

JAN 31 2000

WAYS AND MEANS

HOUSE FILE
BY DIX

2096

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

A BILL FOR

1 An Act relating to an investment tax credit for state individual
2 and corporate tax purposes and including effective and
3 retroactive applicability date provisions.

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

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HF 2096

1 Section 1. NEW SECTION. 422.11C INVESTMENT TAX CREDIT.

2 1. The taxes imposed under this division shall be reduced
3 by an investment tax credit equal to ten percent, not to
4 exceed five thousand dollars, of the new investment made in
5 connection with the location or expansion of a business in
6 this state. Any credit in excess of the tax liability for the
7 tax year is nonrefundable. For purposes of this section, "new
8 investment made in connection with the location or expansion
9 of a business" means the cost of machinery and equipment, as
10 defined in section 427A.1, subsection 1, paragraphs "e" and
11 "j", purchased for use in the operation of the business, the
12 purchase price of which has been depreciated in accordance
13 with generally accepted accounting principles, and the cost of
14 improvements made to real property which is used in the
15 operation of the business.

16 2. If the business is a partnership, S corporation,
17 limited liability company, or estate or trust electing to have
18 the income taxed directly to the individual, an individual may
19 claim the tax credit allowed. The amount claimed by the
20 individual shall be based upon the pro rata share of the
21 individual's earnings of the partnership, S corporation,
22 limited liability company, or estate or trust.

23 3. For purposes of this section, the purchase price of
24 real property and any buildings and structures located on the
25 real property will be considered a new investment in
26 connection with the location or expansion of a business.
27 However, if within five years of purchase, the business sells,
28 disposes of, razes, or otherwise renders unusable all or a
29 part of the land, buildings, or other existing structures for
30 which tax credit was claimed under this section, the income
31 tax liability of the business for the year in which all or
32 part of the property is sold, disposed of, razed, or otherwise
33 rendered unusable shall be increased by one of the following
34 amounts:

35 a. One hundred percent of the tax credit claimed under

1 this section if the property is sold, disposed of, razed, or
2 otherwise rendered unusable within one full year after being
3 placed in service.

4 b. Eighty percent of the tax credit claimed under this
5 section if the property is sold, disposed of, razed, or
6 otherwise rendered unusable within two full years after being
7 placed in service.

8 c. Sixty percent of the tax credit claimed under this
9 section if the property is sold, disposed of, razed, or
10 otherwise rendered unusable within three full years after
11 being placed in service.

12 d. Forty percent of the tax credit claimed under this
13 section if the property is sold, disposed of, razed, or
14 otherwise rendered unusable within four full years after being
15 placed in service.

16 e. Twenty percent of the tax credit claimed under this
17 section if the property is sold, disposed of, razed, or
18 otherwise rendered unusable within five full years after being
19 placed in service.

20 Sec. 2. Section 422.33, Code Supplement 1999, is amended
21 by adding the following new subsection:

22 NEW SUBSECTION. 9. a. The taxes imposed under this
23 division shall be reduced by an investment tax credit equal to
24 ten percent, not to exceed five thousand dollars, of the new
25 investment made in connection with the location or expansion
26 of a business in this state. Any credit in excess of the tax
27 liability for the tax year is nonrefundable. For purposes of
28 this subsection, "new investment made in connection with the
29 location or expansion of a business" means the cost of
30 machinery and equipment, as defined in section 427A.1,
31 subsection 1, paragraphs "e" and "j", purchased for use in the
32 operation of the business, the purchase price of which has
33 been depreciated in accordance with generally accepted
34 accounting principles, and the cost of improvements made to
35 real property which is used in the operation of the business.

1 b. For purposes of this subsection, the purchase price of
2 real property and any buildings and structures located on the
3 real property will be considered a new investment in
4 connection with the location or expansion of a business.
5 However, if within five years of purchase, the business sells,
6 disposes of, razes, or otherwise renders unusable all or a
7 part of the land, buildings, or other existing structures for
8 which tax credit was claimed under this subsection, the income
9 tax liability of the business for the year in which all or
10 part of the property is sold, disposed of, razed, or otherwise
11 rendered unusable shall be increased by one of the following
12 amounts:

13 (1) One hundred percent of the tax credit claimed under
14 this subsection if the property is sold, disposed of, razed,
15 or otherwise rendered unusable within one full year after
16 being placed in service.

17 (2) Eighty percent of the tax credit claimed under this
18 subsection if the property is sold, disposed of, razed, or
19 otherwise rendered unusable within two full years after being
20 placed in service.

21 (3) Sixty percent of the tax credit claimed under this
22 subsection if the property is sold, disposed of, razed, or
23 otherwise rendered unusable within three full years after
24 being placed in service.

25 (4) Forty percent of the tax credit claimed under this
26 subsection if the property is sold, disposed of, razed, or
27 otherwise rendered unusable within four full years after being
28 placed in service.

29 (5) Twenty percent of the tax credit claimed under this
30 subsection if the property is sold, disposed of, razed, or
31 otherwise rendered unusable within five full years after being
32 placed in service.

33 Sec. 3. EFFECTIVE AND APPLICABILITY DATES. This Act,
34 being deemed of immediate importance, takes effect upon
35 enactment and applies retroactively to January 1, 2000, for

1 tax years beginning on or after that date and applies to new
2 investments made on or after the date of enactment of this
3 Act.

4 EXPLANATION

5 This bill provides an investment tax credit for individual
6 and corporate tax purposes equal to 10 percent, not to exceed
7 \$5,000, for new investment made in connection with the
8 location or expansion of a business in this state. New
9 investment eligible for the credit is the cost of machinery,
10 equipment, and computers which are assessed as real property
11 and the cost of acquisition of and improvements made to real
12 property.

13 The bill provides for the recapture of the tax credit for
14 the acquisition of real property if the property is disposed
15 of, razed, or otherwise made unusable within five years
16 following acquisition. The recapture equals 100 percent
17 during the first year and decreases by 20 percent for each of
18 the following four years.

19 The bill takes effect upon enactment and applies to new
20 investments made after that date during tax years beginning on
21 or after January 1, 2000.

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