

SENATE FILE 262  
BY BOSWELL

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to establishing county economic development  
2 entities and providing tax credits.

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

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S.F. 262

1 Section 1. NEW SECTION. 15E.181 TITLE OF ACT.

2 This division shall be known and may be cited as the  
3 "County Economic Development Fund Entity Act".

4 Sec. 2. NEW SECTION. 15E.182 PURPOSE.

5 The purpose of the county economic development fund entity  
6 Act is to promote economic development in Iowa counties by  
7 providing incentives for the creation of county investment  
8 entities to provide seed capital for investments in start-up  
9 and development-stage value adding businesses.

10 Sec. 3. NEW SECTION. 15E.183 COUNTY ECONOMIC DEVELOPMENT  
11 FUND ENTITIES.

12 1. A county economic development fund entity may be  
13 established in a county for promotion of economic development  
14 through the creation of a pool of ready capital for investment  
15 in new businesses which will be located within the county.  
16 The county board of supervisors shall certify that the entity  
17 is a legally formed corporation or limited partnership, that  
18 control of the entity is in the hands of county residents, and  
19 that the entity has met the minimum funding threshold. The  
20 entity shall use a name which clearly indicates that it is a  
21 county economic development fund entity.

22 2. Only one county economic development fund entity shall  
23 be established in each county, which shall be a corporation or  
24 a limited partnership. However, additional county economic  
25 development fund entities may be established in any county  
26 upon certification by the county board of supervisors that the  
27 funds of the initial entity are fully invested within the  
28 county.

29 3. A county economic development fund entity shall have at  
30 least seventy-five thousand dollars of private funds invested  
31 in it.

32 4. The entity shall be controlled by county residents. If  
33 the entity is a corporation, the majority of the voting shares  
34 shall be held by county residents. If the entity is a limited  
35 partnership, the general partner must be a resident of the

1 county or if the general partner is a corporation, the  
2 majority of the voting shares of the corporation must be held  
3 by residents of the county. However, investors in the entity  
4 need not be residents of the county.

5 5. Each entity shall only invest in businesses which would  
6 be eligible to participate in the Iowa industrial new jobs  
7 training Act, chapter 260E. Primary investments shall be made  
8 in business assets which are not portable in order to provide  
9 an incentive for a business not to leave the county. Priority  
10 shall also be given to investments creating high skilled, high  
11 performance jobs and to businesses utilizing advanced  
12 competitive technology.

13 6. Each entity may invest idle funds in interest-bearing  
14 instruments.

15 Sec. 4. NEW SECTION. 15E.184 FINANCIAL REPORTS AND  
16 DISCLOSURE STATEMENTS.

17 1. Each entity shall submit an annual report to all  
18 investors and the treasurer of state which shall contain  
19 financial statements of the entity and shall list all  
20 investments of the entity and the current value of those  
21 investments.

22 2. a. Each entity shall prepare a disclosure document  
23 which complies with the requirements of the Iowa uniform  
24 securities Act, chapter 502, for public or private placements.

25 b. If the entity makes a private placement of less than  
26 five million dollars, it shall file post-sale disclosure  
27 documents and form D as required by rules adopted pursuant to  
28 section 502.203, subsection 16.

29 c. If the entity makes a public offering of securities to  
30 raise up to one million dollars of private funds, the fund  
31 shall comply with section 502.207A regarding registration for  
32 small corporate offerings, of the Iowa securities bureau.

33 d. Other public offerings by the entity shall comply with  
34 the registration requirements of chapter 502.

35 Sec. 5. NEW SECTION. 15E.185 STATE FUNDS INCENTIVE

1 MATCH.

2 1. The treasurer of state shall provide to each county  
3 economic development fund entity, which applies, an investment  
4 of funds from the general fund of the state in a ratio of one  
5 dollar of state funds for each three dollars of private funds  
6 invested in the county economic development fund entity. The  
7 application to the treasurer shall contain the following:

8 a. The certification by the county board of supervisors  
9 required by section 15E.183.

10 b. Certification of compliance with chapter 502, issued by  
11 the securities bureau of the insurance division of the Iowa  
12 department of commerce.

13 c. One copy of the disclosure document required by section  
14 15E.184, subsection 2, paragraph "a".

15 2. Moneys invested in a county economic development fund  
16 entity under subsection 1 shall be subordinate in repayment  
17 priority to the principal amount of moneys invested in the  
18 entity by private investors. Private investors shall receive  
19 repayment of their principal invested in the fund, either  
20 through periodic payments or through the liquidation of the  
21 entity, before any entity moneys are applied to the state  
22 investment. Upon liquidation of the entity, after repayment  
23 of private investors' principal, repayment of state moneys  
24 invested in the entity, and payment of any remaining  
25 obligations of the entity, the remainder of the funds shall be  
26 distributed to the private investors.

27 Sec. 6. NEW SECTION. 15E.186 STATE FINANCIAL ASSISTANCE  
28 GRANTS.

29 The treasurer of state shall provide to each county  
30 economic development entity, which applies, a grant, in each  
31 of the first three years of the entity's existence, equal to  
32 three percent of the initial private and public moneys  
33 invested in the entity. Proceeds from the grants shall be  
34 distributed to the nearest community college for the purpose  
35 of hiring the services of a qualified professional financial

1 advisor to assist the entity in organization and management,  
2 including the provision of assistance to businesses in which  
3 the entity has invested. To be eligible to be hired as a  
4 professional financial advisor, a person shall have at least  
5 three years of demonstrated financial management experience in  
6 the business of providing financial management, money  
7 management, venture capital funds management, or similar  
8 services.

9     Sec. 7. NEW SECTION. 15E.187 PUBLIC FUNDS RECAPTURE.

10     Each county economic development entity shall invest at  
11 least fifty percent of the initial private and public moneys  
12 invested in the entity within three years of the date of  
13 organization. An entity which fails to make that level of  
14 investment shall repay to the treasurer of state, state moneys  
15 invested in the entity and the amount of incentive tax credits  
16 under section 422.11D, 422.33, or 422.60, with interest at an  
17 annual rate of six percent.

18     Sec. 8. NEW SECTION. 15E.188 INCENTIVE TAX CREDIT.

19     A private investor in a county economic development entity  
20 shall receive a credit against the investor's individual,  
21 corporate, or franchise taxes equal to ten percent of the  
22 amount invested in any county economic development entity in  
23 accordance with section 422.11D, 422.33, or 422.60.

24     Sec. 9. NEW SECTION. 15E.189 CREDIT NOT LOANED.

25     The provisions of sections 15E.185 and 15E.186 shall not be  
26 considered an extension of the credit of the state under  
27 Article VII, section 1, of the Iowa Constitution.

28     Sec. 10. NEW SECTION. 422.11D COUNTY ECONOMIC  
29 DEVELOPMENT FUND ENTITY INCENTIVE CREDIT.

30     The taxes imposed under this division, less other  
31 applicable credits, shall be reduced by a county economic  
32 development fund entity credit. The amount claimed by the  
33 individual shall be equal to ten percent of the amount  
34 invested in any county economic development entity by the  
35 individual. Any credit in excess of the tax liability for the

1 tax year may be credited to the tax liability for the  
2 following years until depleted.

3 Sec. 11. Section 422.33, Code 1995, is amended by adding  
4 the following new subsection:

5 NEW SUBSECTION. 9. The taxes imposed under this division  
6 shall be reduced by a county economic development fund entity  
7 tax credit equal to ten percent of the amount invested in any  
8 county economic development fund entity by the corporation.

9 Any credit in excess of the tax liability for the tax year may  
10 be credited to the tax liability for the following years until  
11 depleted.

12 Sec. 12. Section 422.60, Code 1995, is amended by adding  
13 the following new subsection:

14 NEW SUBSECTION. 4. A credit is allowed against the tax  
15 determined in section 422.63 for a tax year in an amount equal  
16 to ten percent of the amount invested in any county economic  
17 development fund entity for that tax year. Any credit in  
18 excess of the tax liability for the tax year may be credited  
19 to the tax liability for the following years until depleted.

20 EXPLANATION

21 This bill authorizes counties to form county economic  
22 development entities to promote economic development within  
23 the counties by providing seed capital for investment in  
24 start-up and development stage businesses which add value to  
25 Iowa products and which qualify under the Iowa Industrial New  
26 Jobs Training Act, chapter 260E. The bill provides that the  
27 county board of supervisors must certify that the corporation,  
28 or limited partnership formed as the fund entity, is  
29 controlled by county residents and that the entity has raised  
30 at least \$75,000 of private funds.

31 The bill also provides that a county economic development  
32 entity shall receive from the treasurer, upon application by  
33 the entity, matching funds on a three-to-one private-to-public  
34 funds match. Matched funds shall be repaid by the entity to  
35 the treasurer, although repayment of state funds is

1 subordinate to repayment of the principal amounts invested by  
2 private investors.

3 In addition, the bill provides for a state grant from the  
4 treasurer of state of up to 3 percent of the initial private  
5 investment in the entity. The grant funds shall be provided  
6 to a local community college for the purpose of hiring a  
7 qualified professional financial advisor to assist the entity  
8 in its organization and management.

9 Further, the bill provides for an individual, corporate, or  
10 franchise tax credit of 10 percent of the amount invested in a  
11 county economic development entity by a private investor, that  
12 the entity shall comply with the Iowa Uniform Securities Act,  
13 chapter 502, in raising private funds, and that the entity  
14 must make investments in businesses of at least 50 percent of  
15 its initial capital within three years or be subject to  
16 certain penalties.

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