



OFFICE OF THE GOVERNOR

THOMAS J. VILSACK
GOVERNOR

SALLY J. PEDERSON
LT. GOVERNOR

June 13, 2005

The Honorable Chester Culver
Secretary of State
State Capitol Building
LOCAL

Dear Mr. Secretary:

I hereby transmit:

House File 831, an Act relating to tax credits for equity investments in qualifying businesses or community-based seed capital funds.

The above House File is hereby approved this date.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas J. Vilsack".

Thomas J. Vilsack
Governor

TJV:jmc

cc: Secretary of the Senate
Chief Clerk of the House





HOUSE FILE 831

AN ACT

RELATING TO TAX CREDITS FOR EQUITY INVESTMENTS IN QUALIFYING
BUSINESSES OR COMMUNITY-BASED SEED CAPITAL FUNDS.

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

Section 1. Section 15E.43, subsection 4, Code 2005, is amended to read as follows:

4. The aggregate amount of tax credits issued pursuant to this division shall not exceed a total of ten million dollars. The total amount of tax credits issued during the fiscal year beginning July 1, 2002, shall not exceed three million dollars. The total amount of tax credits issued during the fiscal year beginning July 1, 2003, shall not exceed three million dollars. The total amount of tax credits issued during the fiscal year beginning July 1, 2004, shall not exceed four million dollars. Any amount of the maximum aggregate limit of tax credits that have not been issued by June 30, 2005, may be issued in any subsequent fiscal year. Not more than three million dollars of tax credits may be issued in any one subsequent fiscal year.

Sec. 2. Section 15E.44, subsection 2, paragraphs b and e, Code 2005, are amended to read as follows:

b. The business has been in operation for ~~three~~ six years or less.

e. The business shall not have a net worth that exceeds ~~three~~ ten million dollars.

Sec. 3. Section 15E.45, subsection 2, paragraph b, Code 2005, is amended to read as follows:

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.

Sec. 4. Section 15E.45, subsections 6, 7, and 8, Code 2005, are amended to read as follows:

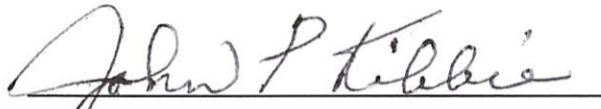
6. In the event that a community-based seed capital fund fails to meet or maintain any requirement set forth in this section, or in the event that at least thirty-three percent of the invested capital of the community-based seed capital fund has not been invested at-least-thirty-three-percent-of-its invested-capital in one or more separate qualifying businesses, measured at the end of the ~~thirty-sixth~~ 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 ~~in-a-qualifying-business~~ 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.



CHRISTOPHER C. RANTS
Speaker of the House



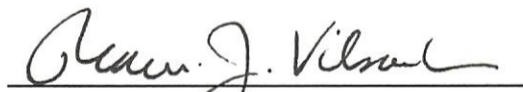
JOHN P. KIBBIE
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 831, Eighty-first General Assembly.



MARGARET THOMSON
Chief Clerk of the House

Approved June 13, 2005



THOMAS J. VILSACK
Governor