

Reprinted

1992

SENATE FILE 2213
BY COMMITTEE ON SMALL
BUSINESS AND ECONOMIC
DEVELOPMENT
Approved (p. 489)
(SUCCESSOR TO SSB 2173)

Passed Senate, Date 3/13/92 (p. 765) Passed House, Date 4/2/92 (p. 1052)
Vote: Ayes 44 Nays 2 Vote: Ayes 94 Nays 1
Approved April 21, 1992

A BILL FOR

1 An Act providing for a rural small business transfer linked
2 investment loan program administered by the treasurer of
3 state, and providing for the deposit of state moneys in
4 financial institutions.

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

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SF 2213

1 Section 1. NEW SECTION. 12.40 RURAL SMALL BUSINESS

2 TRANSFER LINKED INVESTMENT LOAN PROGRAM.

3 1. The treasurer of state shall adopt rules consistent
4 with this division to implement a rural small business
5 transfer linked investment loan program to further the
6 following purposes:

7 a. To promote the business prosperity and economic welfare
8 of Iowa through promoting the prosperity and economic welfare
9 of rural Iowa.

10 b. To maintain and expand existing employment
11 opportunities and the provision of retail goods on a local
12 level in small rural communities by assisting in the transfer
13 of ownership of retail-oriented businesses where, in the
14 absence of sufficient financial assistance, the businesses may
15 close.

16 2. Upon the placement of linked investment moneys with a
17 lending institution, the institution is required to lend money
18 to a person pursuant to rules adopted by the treasurer of
19 state for the transfer of an existing rural retail business,
20 including but not limited to a grocery store, motor vehicle
21 service station, fuel oil supplier, hardware business,
22 equipment or auto dealership, lumber yard, grain warehouse,
23 agricultural supply facility, pharmacy, or physician's,
24 dentist's or attorney's practice. The rural retail business
25 must be an ongoing enterprise located in an incorporated or
26 unincorporated rural area which includes a city, as defined in
27 section 362.2, with a population of five thousand or less and
28 which is not contiguous with a city having a population of
29 more than five thousand. A rural retail business eligible to
30 be transferred under this program does not include a rural
31 retail business which derives its primary source of revenue
32 from the sale of alcoholic liquor, wine, or beer.

33 3. The transfer of the rural retail business must be by
34 purchase, lease-purchase, or long-term lease. The purchase or
35 lease must be for a portion of the business which is essential

1 to its continued viability, including real estate where the
2 business is located, fixtures attached to the real estate,
3 equipment relied upon by the business, and inventory for sale
4 by the business.

5 4. The lending institution shall apply all usual lending
6 standards to determine the creditworthiness of each eligible
7 borrower. The lending institution shall forward to the
8 treasurer of state all information or any certification
9 relating to the loan required and in a manner prescribed by
10 this division and rules which shall be adopted by the
11 treasurer of state.

12 5. The maximum loan amount that a borrower may receive
13 under this program shall not be more than fifty thousand
14 dollars.

15 6. Not more than one-third of the amount of the percentage
16 authorized in section 12.34 may be used for purposes of
17 supporting this program.

18

EXPLANATION

19 This bill relates to the transfer of rural retail
20 enterprises. The bill creates a program designed to
21 facilitate the transfer of these enterprises.

22 The program is referred to as the rural small business
23 transfer linked investment loan program. The treasurer of
24 state is required to establish a program using moneys
25 available through the "Linked Investments for Tomorrow Act" as
26 provided in section 12.31 et seq. The bill provides that upon
27 the placement of linked investment moneys with a lending
28 institution, the institution is required to lend money to a
29 person pursuant to rules adopted by the treasurer of state for
30 the transfer of an existing rural retail business. The
31 transfer must be by purchase or long-term lease. The purchase
32 or lease must be for a portion of the business which is
33 essential to its continued viability. The maximum loan amount
34 that a borrower may receive under this program shall not be
35 more than \$50,000. Not more than one-third of moneys

1 available under the Linked Investments for Tomorrow Act may be
2 used to support the program.

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SENATE FILE 2213

S-5154

- 1 Amend Senate File 2213 as follows:
- 2 1. Page 2, by inserting after line 17 the fol-
- 3 lowing:
- 4 "Sec. ____ . Section 12.51, Code Supplement 1991, is
- 5 repealed."
- 6 2. By renumbering as necessary.

By JAMES R. RIORDAN

S-5154 FILED MARCH 9, 1992

w/d 3/13 (p. 765)

SENATE FILE 2213

S-5155

- 1 Amend Senate File 2213 as follows:
- 2 1. Page 2, line 17, by inserting after the word
- 3 "program" the following: "and the main street linked
- 4 investment loan program under section 12.51".

By JAMES R. RIORDAN

S-5155 FILED MARCH 9, 1992

Adopted 3/13 (p. 764)

**SENATE FILE 2213
FISCAL NOTE**

A fiscal note for Senate File 2213 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 2213 establishes the Rural Small Business Transfer Linked Investment Loan Program. This is a linked investment program to facilitate the transfer of ownership of small businesses located in rural areas, thus maintaining a source of employment in the rural community. Businesses whose primary source of revenue is sale of beer, wine, or liquor are not eligible for this program. The maximum loan under this program is \$50,000.

Linked investment programs buy down interest rates for selected types of businesses by the Treasurer depositing State monies in financial institutions and accepting a below market rate of return. The financial institution then loans an equivalent amount to a selected business at a reduced interest rate. The lending institution applies its usual lending standards, determines the creditworthiness of the borrower, and assumes all risks for the loan.

Assumptions:

The Office of the Treasurer will be able to administer this program with current staff unless demand becomes excessive.

Fiscal Impact:

The start up costs will be approximately \$1,000.

There is no estimate of how many small businesses will take advantage of this program. For every \$1,000,000 loaned through this program, the State will forego approximately \$30,000 in earned investment income. This investment income would have been deposited in the General Fund.

Source: Office of the Treasurer

(LSB 6110sv, MDF)

FILED MARCH 2, 1992

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE **2213**
BY COMMITTEE ON SMALL
BUSINESS AND ECONOMIC
DEVELOPMENT

(SUCCESSOR TO SSB 2173)

(AS AMENDED AND PASSED BY THE SENATE MARCH 13, 1992)

----- - New Language by the Senate

Passed Senate, Date 4/9/92 (p. 1313) Passed House, Date 4/2/92 (p. 1052)
Vote: Ayes 44 Nays 1 Vote: Ayes 94 Nays 1
Approved April 21, 1992 (p. 1520)

A BILL FOR

1 An Act providing for a rural small business transfer linked
2 investment loan program administered by the treasurer of
3 state, and providing for the deposit of state moneys in
4 financial institutions.

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

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S.F. 2213

1 Section 1. NEW SECTION. 12.40 RURAL SMALL BUSINESS
2 TRANSFER LINKED INVESTMENT LOAN PROGRAM.

3 1. The treasurer of state shall adopt rules consistent
4 with this division to implement a rural small business
5 transfer linked investment loan program to further the
6 following purposes:

7 a. To promote the business prosperity and economic welfare
8 of Iowa through promoting the prosperity and economic welfare
9 of rural Iowa.

10 b. To maintain and expand existing employment
11 opportunities and the provision of retail goods on a local
12 level in small rural communities by assisting in the transfer
13 of ownership of retail-oriented businesses where, in the
14 absence of sufficient financial assistance, the businesses may
15 close.

16 2. Upon the placement of linked investment moneys with a
17 lending institution, the institution is required to lend money
18 to a person pursuant to rules adopted by the treasurer of
19 state for the transfer of an existing rural retail business,
20 including but not limited to a grocery store, motor vehicle
21 service station, fuel oil supplier, hardware business,
22 equipment or auto dealership, lumber yard, grain warehouse,
23 agricultural supply facility, pharmacy, or physician's,
24 dentist's or attorney's practice. The rural retail business
25 must be an ongoing enterprise located in an incorporated or
26 unincorporated rural area which includes a city, as defined in
27 section 362.2, with a population of five thousand or less and
28 which is not contiguous with a city having a population of
29 more than five thousand. A rural retail business eligible to
30 be transferred under this program does not include a rural
31 retail business which derives its primary source of revenue
32 from the sale of alcoholic liquor, wine, or beer.

33 3. The transfer of the rural retail business must be by
34 purchase, lease-purchase, or long-term lease. The purchase or
35 lease must be for a portion of the business which is essential

1 to its continued viability, including real estate where the
2 business is located, fixtures attached to the real estate,
3 equipment relied upon by the business, and inventory for sale
4 by the business.

5 4. The lending institution shall apply all usual lending
6 standards to determine the creditworthiness of each eligible
7 borrower. The lending institution shall forward to the
8 treasurer of state all information or any certification
9 relating to the loan required and in a manner prescribed by
10 this division and rules which shall be adopted by the
11 treasurer of state.

12 5. The maximum loan amount that a borrower may receive
13 under this program shall not be more than fifty thousand
14 dollars.

15 6. Not more than one-third of the amount of the percentage
16 authorized in section 12.34 may be used for purposes of
17 supporting this program and the main street linked investment
18 loan program under section 12.51.

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SENATE FILE 2213

H-5569

1 Amend Senate File 2213, as amended, passed, and
2 reprinted by the Senate, as follows:

3 1. Page 1, by inserting before line 1 the
4 following:

5 "Section 1. Section 12.36, subsections 2 and 3,
6 Code 1991, are amended to read as follows:

7 2. Upon acceptance of the linked investment loan
8 package or any portion of the package, the state
9 treasurer of state shall place certificates of deposit
10 with the eligible lending institution at a rate not
11 more than three percent below the current market rate.
12 After July 1, 1992, the treasurer of state shall not
13 place a certificate of deposit with an eligible
14 lending institution pursuant to this division, unless
15 the certificate of deposit earns a rate of interest of
16 at least two percent. When necessary, the treasurer
17 may place certificates of deposit prior to acceptance
18 of a linked investment loan package.

19 3. The eligible lending institution shall enter
20 into an investment agreement with the treasurer of
21 state, which shall include requirements necessary to
22 carry out this division. The requirements shall
23 reflect the market conditions prevailing in the
24 eligible lending institution's lending area. The
25 agreement may include a specification of the period of
26 time in which the lending institution is to lend funds
27 upon the placement of a linked investment, and shall
28 include provisions for the certificates of deposit to
29 be placed for one-year maturities that may be renewed
30 for five eight additional one-year periods. Interest
31 shall be paid at the times determined by the treasurer
32 of state."

33 2. Page 1, by inserting after line 2 the
34 following:

35 "_____. As used in this section, "rural small
36 business" means an existing rural small business, for
37 which local competition does not exist in the
38 principal realm of business activity of that business,
39 and the loss of which will work a hardship on the
40 rural community. A rural small business may include a
41 grocery store, drug store, gasoline station,
42 convenience store, hardware business, or farm supply
43 store. A rural small business does not include a new
44 business."

45 3. Page 1, line 16, by striking the word "a" and
46 inserting the following: "an eligible".

47 4. Page 1, by striking lines 19 through 32 and
48 inserting the following: "state for the transfer of a
49 rural small business. The rural small business must
50 be located in a city with a population of five

H-5569

H-5569

Page 2

1 thousand or less. A city located in a county with a
2 population in excess of three hundred thousand, if the
3 city is contiguous to another city in the county and
4 that other city is contiguous to the largest city in
5 that county, shall be considered as having a
6 population in excess of five thousand."

7 5. Page 1, line 34, by striking the words "long-
8 term lease" and inserting the following: "contract of
9 sale".

10 6. Page 1, lines 34 and 35, by striking the words
11 "or lease".

12 7. Page 2, line 5, by inserting after the word
13 "The" the following: "eligible".

14 8. Page 2, by inserting after line 11 the
15 following:

16 "____. A borrower and the seller of the rural small
17 business shall not be within the third degree of
18 consanguinity or affinity."

19 9. Page 2, by inserting after line 18 the
20 following:

21 "Sec. _____. Section 12.51, subsection 6, Code
22 Supplement 1991, is amended to read as follows:

23 6. ~~No~~ Not more than one-third of the amount
24 authorized in section 12.34 may be used for purposes
25 of this program and the rural small business transfer
26 linked investment loan program under section 12.40.

27 Sec. _____. APPLICABILITY AND EFFECTIVE DATES.

28 1. Section 12.36, subsection 3, as amended by this
29 Act, applies retroactively to investment agreements
30 executed before the effective date of this Act which
31 have not expired.

32 2. This Act, being deemed of immediate importance,
33 takes effect upon enactment."

34 10. Title page, line 1, by inserting after the
35 word "for" the following: "the Linked Investment for
36 Tomorrow Act, by providing for certificates of deposit
37 placed in eligible lending institutions, and".

38 11. Title page, lines 2 and 3, by striking the
39 words "administered by the treasurer of state, and
40 providing" and inserting the following: ",
41 providing".

42 12. Title page, by striking line 4, and inserting
43 the following: "lending institutions, and providing
44 retroactive applicability and effective dates."

45 13. By renumbering as necessary.

By COMMITTEE ON SMALL BUSINESS,
ECONOMIC DEVELOPMENT, AND TRADE
DODERER of Johnson, Chairperson

H-5569 FILED MARCH 27, 1992

Adopted as amended 4/2 (p. 1052)

SENATE FILE 2213-- --

H-5603

1 Amend Senate File 2213, as amended, passed, and
2 reprinted by the Senate, as follows:

3 1. Page 1, by inserting before line 1 the
4 following:

5 "Section 1. Section 12.32, subsection 1, Code
6 1991, is amended to read as follows:

7 -1. "Eligible borrower" means any person who is in
8 the business or is entering the business of producing,
9 processing, or marketing horticultural crops or
10 nontraditional crops in this state or a for profit
11 entity constructing a speculative shell building which
12 building will be exempt or partially exempt from
13 property tax under section 427.1, subsection 41.

14 Sec. ____ . Section 12.33, Code 1991, is amended to
15 read as follows:

16 12.33 LEGISLATIVE FINDINGS AND INTENT -- PURPOSE.

17 1. The general assembly finds the following:

18 a. That many horticultural operations throughout
19 the state are experiencing economic stagnation or
20 decline.

21 b. That high interest rates have caused
22 potentially viable operations to cease or not expand
23 in the area of horticultural or nontraditional crop
24 production, processing, or marketing.

25 c. That speculative shell buildings are a needed
26 tool in providing economic development in local areas.

27 2. The linked investments for tomorrow program
28 provided for in this division is intended to provide
29 statewide availability of lower cost funds for lending
30 purposes that will stimulate existing or encourage new
31 businesses in the area of producing, processing, or
32 marketing horticultural or nontraditional crops or
33 will encourage the construction of speculative shell
34 buildings.

35 3. It is the public policy of the state through
36 the linked investments for tomorrow program to create
37 an availability of lower cost funds to inject needed
38 capital into the business of producing, processing, or
39 marketing horticultural crops or nontraditional crops
40 or for the construction of speculative shell
41 buildings.

42 Sec. ____ . Section 12.35, subsection 1, Code 1991,
43 is amended to read as follows:

44 1. An eligible lending institution that desires to
45 receive a linked investment shall accept and review
46 applications for loans from eligible borrowers. The
47 lending institution shall apply all usual lending
48 standards to determine the credit worthiness of each
49 eligible borrower. Loan applications shall be for the
50 purchase or lease of land, machinery, equipment, seed,

H-5603

H-5603

Page 2

1 fertilizer, direct marketing facilities, or new or
2 expanding processing facilities for horticultural
3 crops or nontraditional crops, or for the construction
4 of speculative shell buildings by an eligible
5 borrower. The maximum size of a loan is two hundred
6 thousand dollars per borrower for a production loan,
7 and five hundred thousand dollars for processing or
8 marketing facilities, and two hundred fifty thousand
9 dollars for the construction of a speculative shell
10 building."

11 2. Page 2, by inserting after line 18 the
12 following:

13 "Sec. ____ . NEW SECTION. 422.11D SPECULATIVE
14 SHELL BUILDING TAX CREDIT.

15 1. The taxes imposed under this division less the
16 credits allowed under sections 422.11A, 422.11B,
17 422.12, and 422.12B, shall be reduced by an investment
18 tax credit for a speculative shell building, which
19 building is receiving or will receive an exemption or
20 partial exemption from property taxation under section
21 427.1, subsection 41. An individual may claim the
22 credit allowed a partnership, subchapter S
23 corporation, or estate or trust electing to have the
24 income taxed directly to the individual. The amount
25 claimed by the individual shall be based upon the pro
26 rata share of the individual's earnings of a
27 partnership, subchapter S corporation, or estate or
28 trust.

29 2. The amount of the credit is equal to five
30 percent of the cost of constructing a speculative
31 shell building. The tax credit is available for the
32 first tax year in which the taxpayer may take
33 depreciation on the speculative shell building.

34 3. Any credit in excess of the tax liability for
35 the tax year may be credited to the tax liability for
36 the following five years or until depleted, whichever
37 is earlier.

38 Sec. ____ . Section 422.33, Code Supplement 1991, is
39 amended by adding the following new subsection:

40 NEW SUBSECTION. 9. a. The taxes imposed under
41 this division shall be reduced by an investment tax
42 credit for a speculative shell building, which
43 building is receiving or will receive an exemption or
44 partial exemption from property taxation under section
45 427.1, subsection 41.

46 The amount of the credit is equal to five percent
47 of the cost of constructing a speculative shell
48 building. The tax credit is available for the first
49 tax year in which the taxpayer may take depreciation
50 on the speculative shell building.

H-5603

-2-

H-5603

Page 3

1 b. Any credit in excess of the tax liability for
2 the tax year may be credited to the tax liability for
3 the following five years or until depleted, whichever
4 is earlier.

5 Sec. _____. Section 422.45, Code Supplement 1991, is
6 amended by adding the following new subsection:

7 NEW SUBSECTION. 47. a. The gross receipts from
8 the sale of tangible personal property to a for profit
9 entity to be used in the construction of a speculative
10 shell building which will be exempt or partially
11 exempt from property taxation under section 427.1,
12 subsection 41, if such tangible personal property
13 becomes an integral part of the building.

14 b. If the speculative shell building which will be
15 exempt or partially exempt from property taxation
16 under section 427.1, subsection 41, is to be built by
17 a contractor under a written construction contract
18 with the for profit entity, the for profit entity may
19 make application to the department for refund of the
20 sales or use tax paid on tangible personal property
21 which becomes an integral part of the building.

22 (1) Such contractor shall state under oath, on
23 forms provided by the department, the amount of such
24 sales of tangible personal property used in the
25 performance of such contract, and upon which sales or
26 use tax has been paid, and shall file such forms with
27 the for profit entity which has made any written
28 contract for performance by the contractor. The forms
29 shall be filed by the contractor with the for profit
30 entity before final settlement is made.

31 (2) Such for profit entity shall, not more than
32 six months after the final settlement has been made,
33 make application to the department for any refund of
34 the amount of such sales or use tax which shall have
35 been paid upon any tangible personal property, such
36 application to be made in the manner and upon forms to
37 be provided by the department, and the department
38 shall forthwith audit such claim and, if approved,
39 issue a warrant to such for profit entity in the
40 amount of such sales or use tax which has been paid to
41 the state of Iowa under such contract.

42 (3) Any contractor who shall willfully make false
43 report of tax paid under the provisions of this
44 subsection shall be guilty of a simple misdemeanor and
45 shall be liable for the payment of the tax and any
46 applicable penalty and interest.

47 Sec. _____. Section 427.1, subsection 41, unnumbered
48 paragraph 1, Code Supplement 1991, is amended to read
49 as follows:

50 New construction of shell buildings by community

H-5603

-3-

H-5603

Page 4

1 development organizations or for profit entities for
2 speculative purposes or the portion of the value added
3 to buildings being reconstructed or renovated by
4 community development organizations or for profit
5 entities in order to become speculative shell
6 buildings. The exemption or partial exemption shall
7 be allowed only pursuant to ordinance of a city
8 council or board of supervisors, which ordinance shall
9 specify if the exemption will be available for
10 community development organizations, for profit
11 entities, or both, and shall be effective for the
12 assessment year in which the building is first
13 assessed for property taxation or the assessment year
14 in which the reconstruction or renovation first adds
15 value and all subsequent years until the property is
16 leased or sold or for a specific time period stated in
17 the ordinance or until the exemption is terminated by
18 ordinance of the city council or board of supervisors
19 which approved the exemption. If the shell building
20 or any portion of the shell building is leased or
21 sold, the portion of the shell building which is
22 leased or sold shall not be entitled to an exemption
23 under this subsection for subsequent years. An
24 application shall be filed pursuant to section 427B.4
25 for each project for which an exemption is claimed.
26 Upon the sale of the shell building, the shell
27 building shall be considered new construction for
28 purposes of section 427B.1 if used for purposes set
29 forth in section 427B.1.

30 Sec. _____. Section 427.1, subsection 41, paragraphs
31 b and c, Code Supplement 1991, are amended to read as
32 follows:

33 b. "New construction" means new buildings or
34 structures and includes new buildings or structures
35 which are constructed as additions to existing
36 buildings or structures. "New construction" also
37 includes reconstruction or renovation of an existing
38 building or structure which constitutes complete
39 replacement of an existing building or structure or
40 refitting of an existing building or structure, if the
41 reconstruction or renovation of the existing building
42 or structure is required due to economic obsolescence,
43 if the reconstruction or renovation is necessary to
44 implement recognized industry standards for the
45 manufacturing or processing of products, and the
46 reconstruction or renovation is required in order to
47 competitively manufacture or process products or for
48 community development organizations or for profit
49 entities to market a building or structure as a
50 speculative shell building, which determination must

H-5603

-4-

H-5603

Page 5

1 receive prior approval from the city council of the
2 city or county board of supervisors of the county.
3 c. "Speculative shell building" means a building
4 or structure owned and constructed or reconstructed by
5 a community development organization or a for profit
6 entity without a tenant or buyer for the purpose of
7 attracting an employer or user which will complete the
8 building to the employer's or user's specification for
9 manufacturing, processing, or warehousing the
10 employer's or user's product line."

11 3. Title page, line 4, inserting after the word
12 "institutions" the following: "and allowing linked
13 investments to be made for purposes of speculative
14 shell buildings under certain circumstances and
15 providing income tax, property tax, and sales and use
16 tax breaks for construction of certain speculative
17 shell buildings".

By GILL of Woodbury

H-5603 FILED MARCH 30, 1992

with 4/2 (p. 1052)

SENATE FILE 2213

H-5600

1 Amend the House amendment, H-5569, to Senate File
2 2213, as amended, passed, and reprinted by the Senate,
3 as follows:

4 1. Page 2, by inserting after line 6 the
5 following:

6 "_____. Page 1, line 33, by striking the word
7 "retail" and inserting the following: "small"."

8 2. By renumbering as necessary.

By GILL of Woodbury

H-5600 FILED MARCH 30, 1992

Adopted 4/2 (p. 1052)

HOUSE AMENDMENT TO
SENATE FILE 2213

S-5558

1 Amend Senate File 2213, as amended, passed, and
2 reprinted by the Senate, as follows:

3 1. Page 1, by inserting before line 1 the
4 following:

5 "Section 1. Section 12.36, subsections 2 and 3,
6 Code 1991, are amended to read as follows:

7 2. Upon acceptance of the linked investment loan
8 package or any portion of the package, the state
9 treasurer of state shall place certificates of deposit
10 with the eligible lending institution at a rate not
11 more than three percent below the current market rate.
12 After July 1, 1992, the treasurer of state shall not
13 place a certificate of deposit with an eligible
14 lending institution pursuant to this division, unless
15 the certificate of deposit earns a rate of interest of
16 at least two percent. When necessary, the treasurer
17 may place certificates of deposit prior to acceptance
18 of a linked investment loan package.

19 3. The eligible lending institution shall enter
20 into an investment agreement with the treasurer of
21 state, which shall include requirements necessary to
22 carry out this division. The requirements shall
23 reflect the market conditions prevailing in the
24 eligible lending institution's lending area. The
25 agreement may include a specification of the period of
26 time in which the lending institution is to lend funds
27 upon the placement of a linked investment, and shall
28 include provisions for the certificates of deposit to
29 be placed for one-year maturities that may be renewed
30 for five eight additional one-year periods. Interest
31 shall be paid at the times determined by the treasurer
32 of state."

33 2. Page 1, by inserting after line 2 the
34 following:

35 "_____. As used in this section, "rural small
36 business" means an existing rural small business, for
37 which local competition does not exist in the
38 principal realm of business activity of that business,
39 and the loss of which will work a hardship on the
40 rural community. A rural small business may include a
41 grocery store, drug store, gasoline station,
42 convenience store, hardware business, or farm supply
43 store. A rural small business does not include a new
44 business."

45 3. Page 1, line 16, by striking the word "a" and
46 inserting the following: "an eligible".

47 4. Page 1, by striking lines 19 through 32 and
48 inserting the following: "state for the transfer of a
49 rural small business. The rural small business must
50 be located in a city with a population of five

S-5558

-1-

S-5558

Page 2

1 thousand or less. A city located in a county with a
2 population in excess of three hundred thousand, if the
3 city is contiguous to another city in the county and
4 that other city is contiguous to the largest city in
5 that county, shall be considered as having a
6 population in excess of five thousand."

7 5. Page 1, line 33, by striking the word "retail"
8 and inserting the following: "small".

9 6. Page 1, line 34, by striking the words "long-
10 term lease" and inserting the following: "contract of
11 sale".

12 7. Page 1, lines 34 and 35, by striking the words
13 "or lease".

14 8. Page 2, line 5, by inserting after the word
15 "The" the following: "eligible".

16 9. Page 2, by inserting after line 11 the
17 following:

18 "____. A borrower and the seller of the rural small
19 business shall not be within the third degree of
20 consanguinity or affinity."

21 10. Page 2, by inserting after line 18 the
22 following:

23 "Sec. _____. Section 12.51, subsection 6, Code
24 Supplement 1991, is amended to read as follows:

25 6. No Not more than one-third of the amount
26 authorized in section 12.34 may be used for purposes
27 of this program and the rural small business transfer
28 linked investment loan program under section 12.40.

29 Sec. _____. APPLICABILITY AND EFFECTIVE DATES.

30 1. Section 12.36, subsection 3, as amended by this
31 Act, applies retroactively to investment agreements
32 executed before the effective date of this Act which
33 have not expired.

34 2. This Act, being deemed of immediate importance,
35 takes effect upon enactment."

36 11. Title page, line 1, by inserting after the
37 word "for" the following: "the Linked Investment for
38 Tomorrow Act, by providing for certificates of deposit
39 placed in eligible lending institutions, and".

40 12. Title page, lines 2 and 3, by striking the
41 words "administered by the treasurer of state, and
42 providing" and inserting the following: ",
43 providing".

44 13. Title page, by striking line 4, and inserting
45 the following: "lending institutions, and providing
46 retroactive applicability and effective dates."

47 14. By renumbering as necessary.

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S-5558 FILED APRIL 6, 1992

Senate Committee 4/5 (p. 1312)

HANNON, CH.
KIBBIE
SORENSON
BORLAUG
RITTMER

SSB 2173
SMALL BUSINESS & ECONOMIC
~~NEW DEVELOPMENT~~

SENATE FILE 2213
BY (PROPOSED COMMITTEE ON
SMALL BUSINESS AND
ECONOMIC DEVELOPMENT BILL
BY CHAIRPERSON RIORDAN)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the transfer of rural retail businesses, by
2 creating an assistance program and providing for the deposit
3 of state moneys.

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

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1 Section 1. NEW SECTION. 12.40 RURAL SMALL BUSINESS
2 TRANSFER LINKED INVESTMENT LOAN PROGRAM.

3 1. The treasurer of state shall adopt rules consistent
4 with this division to implement a rural small business
5 transfer linked investment loan program to further the
6 following purposes:

7 a. To promote the business prosperity and economic welfare
8 of Iowa through promoting the prosperity and economic welfare
9 of rural Iowa.

10 b. To maintain and expand existing employment
11 opportunities and the provision of retail goods on a local
12 level in small rural communities by assisting in the transfer
13 of ownership of retail-oriented businesses where, in the
14 absence of sufficient financial assistance, the businesses may
15 close.

16 2. Upon the placement of linked investment moneys with a
17 lending institution, the institution is required to lend money
18 to a person pursuant to rules adopted by the treasurer of
19 state for the transfer of an existing rural retail business,
20 including but not limited to a grocery store, motor vehicle
21 service station, fuel oil supplier, hardware business,
22 equipment or auto dealership, lumber yard, grain warehouse,
23 agricultural supply facility, pharmacy, or physician's,
24 dentist's or attorney's practice. The rural retail business
25 must be an ongoing enterprise located in an incorporated or
26 unincorporated rural area which includes a city, as defined in
27 section 362.2, with a population of three thousand or less and
28 which is not contiguous with a city having a population of
29 more than three thousand. A rural retail business eligible to
30 be transferred under this program does not include a rural
31 retail business which derives its primary source of revenue
32 from the sale of alcoholic liquor, wine, or beer.

33 3. The transfer of the rural retail business must be by
34 purchase, lease-purchase, or long-term lease. The purchase or
35 lease must be for a portion of the business which is essential

1 to its continued viability, including real estate where the
2 business is located, fixtures attached to the real estate,
3 equipment relied upon by the business, and inventory for sale
4 by the business.

5 4. The lending institution shall apply all usual lending
6 standards to determine the creditworthiness of each eligible
7 borrower. The lending institution shall forward to the
8 treasurer of state all information or any certification
9 relating to the loan required and in a manner prescribed by
10 this division and rules which shall be adopted by the
11 treasurer of state.

12 5. The maximum loan amount that a borrower may receive
13 under this program shall not be more than fifty thousand
14 dollars.

15 6. Not more than one-third of the amount of the percentage
16 authorized in section 12.34 may be used for purposes of
17 supporting this program.

18 EXPLANATION

19 This bill relates to the transfer of rural retail
20 enterprises. The bill creates a program designed to
21 facilitate the transfer of these enterprises.

22 The program is referred to as the rural small business
23 transfer linked investment loan program. The treasurer of
24 state is required to establish a program using moneys
25 available through the "Linked Investments for Tomorrow Act" as
26 provided in section 12.31 et seq. The bill provides that upon
27 the placement of linked investment moneys with a lending
28 institution, the institution is required to lend money to a
29 person pursuant to rules adopted by the treasurer of state for
30 the transfer of an existing rural retail business. The
31 transfer must be by purchase or long-term lease. The purchase
32 or lease must be for a portion of the business which is
33 essential to its continued viability. The maximum loan amount
34 that a borrower may receive under this program shall not be
35 more than \$50,000. Not more than one-third of moneys

1 available under the Linked Investments for Tomorrow Act may be
2 used to support the program.

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SENATE FILE 2213

AN ACT

PROVIDING FOR THE LINKED INVESTMENT FOR TOMORROW ACT, BY PROVIDING FOR CERTIFICATES OF DEPOSIT PLACED IN ELIGIBLE LENDING INSTITUTIONS, AND A RURAL SMALL BUSINESS TRANSFER LINKED INVESTMENT LOAN PROGRAM, PROVIDING FOR THE DEPOSIT OF STATE MONEYS IN LENDING INSTITUTIONS, AND PROVIDING RETROACTIVE APPLICABILITY AND EFFECTIVE DATES.

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

Section 1. Section 12.36, subsections 2 and 3, Code 1991, are amended to read as follows:

2. Upon acceptance of the linked investment loan package or any portion of the package, the state treasurer of state shall place certificates of deposit with the eligible lending institution at a rate not more than three percent below the current market rate. After July 1, 1992, the treasurer of state shall not place a certificate of deposit with an eligible lending institution pursuant to this division, unless the certificate of deposit earns a rate of interest of at least two percent. When necessary, the treasurer may place certificates of deposit prior to acceptance of a linked investment loan package.

3. The eligible lending institution shall enter into an investment agreement with the treasurer of state, which shall include requirements necessary to carry out this division. The requirements shall reflect the market conditions prevailing in the eligible lending institution's lending area. The agreement may include a specification of the period of time in which the lending institution is to lend funds upon the placement of a linked investment, and shall include provisions for the certificates of deposit to be placed for one-year maturities that may be renewed for five eight

additional one-year periods. Interest shall be paid at the times determined by the treasurer of state.

Sec. 2. NEW SECTION. 12.40 RURAL SMALL BUSINESS TRANSFER LINKED INVESTMENT LOAN PROGRAM.

1. As used in this section, "rural small business" means an existing rural small business, for which local competition does not exist in the principal realm of business activity of that business, and the loss of which will work a hardship on the rural community. A rural small business may include a grocery store, drug store, gasoline station, convenience store, hardware business, or farm supply store. A rural small business does not include a new business.

2. The treasurer of state shall adopt rules consistent with this division to implement a rural small business transfer linked investment loan program to further the following purposes:

a. To promote the business prosperity and economic welfare of Iowa through promoting the prosperity and economic welfare of rural Iowa.

b. To maintain and expand existing employment opportunities and the provision of retail goods on a local level in small rural communities by assisting in the transfer of ownership of retail-oriented businesses where, in the absence of sufficient financial assistance, the businesses may close.

3. Upon the placement of linked investment moneys with an eligible lending institution, the institution is required to lend money to a person pursuant to rules adopted by the treasurer of state for the transfer of a rural small business. The rural small business must be located in a city with a population of five thousand or less. A city located in a county with a population in excess of three hundred thousand, if the city is contiguous to another city in the county and that other city is contiguous to the largest city in that county, shall be considered as having a population in excess of five thousand.

4. The transfer of the rural small business must be by purchase, lease-purchase, or contract of sale. The purchase must be for a portion of the business which is essential to its continued viability, including real estate where the business is located, fixtures attached to the real estate, equipment relied upon by the business, and inventory for sale by the business.

5. The eligible lending institution shall apply all usual lending standards to determine the creditworthiness of each eligible borrower. The lending institution shall forward to the treasurer of state all information or any certification relating to the loan required and in a manner prescribed by this division and rules which shall be adopted by the treasurer of state.

6. A borrower and the seller of the rural small business shall not be within the third degree of consanguinity or affinity.

7. The maximum loan amount that a borrower may receive under this program shall not be more than fifty thousand dollars.

8. Not more than one-third of the amount of the percentage authorized in section 12.34 may be used for purposes of supporting this program and the main street linked investment loan program under section 12.51.

Sec. 3. Section 12.51, subsection 6, Code Supplement 1991, is amended to read as follows:

6. No Not more than one-third of the amount authorized in section 12.34 may be used for purposes of this program and the rural small business transfer linked investment loan program under section 12.40.

Sec. 4. APPLICABILITY AND EFFECTIVE DATES.

1. Section 12.36, subsection 3, as amended by this Act, applies retroactively to investment agreements executed before the effective date of this Act which have not expired.

2. This Act, being deemed of immediate importance, takes effect upon enactment.

MICHAEL E. GRONSTAL
President of the Senate

ROBERT C. ARNOULD
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2213, Seventy-fourth General Assembly.

JOHN P. DWYER
Secretary of the Senate

Approved Cepie 21, 1992

TERRY E. BRANSTAD
Governor