases the current \$2.0 million aggregate maximum annual tax credit allocation for the [Qualifying Business Tax Credit](#) to at least \$2.0 million and not more than \$4.0 million. In addition, the Bill reduces the current \$8.0 million aggregate maximum annual tax credit allocation for the [Innovation Fund Investment Tax Credit](#) to at least \$6.0 million and no more than \$8.0 million. Under both current law and the proposed law, the Iowa Economic Development Authority (IEDA) is allowed to allocate less than the specified minimum under both programs if the IEDA determines that insufficient demand exists. The changes take effect upon enactment.

**Background**

The IEDA tax credit tracking and reporting document (provided monthly to the IEDA Board) combines the two business tax credits into one \$10.0 million annual cap. Over the last four fiscal years (FY 2015 through FY 2018), an average of \$3.6 million of the \$10.0 million cap has been awarded. The Department of Revenue reports that in recent years, the highest utilization for the Innovation Fund Investment Tax Credit was \$3.7 million of that credit's \$8.0 million annual cap.

For both tax credit programs, the tax credit equals 25.0% of the qualified investment. The tax credits are transferable and, in some cases, refundable.

**Assumptions**

- The Qualifying Business Tax Credit has been operating at or near its \$2.0 million annual allocation cap.
- The Innovation Fund Investment Tax Credit has been operating well under its annual \$8.0 million allocation cap.
- There is sufficient demand for the Qualifying Business Tax Credit to fully utilize the additional \$2.0 million annual allocation, so transferring allocation cap amounts to the Qualifying Business Tax Credit from the Innovation Fund Investment Tax Credit will result in the redemption of up to \$2.0 million in additional tax credits each year, beginning FY 2020.
- Once awarded, tax credits are assumed to be redeemed on the following schedule:
  - Year 1 (year of award) = 70.0%
  - Year 2 = 25.0%
  - Year 3 = 2.0%
  - Never redeemed = 3.0%

**Fiscal Impact**

Increasing the maximum annual allocation to the Qualifying Business Tax Credit by \$2.0 million and decreasing the annual allocation to the Innovation Fund Investment Tax Credit by the same amount is projected to reduce net General Fund revenue by \$1.4 million in FY 2020 and \$1.9 million in future fiscal years.

**Sources**

Iowa Economic Development Authority  
Department of Revenue

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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