



HF 277 – Regenerative Medicine Research Tax Credit (LSB1902YH)
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Fiscal Note Version – New

Description

House File 277 creates a new income tax credit for contributions made to a qualified regenerative medicine research institution. The credit is equal to 60.0% of the contribution amount, and any contribution used to receive the credit cannot be also used as an itemized deduction for Iowa income tax purposes. The credit is not transferable and is not refundable, but any unused portion may be carried forward for up to four additional tax years. The credit is available for tax years beginning on or after January 1, 2020.

No more than \$2.0 million in tax credits may be approved in a fiscal year. Applications for the credit received after the \$2.0 million annual cap are placed on a wait list for tax credit allocation in the next fiscal year.

For a contribution to qualify for the tax credit, the research entity must:

- Be a [501\(c\)\(3\)](#) tax exempt entity under the federal Internal Revenue Code.
- Be principally located in Iowa.
- Be engaged in regenerative medicine research solely using adult stem cells, and the research must meet additional qualifications.
- Spend at least 51.0% of its annual budget on qualified research.
- Agree to provide certain qualification information to the Department of Revenue.
- Meet operational restrictions related to affiliations.

Assumptions

- The entire \$2.0 million in tax credits allowed each fiscal year will be awarded.
- Although some credits may be awarded to corporate taxpayers, for simplicity, all tax credits are assumed to be claimed on individual income tax returns.
- The redemption schedule for the new tax credit will follow a pattern similar to the Endow Iowa Tax Credit and the School Tuition Organization Tax Credit:
 - Year 1 = 60.0% of amount awarded
 - Year 2 = 25.0%
 - Year 3 = 8.0%
 - Expiring without redemption = 7.0%
- Without the new tax credit, the contributed funds would all be contributed to an entity or cause that would generate an itemized deduction for the taxpayer. This assumption means that a portion of the fiscal impact of the new credit is offset by reduced itemized deductions.
- Nonrefundable tax credits impact the calculation of the local option income surtax for schools. Over the past four calendar years, local option income surtax has equaled 2.3% of net individual income tax revenue.

Fiscal Impact

The new tax credit for regenerative medicine research is projected to reduce net State General Fund revenue by the following amounts:

- FY 2021 = \$-1.0 million
- FY 2022 = \$-1.5 million
- FY 2023 and after = \$-1.6 million

The new tax credit will also reduce the amount of revenue generated by the local option income surtax for schools. The projected impact is a reduction of \$20,000 in FY 2021, growing to \$40,000 in FY 2022 and after.

The Department of Revenue reports that the projected one-time expenses associated with implementing the new tax credit will total \$240,000, and the ongoing annual staff costs are projected at \$23,000.

Source

Iowa Department of Revenue

/s/ Holly M. Lyons

February 18, 2019

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.
