

House File 2431

PAG LIN

HOUSE FILE 2431

1 1

1 2

1 3

AN ACT

1 4 RELATING TO EDUCATIONAL INSTITUTIONS UNDER THE UNIVERSITY=BASED
1 5 RESEARCH UTILIZATION PROGRAM.

1 6

1 7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 8

1 9 Section 1. Section 262B.11, subsections 1, 2, 3, and 4,
1 10 Code Supplement 2003, are amended to read as follows:

1 11 1. The department of economic development shall establish

1 12 and administer a university-based research utilization program

1 13 for purposes of encouraging the utilization of university=

1 14 based research, primarily in the area of high technology, in

1 15 new or existing businesses. The program shall include the

1 16 three universities under the control of the state board of

1 17 regents, community colleges established under chapter 260C,

1 18 and all accredited private universities located in the state.

1 19 For purposes of this section, "educational institution" means

1 20 a university under the control of the state board of regents,

1 21 a community college established under chapter 260C, or an

1 22 accredited private university located in the state.

1 23 2. A new or existing business that utilizes a technology

1 24 developed by an employee at ~~a university under the control of~~

~~the state board of regents~~ an educational institution may

1 26 apply to the department of economic development for approval

1 27 to participate in the university-based research utilization

1 28 program. The department shall approve an applicant if the

1 29 applicant meets all of the following criteria:

1 30 a. The applicant utilizes a technology developed by an

1 31 employee at ~~a university under the control of the state board~~

~~of regents~~ an educational institution, provided that the

1 33 technology has received a patent after July 1, 2003. If the

1 34 applicant has been in existence more than one year prior to

1 35 applying, the applicant shall organize a separate company to

2 1 utilize the technology. For purposes of this section, the

2 2 separate company shall be considered the applicant and, if

2 3 approved, the approved business.

2 4 b. The applicant develops a five-year business plan

2 5 approved by the department. The plan shall include

2 6 information concerning the applicant's Iowa employment goals

2 7 and projected impact on the Iowa economy. The department

2 8 shall only approve plans showing sufficient potential impact

2 9 on Iowa employment and economic development.

2 10 c. The applicant meets a minimum-size business standard

2 11 determined by the department.

2 12 d. The applicant provides annual reports to the department

2 13 that include employment statistics for the applicant and the

2 14 total taxable wages paid to Iowa employees and reported to the

2 15 department of revenue pursuant to section 422.16.

2 16 3. A business approved under the program and the

2 17 ~~university~~ employee of an educational institution responsible

2 18 for the development of the technology utilized by the approved

2 19 business shall be eligible for a tax credit. The credit shall

2 20 be allowed against the taxes imposed in chapter 422, divisions

2 21 II and III. An individual may claim a tax credit under this

2 22 section of a partnership, limited liability company, S

2 23 corporation, estate, or trust electing to have income taxed

2 24 directly to the individual. The amount claimed by the

2 25 individual shall be based upon the pro rata share of the

2 26 individual's earnings from the partnership, limited liability

2 27 company, S corporation, estate, or trust. A tax credit shall

2 28 not be claimed under this subsection unless a tax credit

2 29 certificate issued by the department of economic development

2 30 is attached to the taxpayer's tax return for the tax year for

2 31 which the tax credit is claimed. The amount of a tax credit

2 32 allowed under this subsection shall equal the amount listed on

2 33 a tax credit certificate issued by the department of economic

2 34 development pursuant to subsection 4. A tax credit

2 35 certificate shall not be transferable. Any tax credit in

3 1 excess of the taxpayer's liability for the tax year may be

3 2 credited to the taxpayer's tax liability for the following

3 3 five years or until depleted, whichever occurs first. A tax

3 4 credit shall not be carried back to a tax year prior to the

3 5 tax year in which the taxpayer redeems the tax credit.

3 6 4. For the five tax years following the tax year in which
3 7 a business is approved under the program, the department of
3 8 revenue shall provide the department of economic development
3 9 with information required by the department of economic
3 10 development from each tax return filed by the approved
3 11 business. Upon receiving the tax return-related information,
3 12 the department of economic development shall do all of the
3 13 following:

3 14 a. Review the information provided by the department of
3 15 revenue pursuant to this subsection and the annual report
3 16 submitted by the applicant pursuant to subsection 2, paragraph
3 17 "d". If the department determines that the business
3 18 activities of the applicant are not providing the benefits to
3 19 Iowa employment and economic development projected in the
3 20 applicant's approved five-year business plan, the department
3 21 shall not issue tax credit certificates for that year to the
3 22 applicant or ~~university~~ employee of an educational institution
3 23 and shall determine any related university share to be equal
3 24 to zero for that year.

3 25 b. Effective for the fiscal year beginning July 1, 2004,
3 26 and for subsequent fiscal years, issue a tax credit
3 27 certificate to the approved business and the ~~university~~
3 28 employee of an educational institution responsible for the
3 29 development of the technology utilized by the approved
3 30 business in an amount determined pursuant to subsection 5. A
3 31 tax credit certificate shall contain the taxpayer's name,
3 32 address, tax identification number, the amount of the tax
3 33 credit, and other information required by the department of
3 34 revenue.

3 35 c. (1) ~~Determine If the educational institution at issue~~
4 1 is a university under the control of the state board of
4 2 regents, determine the university share which is equal to the
4 3 value of thirty percent of the tax liability of the approved
4 4 business for purposes of making an appropriation pursuant to
4 5 section 262B.12, to the university where the technology
4 6 utilized by the approved business was developed. A university
4 7 share shall not exceed two hundred twenty-five thousand
4 8 dollars per year per technology utilized. For each technology
4 9 utilized, the aggregate university share over a five-year
4 10 period shall not exceed six hundred thousand dollars.

4 11 (2) The department shall maintain records for each
4 12 university during each fiscal year regarding the university
4 13 share each university is entitled to receive through the
4 14 appropriation in section 262B.12. A university shall be
4 15 entitled to receive the total university share for that
4 16 particular university during the previous fiscal year.

4 17 d. For the fiscal year beginning July 1, 2004, not more
4 18 than two million dollars worth of certificates shall be issued
4 19 pursuant to paragraph "b". For the fiscal year beginning July
4 20 1, 2005, and every fiscal year thereafter, not more than ten
4 21 million dollars worth of certificates shall be issued pursuant
4 22 to paragraph "b".

4 23 Sec. 2. Section 262B.11, subsection 5, paragraph b, Code
4 24 Supplement 2003, is amended to read as follows:

4 25 b. For the ~~university~~ employee of an educational
4 26 institution responsible for the development of the technology
4 27 utilized by the approved business, the value of the tax credit
4 28 certificate shall equal ten percent of the tax liability of
4 29 the approved business. If more than one employee is
4 30 responsible for the development of the technology, the value
4 31 equal to ten percent of the tax liability of the approved
4 32 business shall be divided equally and individual tax credit
4 33 certificates shall be issued to each employee responsible for
4 34 the development of the technology. Each year, the total value
4 35 of a certificate or certificates issued for a utilized
5 1 technology shall not exceed seventy-five thousand dollars.
5 2 For each technology utilized, the total aggregate value of
5 3 certificates issued over a five-year period to the ~~university~~
5 4 employee of an educational institution responsible for the
5 5 development of the technology shall not exceed two hundred
5 6 thousand dollars.

5 7
5 8
5 9

5 10 _____
5 11 CHRISTOPHER C. RANTS
5 12 Speaker of the House

5 13
5 14 _____
5 15 JEFFREY M. LAMBERTI
5 16 President of the Senate

5 17
5 18 I hereby certify that this bill originated in the House and
5 19 is known as House File 2431, Eightieth General Assembly.

5 20
5 21

5 22
5 23 _____
5 24 MARGARET THOMSON
5 25 Chief Clerk of the House

5 26 Approved _____, 2004

5 27
5 28

5 29 _____
5 30 THOMAS J. VILSACK
Governor