

4/24/00 Amend/Do Pass w/8 5577

APR 5 2000

WAYS & MEANS CALENDAR

HOUSE FILE 2560

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 482)

Passed House, Date ^(P. 1695) 4/20/00
Vote: Ayes 90 Nays 4
Approved 5/16/00

Passed Senate, Date ^(P. 1370) 4/25/00
Vote: Ayes 49 Nays 0

(P. 1866)

*No - Passed 4-26-00
Vote 98-0*

A BILL FOR

(P. 1419)

*re-passed 4/26/00
Vote 48-0*

1 An Act providing an individual and corporate income tax credit
2 for the rehabilitation of certain eligible commercial and
3 residential property and barns.

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

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HOUSE FILE 2560

H-8759

1 Amend House File 2560 as follows:

2 1. Page 1, line 19, by striking the words "one
3 hundred" and inserting the following: "fifty".

By HOUSER of Pottawattamie
REYNOLDS of Van Buren
MUNDIE of Webster

DREES of Carroll
BARRY of Harrison

H-8759 FILED APRIL 6, 2000

W/D 4/20/00 (P. 1688)

HF 2560

1 Section 1. NEW SECTION. 404A.1 PROPERTY REHABILITATION
2 TAX CREDIT -- ELIGIBLE PROPERTY.

3 1. A property rehabilitation tax credit is granted against
4 the income tax imposed under chapter 422, division II or
5 division III, for the rehabilitation of eligible property
6 located in this state as provided in this chapter. Tax
7 credits in excess of tax liabilities may be carried forward
8 for up to seven years.

9 2. Eligible property for which a taxpayer may receive the
10 property rehabilitation tax credit computed under this chapter
11 includes all of the following:

12 a. Property listed on the national register of historic
13 places or is eligible for such listing.

14 b. Property designated as of historic significance to a
15 district listed in the national register of historic places or
16 is eligible for such designation.

17 c. Property designated a local landmark by a city or
18 county ordinance.

19 d. A barn constructed one hundred years prior to
20 certification.

21 Sec. 2. NEW SECTION. 404A.2 AMOUNT OF CREDIT.

22 The amount of the credit equals twenty-five percent of the
23 qualified rehabilitation costs made to eligible property. In
24 the case of commercial property, rehabilitation costs must
25 equal at least fifty percent of the assessed value of the
26 property, excluding the land, prior to the rehabilitation. In
27 the case of residential property or barns, the rehabilitation
28 costs must equal at least twenty-five thousand dollars or
29 twenty-five percent of the fair market value, excluding the
30 land, prior to the rehabilitation, whichever is less. In
31 computing the tax credit for eligible property that is
32 classified as residential or as commercial with multifamily
33 residential units, the rehabilitation costs used shall not
34 exceed one hundred thousand dollars per residential unit. In
35 computing the tax credit, the only costs which may be included

1 are the rehabilitation costs incurred between the period
2 ending on the project completion date and beginning on the
3 later of either the date of issuance of the approval of the
4 project as provided in section 404A.3 or two years prior to
5 the project completion date.

6 Sec. 3. NEW SECTION. 404A.3 APPROVAL OF REHABILITATION
7 PROJECT.

8 1. a. In order for costs of a rehabilitation project to
9 qualify for a tax credit, the rehabilitation project must
10 receive approval from the following bodies:

11 (1) The certified local government historical preservation
12 commission or a nonprofit neighborhood group and the governing
13 bodies of the city and county in which the eligible property
14 exists and, with the recommendation of the certified local
15 government historic preservation commission or neighborhood
16 group, which has established approved selection criteria and
17 standards for rehabilitation projects involving eligible
18 property.

19 (2) The department of economic development.

20 b. Applications for approvals from the department and the
21 appropriate governing bodies shall be on forms approved by the
22 department and shall contain information as required by the
23 department. The information shall at least include the
24 approximate date of the start of rehabilitation, the
25 approximate date of completion, as well as the cost.

26 2. The certified local government historic preservation
27 commission or the nonprofit neighborhood group may establish
28 selection criteria and standards for rehabilitation projects
29 involving eligible property. If standards are established,
30 the main emphasis of the standards shall be to ensure that a
31 rehabilitation project maintains the integrity of the eligible
32 property. To the extent applicable, the standards shall be
33 consistent with the standards of the United States secretary
34 of the interior for rehabilitation of eligible property that
35 is listed on the national register of historic places or is

1 designated as of historic significance to a district listed in
2 the national register of historic places or shall be
3 consistent with standards for issuance of certificates of
4 appropriation under sections 303.27 through 303.32. Upon
5 establishing selection criteria and standards, the governing
6 body shall submit the selection criteria and standards to the
7 department of economic development for its approval.

8 Sec. 4. NEW SECTION. 404A.4 PROJECT COMPLETION AND TAX
9 CREDIT CERTIFICATION -- CREDIT TRANSFER.

10 1. Upon completion of the rehabilitation project, a
11 certification of completion must be obtained from the
12 department of economic development. A completion certificate
13 shall identify the person claiming the tax credit under this
14 chapter and the rehabilitation costs incurred up to the two
15 years preceding the completion date.

16 2. After verifying the eligibility for the tax credit, the
17 department shall issue a property rehabilitation tax credit
18 certificate to be attached to the person's tax return. The
19 tax credit certificate shall contain the taxpayer's name,
20 address, tax identification number, the date of project
21 completion, the amount of credit, other information required
22 by the department of revenue and finance, and a place for the
23 name and tax identification number of any transferee and the
24 amount of the tax credit being transferred.

25 3. A person receiving a property rehabilitation tax credit
26 under this chapter may transfer all or a portion of the unused
27 tax credit to any other person. However, the tax credit shall
28 only be transferred once. The transferee may use the amount
29 of the tax credit transferred against the taxes imposed under
30 chapter 422, divisions II and III, for any tax year the
31 original transferor could have claimed the credit. Any
32 consideration received for the transfer of the tax credit
33 shall not be included as income under chapter 422, divisions
34 II and III. Any consideration paid for the transfer of the
35 tax credit shall not be deducted from income under chapter

1 422, divisions II and III.

2 Sec. 5. NEW SECTION. 404A.5 ECONOMIC IMPACT --
3 RECOMMENDATIONS.

4 The department of economic development shall be responsible
5 for keeping the general assembly and the legislative fiscal
6 bureau informed on the overall economic impact to the state of
7 the rehabilitation of eligible properties. An annual report
8 shall be filed which shall include, but is not limited to,
9 data on the number and potential value of rehabilitation
10 projects begun during the latest twelve-month period, the
11 total property rehabilitation tax credits originally granted
12 during that period, the potential reduction in state tax
13 revenues as a result of all tax credits still unused, and the
14 potential increase in local property tax revenues as a result
15 of the rehabilitated projects. The department, to the extent
16 it is able, shall provide recommendations on whether a limit
17 on tax credits should be established, the need for a broader
18 or more restrictive definition of eligible property, and other
19 adjustments to the tax credits under this chapter.

20 Sec. 6. NEW SECTION. 422.11D PROPERTY REHABILITATION TAX
21 CREDIT.

22 1. The taxes imposed under this division, less the credits
23 allowed under sections 422.12 and 422.12B, shall be reduced by
24 a property rehabilitation tax credit equal to the amount as
25 computed under chapter 404A for rehabilitating eligible
26 property. Any credit in excess of the tax liability is
27 nonrefundable and may be carried forward for up to seven tax
28 years.

29 2. An individual may claim a property rehabilitation tax
30 credit allowed a partnership, limited liability company, S
31 corporation, estate, or trust electing to have the income
32 taxed directly to the individual. The amount claimed by the
33 individual shall be based upon the pro rata share of the
34 individual's earnings of a partnership, limited liability
35 company, S corporation, estate, or trust.

1 3. However, if the original taxpayer who receives the
2 property rehabilitation tax credit transfers all or a portion
3 of the tax credit, any transferee shall only be entitled to
4 use the amount of the tax credit transferred for a tax year
5 for which the original taxpayer could have claimed the credit.

6 4. For purposes of this section, "eligible property" means
7 the same as used in section 404A.1.

8 Sec. 7. Section 422.33, Code Supplement 1999, is amended
9 by adding the following new subsection:

10 NEW SUBSECTION. 9. a. The taxes imposed under this
11 division shall be reduced by a property rehabilitation tax
12 credit equal to the amount as computed under chapter 404A for
13 rehabilitating eligible property. Any credit in excess of the
14 tax liability is nonrefundable but may be carried forward for
15 up to seven tax years.

16 b. However, if the original taxpayer who receives the
17 property rehabilitation tax credit transfers all or a portion
18 of the tax credit, any transferee shall only be entitled to
19 use the amount of the tax credit transferred for a tax year
20 for which the original taxpayer could have claimed the credit.

21 c. For purposes of this subsection, "eligible property"
22 means the same as used in section 404A.1.

23

EXPLANATION

24 This bill provides for an individual and corporate income
25 tax credit equal to 25 percent of the costs of rehabilitating
26 eligible properties. Eligible properties are properties
27 eligible to be listed on the national register of historic
28 properties, historic properties in areas eligible to be
29 designated local historic districts, or local landmark; or a
30 barn constructed 100 years prior to certification of the tax
31 credit. In the case of commercial property, rehabilitation
32 costs must equal at least 50 percent of the assessed value of
33 the property, excluding the land, prior to rehabilitation. In
34 the case of residential property or barns, the rehabilitation
35 costs must equal at least \$25,000 or 25 percent of the fair

1 market value, excluding the land, prior to rehabilitation,
2 whichever is less. In addition, the rehabilitation project
3 must be approved by the certified local government historic
4 prevention commission or nonprofit neighborhood group and the
5 governing body of the city or county in which the property is
6 located if the governing bodies have established
7 rehabilitation standards and selection criteria which have
8 been approved by the department of economic development.

9 The tax credits may be carried forward seven years. In
10 addition, the taxpayer may transfer to another person any
11 unused tax credit to be applied to the individual or corporate
12 income tax of the transferee.

13 The department of economic development is responsible for
14 keeping the general assembly and legislative fiscal bureau
15 appraised of the overall economic impact of the tax credit as
16 it relates to rehabilitation to eligible properties.

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HOUSE FILE 2560

H-8800

1 Amend House File 2560 as follows:

2 1. Page 2, line 5, by inserting after the word
3 "date." the following: "However, in the case of
4 property classified as residential or as commercial
5 with multifamily residential units, tax credits shall
6 not be allowed unless any rehabilitation done includes
7 meeting the requirements pursuant to section 135.105B
8 for lead hazard remediation."

9 2. Page 5, by inserting after line 22 the
10 following:

11 "Sec. ____ . Section 135.105B, Code 1999, is amended
12 to read as follows:

13 135.105B ~~VOLUNTARY-GUIDELINES----~~HEALTH-AND
14 ENVIRONMENTAL-MEASURES MODEL LEAD HAZARD REMEDIATION
15 REQUIREMENTS -- CONFIRMED CASES OF LEAD POISONING.

16 1. ~~The department may-develop-voluntary-guidelines~~
17 ~~which-may-be-used-to-develop-and-administer-local~~
18 ~~programs shall establish by rule model lead hazard~~
19 ~~remediation requirements for residential properties to~~
20 ~~address the health and environmental needs of children~~
21 ~~who are confirmed as lead poisoned. The purpose of~~
22 ~~the requirements shall be to prevent ongoing and~~
23 ~~future exposure to lead-based paint hazards. Local~~
24 ~~boards of health may adopt and enforce the~~
25 ~~requirements or may adopt the requirements and request~~
26 ~~that the requirements be enforced by the state.~~
27 ~~However, local boards of health shall not be required~~
28 ~~to adopt and enforce the requirements. The state may~~
29 ~~not enforce the requirements unless the requirements~~
30 ~~have been adopted by the local board of health and the~~
31 ~~local board of health has requested that the state~~
32 ~~enforce the requirements.~~

33 2. ~~The voluntary-guidelines model lead hazard~~
34 ~~remediation requirements may be based upon existing~~
35 ~~local ordinances that address the-medical-case~~
36 ~~management-of-children's-health-needs-and the~~
37 ~~mitigation of the environmental factors which~~
38 ~~contributed to the lead poisoning.~~

39 3. ~~Following-development-of-the-voluntary~~
40 ~~guidelines, cities-or-counties-may-elect-to-utilize~~
41 ~~the-guidelines-in-developing-and-administering-local~~
42 ~~programs-through-city-or-county-health-departments-on~~
43 ~~a-city, county, or-multicounty-basis-or-may-request~~
44 ~~that-the-state-develop-and-administer-the-local~~
45 ~~program.--However, cities-and-counties-are-not~~
46 ~~required-to-develop-and-administer-local-programs~~
47 ~~based-upon-the-guidelines."~~

By FORD of Polk
SHOULTZ of Black Hawk
WEIGEL of Chickasaw

H-8800 FILED APRIL 10, 2000

Lost
4/20/00 (P. 1492)

HOUSE FILE 2560

H-8807

1 Amend House File 2560 as follows:

A 2 1. Page 1, by striking lines 17 and 18.

3 2. Page 1, line 34, by inserting after the word
4 "unit." the following: "However, the total amount of
B 5 credits granted for a project shall not exceed one
6 hundred thousand dollars."

7 3. Page 2, line 25, by inserting after the word
8 "cost." the following: "If the rehabilitation project
9 does not meet the criteria and standards established
C 10 by the local bodies and the department, the department
11 shall disapprove the application for tax credit."

12 4. Page 2, line 27, by striking the word "may"
13 and inserting the following: "shall".

14 5. Page 2, by striking lines 29 and 30 and
15 inserting the following: "involving eligible
16 property. The main emphasis of the established
A 17 standards shall be to ensure that a".

18 6. Page 3, line 15, by inserting after the word
19 "date." the following: "The total amount of tax
20 credits that may be approved pursuant to this chapter
21 shall not exceed two million dollars in a fiscal year.
22 If the total of the tax credits for all rehabilitation
23 projects that qualify for tax credits exceeds two
24 million dollars in a fiscal year, the department shall
25 grant the tax credits on a pro rata basis so that the
26 total amount of tax credits approved for the fiscal
27 year does not exceed two million dollars."

28 7. Page 3, by striking line 18 and inserting the
29 following: "certificates to be attached to the
30 person's tax return. Tax credit certificates shall be
31 issued in amounts not greater than twenty-five
D 32 thousand dollars. Each".

33 8. Page 3, line 25, by inserting after the word
34 "credit" the following: "certificate".

35 9. Page 3, by striking line 27 and inserting the
36 following: "tax credit certificate to any other
A 37 person. However, not more than twenty-five thousand
38 dollars in tax credit certificates may be transferred
39 to any one person, except if the transferor is a
40 nonprofit organization. A tax credit certificate
41 shall".

By RICHARDSON of Warren

H-8807 FILED APRIL 11, 2000

A. W/D 4/20/00 (P. 1692)
B. ~~W/D~~ 4/20/00 (P. 1690)
C. ~~W/D~~ 4/20/00 (P. 1693)

D. W/D 4/20/00 (P. 1694)

HOUSE FILE 2560

H-8835

1 Amend House File 2560 as follows:

2 1. Page 1, line 13, by striking the words "or is
3 eligible for such listing".

4 2. Page 1, lines 15 and 16, by striking the words
5 "or is eligible for such designation".

By WEIGEL of Chickasaw

H-8835 FILED APRIL 11, 2000

W/D
4/20/00 (P. 1695)

HOUSE FILE 2560

H-8836

1 Amend House File 2560 as follows:

- 2 1. Page 1, line 17, by inserting after the word
- 3 "property" the following: "constructed one hundred
- 4 years prior to certification which is".

By WEIGEL of Chickasaw

H-8836 FILED APRIL 11, 2000

W/D
4/20/00 (p. 1695)

HOUSE FILE 2560

H-8864

1 Amend House File 2560 as follows:

- 2 1. Page 1, line 6, by inserting after the word
- 3 "state" the following: "which is used for residential
- 4 purposes or is a barn".
- 5 2. Page 1, line 11, by striking the word
- 6 "includes" and inserting the following: "is property
- 7 which is used for residential purposes or is a barn
- 8 and which is any of".
- 9 3. Page 1, by striking lines 24 through 26.
- 10 4. Title page, line 2, by striking the words
- 11 "commercial and".

By WEIGEL of Chickasaw

H-8864 FILED APRIL 12, 2000

W/D
4/20/00 (p. 1686)

HOUSE FILE 2560

H-8865

1 Amend House File 2560 as follows:

- 2 1. Page 3, line 21, by inserting after the word
- 3 "credit," the following: "and".
- 4 2. By striking page 3, line 22, through page 4,
- 5 line 1, and inserting the following: "by the
- 6 department of revenue and finance."
- 7 3. Page 5, by striking lines 1 through 5.
- 8 4. Page 5, by striking lines 16 through 20.

By WEIGEL of Chickasaw

H-8865 FILED APRIL 12, 2000

Foot 4/20/00 (p. 1694)

HOUSE FILE 2560

H-8909

- 1 Amend House File 2560 as follows:
2 1. Page 2, by striking lines 10 through 19 and
3 inserting the following: "receive approval from the
4 state historical preservation office of the department
5 of cultural affairs."
6 2. Page 2, lines 20 and 21, by striking the words
7 "department and the appropriate governing bodies" and
8 inserting the following: "state historical
9 preservation office of the department of cultural
10 affairs".
11 3. Page 2, line 22, by striking the word
12 "department" and inserting the following: "state
13 historical preservation office".
14 4. Page 2, line 23, by striking the word
15 "department" and inserting the following: "state
16 historical preservation office".
17 5. Page 2, by striking lines 26 through 29 and
18 inserting the following:
19 "2. The state historical preservation office shall
20 establish selection criteria and standards for
21 rehabilitation projects involving eligible property."
22 6. Page 2, line 30, by striking the word "the"
23 and inserting the following: "The".
24 7. Page 3, by striking lines 4 through 7 and
25 inserting the following: "appropriation under
26 sections 303.27 through 303.32.
27 The selection standards shall provide that a person
28 who qualifies for the rehabilitation tax credit under
29 section 47 of the Internal Revenue Code shall
30 automatically qualify for the state property
31 rehabilitation tax credit under this chapter."
32 8. Page 3, line 12, by striking the words
33 "department of economic development" and inserting the
34 following: "state historical preservation office of
35 the department of cultural affairs".
36 9. Page 3, line 17, by striking the word
37 "department" and inserting the following: "state
38 historical preservation office".
39 10. Page 4, line 4, by striking the words
40 "economic development" and inserting the following:
41 "cultural affairs".

By JAGER of Black Hawk

H-8909 FILED APRIL 17, 2000

adopted
4/20/00
(P. 1693)

HOUSE FILE 2560

H-8946

- 1 Amend House File 2560 as follows:
2 1. Page 1, line 22, by inserting before the word
3 "The" the following: "1."
4 2. Page 1, line 26, by inserting after the word
5 "rehabilitation" the following: ", except as provided
6 in subsection 2".
7 3. Page 2, by inserting after line 5 the
8 following:
9 "2. In lieu of the requirement in subsection 1, in
10 the case of commercial property, rehabilitation costs
11 must equal twenty-five percent of the assessed value,
12 excluding the land, prior to the rehabilitation, in
13 any city which has a population of fifteen thousand or
14 less as of the last decennial census and is located in
15 a county which is located in one of the following:
16 a. An area that is not part of a metropolitan
17 statistical area as defined by the United States
18 department of commerce.
19 b. A metropolitan statistical area but the county
20 has only one city which has more than fifteen thousand
21 inhabitants.
22 c. A metropolitan statistical area and a
23 substantial number of persons in the county derive
24 their income from agriculture."

By REYNOLDS of Van Buren

H-8946- FILED APRIL 18, 2000

Last 4/20/00 (P. 1690)

HOUSE FILE 2560

H-8999

- 1 Amend House File 2560 as follows:
2 1. Page 1, by striking lines 11 through 20 and
3 inserting the following: "is a barn constructed one
4 hundred years prior to certification."
5 2. Page 1, line 23, by striking the words
6 "eligible property. In" and inserting the following:
7 "an eligible barn."
8 3. Page 1, by striking lines 24 through 27 and
9 inserting the following: "The rehabilitation".
10 4. Page 1, by striking lines 31 through 34.
11 5. Title page, lines 2 and 3, by striking the
12 words "commercial and residential property and".

By WEIGEL of Chickasaw

H-8999 FILED APRIL 19, 2000

*w/p
4/20/00 (P. 1689)*

HOUSE FILE 2560

H-9019

1 Amend House File 2560 as follows:

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

4 "Section 1. Section 15.335, Code Supplement 1999,
5 is amended to read as follows:

6 15.335 RESEARCH ACTIVITIES CREDIT.

7 1. An eligible business may claim a corporate tax
8 credit for increasing research activities in this
9 state during the period the eligible business is
10 participating in the program.

11 a. The credit equals ~~six-and-one-half-percent-of~~
12 ~~the-state's-apportioned-share-of-the-qualifying~~
13 ~~expenditures-for-increasing-research-activities;~~ the
14 sum of the following:

15 (1) Six and one-half percent of the excess of
16 qualified research expenses during the tax year over
17 the base amount for the tax year based upon the
18 state's apportioned share of the qualifying
19 expenditures for increasing research activities.

20 (2) Six and one-half percent of the basic research
21 payments determined under section 41(e)(1)(A) of the
22 Internal Revenue Code during the tax year based upon
23 the state's apportioned share of the qualifying
24 expenditures for increasing research activities.

25 The state's apportioned share of the qualifying
26 expenditures for increasing research activities is a
27 percent equal to the ratio of qualified research
28 expenditures in this state to total qualified research
29 expenditures.

30 b. In lieu of the credit amount computed in
31 paragraph "a", subparagraph (1), an eligible business
32 may elect to compute the credit amount for qualified
33 research expenses incurred in this state in a manner
34 consistent with the alternative incremental credit
35 described in section 41(c)(4) of the Internal Revenue
36 Code. The taxpayer may make this election regardless
37 of the method used for the taxpayer's federal income
38 tax. The election made under this paragraph is for
39 the tax year and the taxpayer may use another or the
40 same method for any subsequent year.

41 c. For purposes of the alternate credit
42 computation method in paragraph "b", the credit
43 percentages applicable to qualified research expenses
44 described in clauses (i), (ii), and (iii) of section
45 41(c)(4)(A) of the Internal Revenue Code are one and
46 sixty-five hundredths percent, two and twenty
47 hundredths percent, and two and seventy-five
48 hundredths percent, respectively.

49 2. The credit allowed in this section is in
50 addition to the credit authorized in section 422.33,

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Page 2

1 subsection 5, and section 422.10. However, if the
2 alternative credit computation method is used in
3 section 422.33, subsection 5, or section 422.10, the
4 credit allowed in this section shall also be computed
5 using that method.

6 3. If the eligible business is a partnership,
7 subchapter S corporation, limited liability company,
8 or estate or trust electing to have the income taxed
9 directly to the individual, an individual may claim
10 the tax credit allowed. The amount claimed by the
11 individual shall be based upon the pro rata share of
12 the individual's earnings of the partnership,
13 subchapter S corporation, limited liability company,
14 or estate or trust.

15 4. For purposes of this section, "qualifying
16 expenditures-for-increasing-research-activities"-means
17 the-qualifying-expenditures "base amount", "basic
18 research payment", and "qualified research expense"
19 mean the same as defined for the federal credit for
20 increasing research activities which-would-be
21 allowable under section 41 of the Internal Revenue
22 Code in-effect-on-January-1,-1999, except that for the
23 alternative incremental credit such amounts are for
24 research conducted within this state. For purposes of
25 this section, "Internal Revenue Code" means the
26 Internal Revenue Code in effect on January 1, 2000.

27 5. Any credit in excess of the tax liability for
28 the taxable year shall be refunded with interest
29 computed under section 422.25. In lieu of claiming a
30 refund, a taxpayer may elect to have the overpayment
31 shown on its final, completed return credited to the
32 tax liability for the following year.

33 Sec. 102. Section 15A.9, subsection 8, Code
34 Supplement 1999, is amended to read as follows:

35 8. CORPORATE TAX RESEARCH CREDIT. A corporate tax
36 credit shall be available to the primary business or a
37 supporting business for increasing research activities
38 in this state within the zone.

39 a. The credit equals thirteen-percent-of-the
40 state's-apportioned-share-of-the-qualifying
41 expenditures-for-increasing-research-activities: the
42 sum of the following:

43 (1) Thirteen percent of the excess of qualified
44 research expenses during the tax year over the base
45 amount for the tax year based upon the state's
46 apportioned share of the qualifying expenditures for
47 increasing research activities.

48 (2) Thirteen percent of the basic research
49 payments determined under section 41(e)(1)(A) of the
50 Internal Revenue Code during the tax year based upon

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Page 3

1 the state's apportioned share of the qualifying
2 expenditures for increasing research activities.

3 The state's apportioned share of the qualifying
4 expenditures for increasing research activities is a
5 percent equal to the ratio of qualified research
6 expenditures in this state within the zone to total
7 qualified research expenditures.

8 b. In lieu of the credit amount computed in
9 paragraph "a", subparagraph (1), a business may elect
10 to compute the credit amount for qualified research
11 expenses incurred in this state within the zone in a
12 manner consistent with the alternative incremental
13 credit described in section 41(c)(4) of the Internal
14 Revenue Code. The taxpayer may make this election
15 regardless of the method used for the taxpayer's
16 federal income tax. The election made under this
17 paragraph is for the tax year and the taxpayer may use
18 another or the same method for any subsequent year.

19 c. For purposes of the alternate credit
20 computation method in paragraph "b", the credit
21 percentages applicable to qualified research expenses
22 described in clauses (i), (ii), and (iii) of section
23 41(c)(4)(A) of the Internal Revenue Code are three and
24 thirty hundredths percent, four and forty hundredths
25 percent, and five and fifty hundredths percent,
26 respectively.

27 d. Any credit in excess of the tax liability for
28 the tax year shall be refunded with interest computed
29 under section 422.25. In lieu of claiming a refund,
30 the primary business or a supporting business may
31 elect to have the overpayment shown on its final
32 return credited to its tax liability for the following
33 tax year.

34 e. For the purposes of this section, "qualifying
35 expenditures for increasing research activities" means
36 the qualifying expenditures subsection, "base amount",
37 "basic research payment", and "qualified research
38 expense" mean the same as defined for the federal
39 credit for increasing research activities which would
40 be allowable under section 41 of the Internal Revenue
41 Code in effect on January 1, 1999, except that for the
42 alternative incremental credit such amounts are for
43 research conducted within this state within the zone.
44 For purposes of this subsection, "Internal Revenue
45 Code" means the Internal Revenue Code in effect on
46 January 1, 2000.

47 f. The credit authorized in this subsection is in
48 lieu of the credit authorized in section 422.33,
49 subsection 5 and section 422.10."

50 2. Page 4, by inserting after line 19 the

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Page 4

1 following:

2 "Sec. 103. Section 422.7, subsection 31, Code
3 1999, is amended to read as follows:

4 31. For a person who is disabled, or is fifty-five
5 years of age or older, or is the surviving spouse of
6 an individual or a survivor having an insurable
7 interest in an individual who would have qualified for
8 the exemption under this subsection for the tax year,
9 subtract, to the extent included, the total amount of
10 a governmental or other pension or retirement pay,
11 including, but not limited to, defined benefit or
12 defined contribution plans, annuities, individual
13 retirement accounts, plans maintained or contributed
14 to by an employer, or maintained or contributed to by
15 a self-employed person as an employer, and deferred
16 compensation plans or any earnings attributable to the
17 deferred compensation plans, up to a maximum of five
18 six thousand dollars for a person, other than a
19 husband or wife, who files a separate state income tax
20 return and up to a maximum of ten twelve thousand
21 dollars for a husband and wife who file a joint state
22 income tax return. However, a surviving spouse who is
23 not disabled or fifty-five years of age or older can
24 only exclude the amount of pension or retirement pay
25 received as a result of the death of the other spouse.
26 A husband and wife filing separate state income tax
27 returns or separately on a combined state return are
28 allowed a combined maximum exclusion under this
29 subsection of up to ten twelve thousand dollars. The
30 ten twelve thousand dollar exclusion shall be
31 allocated to the husband or wife in the proportion
32 that each spouse's respective pension and retirement
33 pay received bears to total combined pension and
34 retirement pay received.

35 Sec. 104. Section 422.10, Code Supplement 1999, is
36 amended to read as follows:

37 422.10 RESEARCH ACTIVITIES CREDIT.

38 1. The taxes imposed under this division shall be
39 reduced by a state tax credit for increasing research
40 activities in this state.

41 a. For individuals, the credit equals ~~six-and-one-~~
42 ~~half-percent-of-the-state's-apportioned-share-of-the~~
43 ~~qualifying-expenditures-for-increasing-research~~
44 ~~activities; the sum of the following:~~

45 (1) Six and one-half percent of the excess of
46 qualified research expenses during the tax year over
47 the base amount for the tax year based upon the
48 state's apportioned share of the qualifying
49 expenditures for increasing research activities.

50 (2) Six and one-half percent of the basic research

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1 payments determined under section 41(e)(1)(A) of the
2 Internal Revenue Code during the tax year based upon
3 the state's apportioned share of the qualifying
4 expenditures for increasing research activities.

5 The state's apportioned share of the qualifying
6 expenditures for increasing research activities is a
7 percent equal to the ratio of qualified research
8 expenditures in this state to total qualified research
9 expenditures.

10 b. In lieu of the credit amount computed in
11 paragraph "a", subparagraph (1), a taxpayer may elect
12 to compute the credit amount for qualified research
13 expenses incurred in this state in a manner consistent
14 with the alternative incremental credit described in
15 section 41(c)(4) of the Internal Revenue Code. The
16 taxpayer may make this election regardless of the
17 method used for the taxpayer's federal income tax.
18 The election made under this paragraph is for the tax
19 year and the taxpayer may use another or the same
20 method for any subsequent year.

21 c. For purposes of the alternate credit
22 computation method in paragraph "b", the credit
23 percentages applicable to qualified research expenses
24 described in clauses (i), (ii), and (iii) of section
25 41(c)(4)(A) of the Internal Revenue Code are one and
26 sixty-five hundredths percent, two and twenty
27 hundredths percent, and two and seventy-five
28 hundredths percent, respectively.

29 2. For purposes of this section, an individual may
30 claim a research credit for-qualifying-research
31 expenditures incurred by a partnership, subchapter S
32 corporation, limited liability company, estate, or
33 trust electing to have the income taxed directly to
34 the individual. The amount claimed by the individual
35 shall be based upon the pro rata share of the
36 individual's earnings of a partnership, subchapter S
37 corporation, limited liability company, estate, or
38 trust.

39 3. For purposes of this section, "qualifying
40 expenditures-for-increasing-research-activities"-means
41 the-qualifying-expenditures "base amount", "basic
42 research payment", and "qualified research expense"
43 mean the same as defined for the federal credit for
44 increasing research activities which-would-be
45 allowable under section 41 of the Internal Revenue
46 Code in-effect-on-January-1,-1999, except that for the
47 alternative incremental credit such amounts are for
48 research conducted within this state. For purposes of
49 this section, "Internal Revenue Code" means the
50 Internal Revenue Code in effect on January 1, 2000.

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1 4. Any credit in excess of the tax liability
2 imposed by section 422.5 less the credits allowed
3 under sections 422.11A, 422.12, and 422.12B for the
4 taxable year shall be refunded with interest computed
5 under section 422.25. In lieu of claiming a refund, a
6 taxpayer may elect to have the overpayment shown on
7 the taxpayer's final, completed return credited to the
8 tax liability for the following taxable year."

9 3. Page 5, by inserting after line 7 the
10 following:

11 "Sec. 105. Section 422.33, subsection 5, Code
12 Supplement 1999, is amended to read as follows:

13 5. a. The taxes imposed under this division shall
14 be reduced by a state tax credit for increasing
15 research activities in this state equal to ~~six-and~~
16 ~~one-half-percent-of-the-state's-apportioned-share-of~~
17 ~~the-qualifying-expenditures-for-increasing-research~~
18 ~~activities-~~ the sum of the following:

19 (1) Six and one-half percent of the excess of
20 qualified research expenses during the tax year over
21 the base amount for the tax year based upon the
22 state's apportioned share of the qualifying
23 expenditures for increasing research activities.

24 (2) Six and one-half percent of the basic research
25 payments determined under section 41(e)(1)(A) of the
26 Internal Revenue Code during the tax year based upon
27 the state's apportioned share of the qualifying
28 expenditures for increasing research activities.

29 The state's apportioned share of the qualifying
30 expenditures for increasing research activities is a
31 percent equal to the ratio of qualified research
32 expenditures in this state to the total qualified
33 research expenditures.

34 b. In lieu of the credit amount computed in
35 paragraph "a", subparagraph (1), a corporation may
36 elect to compute the credit amount for qualified
37 research expenses incurred in this state in a manner
38 consistent with the alternative incremental credit
39 described in section 41(c)(4) of the Internal Revenue
40 Code. The taxpayer may make this election regardless
41 of the method used for the taxpayer's federal income
42 tax. The election made under this paragraph is for
43 the tax year and the taxpayer may use another or the
44 same method for any subsequent year.

45 c. For purposes of the alternate credit
46 computation method in paragraph "b", the credit
47 percentages applicable to qualified research expenses
48 described in clauses (i), (ii), and (iii) of section
49 41(c)(4)(A) of the Internal Revenue Code are one and
50 sixty-five hundredths percent, two and twenty

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1 1 hundredths percent, and two and seventy-five
2 hundredths percent, respectively.

3 d. For purposes of this subsection, "qualifying
4 expenditures-for-increasing-research-activities"-means
5 the-qualifying-expenditures "base amount", "basic
6 research payment", and "qualified research expense"
7 mean the same as defined for the federal credit for
8 increasing research activities which-would-be
9 allowable under section 41 of the Internal Revenue
10 Code in-effect-on-January-1, 1999, except that for the
11 alternative incremental credit such amounts are for
12 research conducted within this state. For purposes of
13 this subsection, "Internal Revenue Code" means the
14 Internal Revenue Code in effect on January 1, 2000.

15 e. Any credit in excess of the tax liability for
16 the taxable year shall be refunded with interest
17 computed under section 422.25. In lieu of claiming a
18 refund, a taxpayer may elect to have the overpayment
19 shown on its final, completed return credited to the
20 tax liability for the following taxable year."

21 4. Page 5, by inserting after line 22 the
22 following:

23 "Sec. ____ . APPLICABILITY DATE. Sections 1, 102,
24 104, and 105, of this Act apply retroactively to
25 January 1, 2000, for tax years beginning on or after
26 that date. Section 103 of this Act applies to tax
27 years beginning on or after January 1, 2001."

28 5. Title page, line 3, by inserting after the
29 word "barns" the following: ", an alternative method
30 for computing the individual and corporate income tax
31 credit for increasing research and development, and an
32 increase in the deduction for pension and retirement
33 income for income tax purposes, and including
34 applicability dates".

By VAN FOSSEN of Scott
 ALONS of Sioux
 BAUDLER of Adair
 DAVIS of Wapello
 DRAKE of Pottawattamie
 NELSON-FORBES of Marshall
 GARMAN of Story
 HOUSER of Pottawattamie
 JAGER of Black Hawk
 LORD of Dallas
 MARTIN of Scott
 MILLAGE of Scott
 RAECKER of Polk
 SHEY of Linn
 SUKUP of Franklin
 SUNDERBRUCH of Scott
 ARNOLD of Lucas
 BARRY of Harrison
 BLODGETT of Cerro Gordo
 BOAL of Polk
 BODDICKER of Cedar
 BOGCESS of Page
 BRADLEY of Clinton
 BRAUNS of Muscatine
 BRUNKHORST of Bremer
 CARROLL of Poweshiek
 CORMACK of Webster

DIX of Butler
 DOLECHECK of Ringgold
 EDDIE of Buena Vista
 GIPP of Winneshiek
 GRUNDBERG of Polk
 HAHN of Muscatine
 HANSEN of Pottawattamie
 HEATON of Henry
 HOFFMAN of Crawford
 HOLMES of Scott
 HORBACH of Tama
 HUSEMAN of Cherokee
 JACOBS of Polk
 JOHNSON of Osceola
 KETTERING of Sac
 KLEMME of Plymouth
 LARSON of Linn
 METCALF of Polk
 RANTS of Woodbury
 RAYHONS of Hancock
 SIEGRIST of Pottawattamie
 TEIG of Hamilton
 THOMSON of Linn
 TYRRELL of Iowa
 VAN ENGELENHOVEN of Mahaska
 WEIDMAN of Cass
 WELTER of Jones

H-9019 FILED APRIL 20, 2000

Adopted
4/20/00
(P. 1686)

HOUSE FILE 2560

H-9025

1 Amend House File 2560 as follows:

2 1. By striking everything after the enacting
3 clause and inserting the following:

4 "Section 1. Section 422.7, subsection 31, Code
5 1999, is amended to read as follows:

6 31. For a person who is disabled, or is fifty-five
7 years of age or older, or is the surviving spouse of
8 an individual or a survivor having an insurable
9 interest in an individual who would have qualified for
10 the exemption under this subsection for the tax year,
11 subtract, to the extent included, the total amount of
12 a governmental or other pension or retirement pay,
13 including, but not limited to, defined benefit or
14 defined contribution plans, annuities, individual
15 retirement accounts, plans maintained or contributed
16 to by an employer, or maintained or contributed to by
17 a self-employed person as an employer, and deferred
18 compensation plans or any earnings attributable to the
19 deferred compensation plans, up to a maximum of five
20 six thousand dollars for a person, other than a
21 husband or wife, who files a separate state income tax
22 return and up to a maximum of ten twelve thousand
23 dollars for a husband and wife who file a joint state
24 income tax return. However, a surviving spouse who is
25 not disabled or fifty-five years of age or older can
26 only exclude the amount of pension or retirement pay
27 received as a result of the death of the other spouse.
28 A husband and wife filing separate state income tax
29 returns or separately on a combined state return are
30 allowed a combined maximum exclusion under this
31 subsection of up to ten twelve thousand dollars. The
32 ten twelve thousand dollar exclusion shall be
33 allocated to the husband or wife in the proportion
34 that each spouse's respective pension and retirement
35 pay received bears to total combined pension and
36 retirement pay received.

37 Sec. 2. APPLICABILITY DATE. This Act applies
38 retroactively to January 1, 2000, for the years
39 beginning on or after that date."

40 2. Title page, by striking lines 1 through 3 and
41 inserting the following: "An Act relating to the
42 pension exclusion under the individual income tax and
43 including a retroactive applicability date."

By SCHRADER of Marion

H-9025 FILED APRIL 20, 2000

W/D
4/20/00 (P. 1695)

HOUSE FILE 2560

H-9026

1 Amend House File 2560 as follows:

2 1. Page 1, line 17, by inserting after the word
3 "Property" the following: "or district".

4 2. Page 2, line 5, by inserting after the word
5 "date." the following: "For purposes of this chapter,
6 "rehabilitation costs" are the costs of work done to
7 the actual structure and do not include costs
8 associated with landscaping."

9 3. Page 2, by inserting before line 6 the
10 following:

11 "Any rehabilitation costs used in the computation
12 of the tax credit under this chapter shall not be
13 deductible for purposes of individual and corporate
14 income taxes."

15 4. Page 2, by inserting after line 25 the
16 following:

17 "c. The approval process shall not exceed sixty
18 days beginning from the date the rehabilitation
19 project is submitted. After the sixty-day limit, the
20 rehabilitation project is deemed to be approved."

21 5. Page 5, by inserting after line 22 the
22 following:

23 "Sec. ____ . APPLICABILITY PROVISION. Chapter 404A,
24 enacted in this Act, applies to rehabilitation
25 projects initiated on or after July 1, 2000, for which
26 no expenses have been incurred prior to that date."

By JAGER of Black Hawk

H-9026 FILED APRIL 20, 2000

Adapted
4/20/00
(P. 1687)

HOUSE FILE 2560

H-9027

1 Amend House File 2560 as follows:

2 1. Page 5, by inserting after line 7 the
3 following:

4 "Sec. 200. NEW SECTION. 422.11E ASSISTIVE DEVICE
5 TAX CREDIT -- SMALL BUSINESS.

6 1. The taxes imposed under this division, less the
7 credits allowed under sections 422.12 and 422.12B,
8 shall be reduced by an assistive device tax credit. A
9 small business purchasing, renting, or modifying an
10 assistive device or making workplace modifications for
11 an individual with a disability who is employed or
12 will be employed by the small business is entitled to
13 receive this assistive device tax credit which is
14 equal to fifty percent of the first five thousand
15 dollars paid during the tax year for the purchase,
16 rental, or modification of the assistive device or for
17 making the workplace modifications. Any credit in
18 excess of the tax liability shall be refunded with
19 interest computed under section 422.25. In lieu of
20 claiming a refund, a taxpayer may elect to have the
21 overpayment shown on the taxpayer's final, completed
22 return credited to the tax liability for the following
23 tax year. If the small business elects to take the
24 assistive device tax credit, the small business shall
25 reduce the deduction for the costs of purchasing,
26 renting, or modifying an assistive device or making
27 workplace modifications by the amount of the credit.

28 2. An individual may claim an assistive device tax
29 credit allowed a partnership, limited liability
30 company, S corporation, estate, or trust electing to
31 have the income taxed directly to the individual. The
32 amount claimed by the individual shall be based upon
33 the pro rata share of the individual's earnings of the
34 partnership, limited liability company, S corporation,
35 estate, or trust.

36 3. For purposes of this section:

37 a. "Assistive device" means any item, piece of
38 equipment, or product system which is used to
39 increase, maintain, or improve the functional
40 capabilities of an individual with a disability in the
41 workplace or on the job. "Assistive device" does not
42 mean any medical device, surgical device, or organ
43 implanted or transplanted into or attached directly to
44 an individual. "Assistive device" does not include
45 any device for which a certificate of title is issued
46 by the state department of transportation, but does
47 include any item, piece of equipment, or product
48 system otherwise meeting the definition of "assistive
49 device" that is incorporated, attached, or included as
50 a modification in or to such a device issued a

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1 certificate of title.

2 b. "Disability" means the same as defined in
3 section 225C.46.

4 c. "Small business" means a business that either
5 had gross receipts for its preceding tax year of three
6 million dollars or less or employed not more than
7 fourteen full-time employees during its preceding tax
8 year.

9 d. "Workplace modifications" means physical
10 alterations to the work environment.

11 Sec. 201. Section 422.33, Code Supplement 1999, is
12 amended by adding the following new subsection:

13 NEW SUBSECTION. 8A. The taxes imposed under this
14 division shall be reduced by an assistive device tax
15 credit. A small business purchasing, renting, or
16 modifying an assistive device or making workplace
17 modifications for purposes of an individual with a
18 disability who is employed or will be employed by the
19 small business is entitled to receive this assistive
20 device tax credit which is equal to fifty percent of
21 the first five thousand dollars paid during the tax
22 year for the purchase, rental, or modification of the
23 assistive device or for making the workplace
24 modifications. Any credit in excess of the tax
25 liability shall be refunded with interest computed
26 under section 422.25. In lieu of claiming a refund, a
27 taxpayer may elect to have the overpayment shown on
28 the taxpayer's final, completed return credited to the
29 tax liability for the following tax year. If the
30 small business elects to take the assistive device tax
31 credit, the small business shall reduce the deduction
32 for the costs of purchasing, renting, or modifying an
33 assistive device or making workplace modifications by
34 the amount of the credit.

35 a. For purposes of this subsection, "assistive
36 device" means any item, piece of equipment, or product
37 system which is used to increase, maintain, or improve
38 the functional capabilities of an individual with a
39 disability in the workplace or on the job. "Assistive
40 device" does not mean any medical device, surgical
41 device, or organ implanted or transplanted into or
42 attached directly to an individual. "Assistive
43 device" does not include any device for which a
44 certificate of title is issued by the state department
45 of transportation, but does include any item, piece of
46 equipment, or product system otherwise meeting the
47 definition of "assistive device" that is incorporated,
48 attached, or included as a modification in or to such
49 a device issued a certificate of title.

50 b. "Disability" means the same as defined in

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Page 2

1 certificate of title.

2 b. "Disability" means the same as defined in
3 section 225C.46.

4 c. "Small business" means a business that either
5 had gross receipts for its preceding tax year of three
6 million dollars or less or employed not more than
7 fourteen full-time employees during its preceding tax
8 year.

9 d. "Workplace modifications" means physical
10 alterations to the work environment.

11 Sec. 201. Section 422.33, Code Supplement 1999, is
12 amended by adding the following new subsection:

13 NEW SUBSECTION. 8A. The taxes imposed under this
14 division shall be reduced by an assistive device tax
15 credit. A small business purchasing, renting, or
16 modifying an assistive device or making workplace
17 modifications for purposes of an individual with a
18 disability who is employed or will be employed by the
19 small business is entitled to receive this assistive
20 device tax credit which is equal to fifty percent of
21 the first five thousand dollars paid during the tax
22 year for the purchase, rental, or modification of the
23 assistive device or for making the workplace
24 modifications. Any credit in excess of the tax
25 liability shall be refunded with interest computed
26 under section 422.25. In lieu of claiming a refund, a
27 taxpayer may elect to have the overpayment shown on
28 the taxpayer's final, completed return credited to the
29 tax liability for the following tax year. If the
30 small business elects to take the assistive device tax
31 credit, the small business shall reduce the deduction
32 for the costs of purchasing, renting, or modifying an
33 assistive device or making workplace modifications by
34 the amount of the credit.

35 a. For purposes of this subsection, "assistive
36 device" means any item, piece of equipment, or product
37 system which is used to increase, maintain, or improve
38 the functional capabilities of an individual with a
39 disability in the workplace or on the job. "Assistive
40 device" does not mean any medical device, surgical
41 device, or organ implanted or transplanted into or
42 attached directly to an individual. "Assistive
43 device" does not include any device for which a
44 certificate of title is issued by the state department
45 of transportation, but does include any item, piece of
46 equipment, or product system otherwise meeting the
47 definition of "assistive device" that is incorporated,
48 attached, or included as a modification in or to such
49 a device issued a certificate of title.

50 b. "Disability" means the same as defined in

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1 section 225C.46.

2 c. "Small business" means a business that either
3 had gross receipts for its preceding tax year of three
4 million dollars or less or employed not more than
5 fourteen full-time employees during its preceding tax
6 year.

7 d. "Workplace modifications" means physical
8 alterations to the work environment."

9 2. Page 5, by inserting after line 22 the
10 following:

11 "Sec. ____ . EFFECTIVE AND RETROACTIVE APPLICABILITY
12 DATE. Sections 200 and 201 of this Act, being deemed
13 of immediate importance, take effect upon enactment
14 and apply retroactively to January 1, 2000, for tax
15 years beginning on or after that date."

16 3. Title page, line 3, by inserting after the
17 word "barns" the following: "and for the acquisition
18 or modification of assistive technology or the
19 modification of the workplace in order to assist
20 persons with a disability in the workplace, and
21 including an effective and retroactive applicability
22 date provision."

By JOCHUM of Dubuque

H-9027 FILED APRIL 20, 2000

*0/0
4/20/00 (p. 686)*

HOUSE FILE 2560

H-9031

1 Amend the amendment, H-9019, to House File 2560 as
2 follows:

3 1. Page 4, by striking lines 4 through 8 and
4 inserting the following:

5 ~~"31. For a person who is disabled, or is fifty-~~
6 ~~five-years-of-age-or-older, or is an individual or the~~
7 ~~surviving spouse of an individual or a survivor having~~
8 ~~an-insurable-interest-in-an-individual-who-would-have~~
9 ~~qualified-for-the-exemption-under-this-subsection-for~~
10 ~~the-tax-year,".~~

11 2. Page 4, by striking lines 22 through 25 and
12 inserting the following: "income tax return.
13 ~~However, a surviving spouse who is not disabled or~~
14 ~~fifty-five-years-of-age-or-older-can-only-exclude-the~~
15 ~~amount-of-pension-or-retirement-pay-received-as-a~~
16 ~~result-of-the-death-of-the-other-spouse."~~

By DIX of Butler

H-9031 FILED APRIL 20, 2000

*W/R
4/20/00
(p. 681)*

HOUSE FILE 2560

H-9032

1 Amend House File 2560 as follows:
 2 1. Page 5, by inserting after line 22 the
 3 following:
 4 "Sec. ____ . Section 422.45, Code Supplement 1999,
 5 is amended by adding the following new subsection:
 6 NEW SUBSECTION. 57. The gross receipts from the
 7 rendering, furnishing, or performing of environmental
 8 test laboratory services including services of a
 9 mobile environmental testing laboratory and field
 10 testing services by an environmental test laboratory."
 11 2. Title page, line 3, by inserting after the
 12 word "barns" the following: "and providing a sales
 13 and use tax exemption for furnishing or performing
 14 environmental test laboratory services"

By WITT of Black Hawk

H-9032 FILED APRIL 20, 2000

w/d
4/20/00 (P 1694)

HOUSE FILE 2560

H-9033

1 Amend the amendment H-9019 to House File 2560 as
 2 follows:
 3 1. Page 7, line 23, by inserting after the figure
 4 "102," the following: "103,".
 5 2. Page 7, by striking lines 26 and 27 and
 6 inserting the following: "that date."

By SCHRADER of Marion

H-9033 FILED APRIL 20, 2000

lost
4/20/00 (P 1682)

HOUSE FILE 2560

H-9035

1 Amend House File 2560 as follows:
 2 1. Page 1, lines 19 and 20, by striking the words
 3 "one hundred years prior to certification." and
 4 inserting the following: "prior to 1936."

By HOUSER of Pottawattamie

H-9035 FILED APRIL 20, 2000

adopted
4/20/00
(P 1689)

HOUSE FILE 2560

H-9036

1 Amend the amendment, H-9019, to House File 2560, as
2 follows:

3 1. Page 6, line 11, by striking the word and
4 figure ""Sec. 105." and inserting the following:

5 ""Sec. 200. NEW SECTION. 422.11E ASSISTIVE
6 DEVICE TAX CREDIT -- SMALL BUSINESS.

7 1. The taxes imposed under this division, less the
8 credits allowed under sections 422.12 and 422.12B,
9 shall be reduced by an assistive device tax credit. A
10 small business purchasing, renting, or modifying an
11 assistive device or making workplace modifications for
12 an individual with a disability who is employed or
13 will be employed by the small business is eligible,
14 subject to availability of credits, to receive this
15 assistive device tax credit which is equal to fifty
16 percent of the first five thousand dollars paid during
17 the tax year for the purchase, rental, or modification
18 of the assistive device or for making the workplace
19 modifications. Any credit in excess of the tax
20 liability shall be refunded with interest computed
21 under section 422.25. In lieu of claiming a refund, a
22 taxpayer may elect to have the overpayment shown on
23 the taxpayer's final, completed return credited to the
24 tax liability for the following tax year. If the
25 small business elects to take the assistive device tax
26 credit, the small business shall not deduct for Iowa
27 tax purposes any amount of the cost of an assistive
28 device or workplace modifications which is deductible
29 for federal tax purposes.

30 2. To receive the assistive device tax credit, the
31 eligible small business must submit an application to
32 the department of economic development. If the
33 taxpayer meets the criteria for eligibility, the
34 department of economic development shall issue to the
35 taxpayer a certification of entitlement for the
36 assistive device tax credit. However, the combined
37 amount of tax credits that may be approved for a
38 fiscal year under this section and section 422.33,
39 subsection 9, shall not exceed five hundred thousand
40 dollars. Tax credit certificates shall be issued on
41 an earliest filed basis. The certification shall
42 contain the taxpayer's name, address, tax
43 identification number, the amount of the credit, and
44 tax year for which the certificate applies. The
45 taxpayer must file the tax credit certificate with the
46 taxpayer's individual income tax return in order to
47 claim the tax credit. The departments of economic
48 development and revenue and finance shall each adopt
49 rules to jointly administer this section and shall
50 provide by rule for the method to be used to determine

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1 for which fiscal year the tax credits are approved.

2 3. An individual may claim an assistive device tax
3 credit allowed a partnership, limited liability
4 company, S corporation, estate, or trust electing to
5 have the income taxed directly to the individual. The
6 amount claimed by the individual shall be based upon
7 the pro rata share of the individual's earnings of the
8 partnership, limited liability company, S corporation,
9 estate, or trust.

10 4. For purposes of this section:

11 a. "Assistive device" means any item, piece of
12 equipment, or product system which is used to
13 increase, maintain, or improve the functional
14 capabilities of an individual with a disability in the
15 workplace or on the job. "Assistive device" does not
16 mean any medical device, surgical device, or organ
17 implanted or transplanted into or attached directly to
18 an individual. "Assistive device" does not include
19 any device for which a certificate of title is issued
20 by the state department of transportation, but does
21 include any item, piece of equipment, or product
22 system otherwise meeting the definition of "assistive
23 device" that is incorporated, attached, or included as
24 a modification in or to such a device issued a
25 certificate of title.

26 b. "Disability" means the same as defined in
27 section 225C.46.

28 c. "Small business" means a business that either
29 had gross receipts for its preceding tax year of three
30 million dollars or less or employed not more than
31 fourteen full-time employees during its preceding tax
32 year.

33 d. "Workplace modifications" means physical
34 alterations to the work environment.

35 Sec. 105."

36 2. Page 7, line 20, by striking the word "year."
37 and inserting the following: "year.

38 Sec. 201. Section 422.33, Code Supplement 1999, is
39 amended by adding the following new subsection:

40 NEW SUBSECTION. 8A. a. The taxes imposed under
41 this division shall be reduced by an assistive device
42 tax credit. A small business purchasing, renting, or
43 modifying an assistive device or making workplace
44 modifications for an individual with a disability who
45 is employed or will be employed by the small business
46 is eligible, subject to availability of credits, to
47 receive this assistive device tax credit which is
48 equal to fifty percent of the first five thousand
49 dollars paid during the tax year for the purchase,
50 rental, or modification of the assistive device or for

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1 making the workplace modifications. Any credit in
2 excess of the tax liability shall be refunded with
3 interest computed under section 422.25. In lieu of
4 claiming a refund, a taxpayer may elect to have the
5 overpayment shown on the taxpayer's final, completed
6 return credited to the tax liability for the following
7 tax year. If the small business elects to take the
8 assistive device tax credit, the small business shall
9 not deduct for Iowa tax purposes any amount of the
10 cost of an assistive device or workplace modifications
11 which is deductible for federal income tax purposes.

12 b. To receive the assistive device tax credit, the
13 eligible small business must submit an application to
14 the department of economic development. If the
15 taxpayer meets the criteria for eligibility, the
16 department of economic development shall issue to the
17 taxpayer a certification of entitlement for the
18 assistive device tax credit. However, the combined
19 amount of tax credits that may be approved for a
20 fiscal year under this subsection and section 422.11D
21 shall not exceed five hundred thousand dollars. Tax
22 credit certificates shall be issued on an earliest
23 filed basis. The certification shall contain the
24 taxpayer's name, address, tax identification number,
25 the amount of the credit, and tax year for which the
26 certificate applies. The taxpayer must file the tax
27 credit certificate with the taxpayer's corporate
28 income tax return in order to claim the tax credit.
29 The departments of economic development and revenue
30 and finance shall each adopt rules to jointly
31 administer this subsection and shall provide by rule
32 for the method to be used to determine for which
33 fiscal year the tax credits are approved.

34 c. For purposes of this subsection:

35 (1) "Assistive device" means any item, piece of
36 equipment, or product system which is used to
37 increase, maintain, or improve the functional
38 capabilities of an individual with a disability in the
39 workplace or on the job. "Assistive device" does not
40 mean any medical device, surgical device, or organ
41 implanted or transplanted into or attached directly to
42 an individual. "Assistive device" does not include
43 any device for which a certificate of title is issued
44 by the state department of transportation, but does
45 include any item, piece of equipment, or product
46 system otherwise meeting the definition of "assistive
47 device" that is incorporated, attached, or included as
48 a modification in or to such a device issued a
49 certificate of title.

50 (2) "Disability" means the same as defined in

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1 section 225C.46.

2 (3) "Small business" means a business that either
3 had gross receipts for its preceding tax year of three
4 million dollars or less or employed not more than
5 fourteen full-time employees during its preceding tax
6 year.

7 (4) "Workplace modifications" means physical
8 alterations to the work environment."

9 3. Page 7, line 24, by striking the word and
10 figure "and 105" and inserting the following: "200,
11 105, and 201".

12 4. Page 7, line 31 by inserting after the word
13 "development," the following: "an assistive device
14 tax credit under the individual and corporate taxes
15 for assisting persons with a disability in the
16 workplace,".

By BOAL of Polk
JOCHUM of Dubuque

H-9036 FILED APRIL 20, 2000

*Adopted 4/20/00
(P. 1686)*

HOUSE FILE 2560

H-9037

1 Amend the amendment, H-9035, to House File 2560 as
2 follows:

3 1. Page 1, line 4, by striking the figure "1936"
4 and inserting the following: "1937".

By FALLON of Polk

H-9037 FILED APRIL 20, 2000

*Adopted
4/20/00
(P. 1689)*

HOUSE FILE 2560

H-9039

1 Amend House File 2560 as follows:

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

4 "Section 1. Section 35.1, subsection 2, paragraph
5 b, subparagraphs (1) and (2), Code Supplement 1999,
6 are amended to read as follows:

7 (1) ~~Former-members~~ Members of the reserve forces
8 of the United States who have served at least twenty
9 years in the reserve forces ~~after-January-28, 1973,~~
10 and who continue to serve or were discharged under
11 honorable conditions. However, a member of the
12 reserve forces of the United States who completed a
13 minimum aggregate of ninety days of active federal
14 service, other than training, and was discharged under
15 honorable conditions, or was retired under Title X of
16 the United States Code shall be included as a veteran.

17 (2) ~~Former-members~~ Members of the Iowa national
18 guard who have served at least twenty years in the
19 Iowa national guard ~~after-January-28, 1973,~~ and who
20 continue to serve or were discharged under honorable
21 conditions. However, a member of the Iowa national
22 guard who was activated for federal duty, other than
23 training, for a minimum aggregate of ninety days, and
24 was discharged under honorable conditions or was
25 retired under Title X of the United States Code shall
26 be included as a veteran."

27 2. Page 5, by inserting after line 22 the
28 following:

29 Sec. 300. STATE FUNDING. The military service tax
30 exemptions and credits provided pursuant to section 1
31 of this Act shall be funded pursuant to chapter 426A
32 to the extent of six dollars and ninety-two cents per
33 thousand dollars of the assessed value of the exempt
34 property.

35 Sec. 301. Section 300 of this Act applies to
36 military service property tax exemption claims allowed
37 on or after January 1, 2001."

38 3. Title page, line 3, by inserting after the
39 word "barns" the following: "and providing military
40 service tax exemptions and credits for members of the
41 United States reserves and the Iowa national guard,".

By WARNSTADT of Woodbury

H-9039 FILED APRIL 20, 2000

*Not Germane (p. 1695)
4/20/00*

HOUSE FILE 2560

H-9040

1 Amend House File 2560 as follows:
2 1. Page 3, line 15, by inserting after the word
3 "date." the following: "The total amount of tax
4 credits that may be approved pursuant to this chapter
5 shall not exceed two million dollars in a fiscal year.
6 If the total of the tax credits for all rehabilitation
7 projects that qualify for tax credits exceeds two
8 million dollars in a fiscal year, the department shall
9 grant the tax credits on a pro rata basis so that the
10 total amount of tax credits approved for the fiscal
11 year does not exceed two million dollars."

By RICHARDSON of Warren

H-9040 FILED APRIL 20, 2000

Lost

4/20/00 (P. 1693)

HOUSE FILE **2560**
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 482)

(As Amended and Passed by the House, April 20, 2000)

Passed House, ^(P. 1866) Date 4/26/00 Passed Senate, ^{P. 1419} Date 4/26/00
Vote: Ayes 98 Nays 0 Vote: Ayes 48 Nays 0
Approved _____

A BILL FOR

1 An Act providing an individual and corporate income tax credit
2 for the rehabilitation of certain eligible commercial and
3 residential property and barns, an alternative method for
4 computing the individual and corporate income tax credit for
5 increasing research and development, an assistive device tax
6 credit under the individual and corporate taxes for assisting
7 persons with a disability in the workplace, and an increase in
8 the deduction for pension and retirement income for income tax
9 purposes, and including applicability dates.

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

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House Amendments _____

1 Section 1. Section 15.335, Code Supplement 1999, is
2 amended to read as follows:

3 15.335 RESEARCH ACTIVITIES CREDIT.

4 1. An eligible business may claim a corporate tax credit
5 for increasing research activities in this state during the
6 period the eligible business is participating in the program.

7 a. The credit equals six-and-one-half-percent-of-the
8 state's-apportioned-share-of-the-qualifying-expenditures-for
9 increasing-research-activities; the sum of the following:

10 (1) Six and one-half percent of the excess of qualified
11 research expenses during the tax year over the base amount for
12 the tax year based upon the state's apportioned share of the
13 qualifying expenditures for increasing research activities.

14 (2) Six and one-half percent of the basic research
15 payments determined under section 41(e)(1)(A) of the Internal
16 Revenue Code during the tax year based upon the state's
17 apportioned share of the qualifying expenditures for
18 increasing research activities.

19 The state's apportioned share of the qualifying
20 expenditures for increasing research activities is a percent
21 equal to the ratio of qualified research expenditures in this
22 state to total qualified research expenditures.

23 b. In lieu of the credit amount computed in paragraph "a",
24 subparagraph (1), an eligible business may elect to compute
25 the credit amount for qualified research expenses incurred in
26 this state in a manner consistent with the alternative
27 incremental credit described in section 41(c)(4) of the
28 Internal Revenue Code. The taxpayer may make this election
29 regardless of the method used for the taxpayer's federal
30 income tax. The election made under this paragraph is for the
31 tax year and the taxpayer may use another or the same method
32 for any subsequent year.

33 c. For purposes of the alternate credit computation method
34 in paragraph "b", the credit percentages applicable to
35 qualified research expenses described in clauses (i), (ii),

1 and (iii) of section 41(c)(4)(A) of the Internal Revenue Code
2 are one and sixty-five hundredths percent, two and twenty
3 hundredths percent, and two and seventy-five hundredths
4 percent, respectively.

5 2. The credit allowed in this section is in addition to
6 the credit authorized in section 422.33, subsection 5, and
7 section 422.10. However, if the alternative credit
8 computation method is used in section 422.33, subsection 5, or
9 section 422.10, the credit allowed in this section shall also
10 be computed using that method.

11 3. If the eligible business is a partnership, subchapter S
12 corporation, limited liability company, or estate or trust
13 electing to have the income taxed directly to the individual,
14 an individual may claim the tax credit allowed. The amount
15 claimed by the individual shall be based upon the pro rata
16 share of the individual's earnings of the partnership,
17 subchapter S corporation, limited liability company, or estate
18 or trust.

19 4. For purposes of this section, "qualifying-expenditures
20 for-increasing-research-activities"-means-the-qualifying
21 expenditures "base amount", "basic research payment", and
22 "qualified research expense" mean the same as defined for the
23 federal credit for increasing research activities which-would
24 be-allowable under section 41 of the Internal Revenue Code in
25 effect-on-January-1, 1999, except that for the alternative
26 incremental credit such amounts are for research conducted
27 within this state. For purposes of this section, "Internal
28 Revenue Code" means the Internal Revenue Code in effect on
29 January 1, 2000.

30 5. Any credit in excess of the tax liability for the
31 taxable year shall be refunded with interest computed under
32 section 422.25. In lieu of claiming a refund, a taxpayer may
33 elect to have the overpayment shown on its final, completed
34 return credited to the tax liability for the following year.

35 Sec. 2. Section 15A.9, subsection 8, Code Supplement 1999,

1 is amended to read as follows:

2 8. CORPORATE TAX RESEARCH CREDIT. A corporate tax credit
3 shall be available to the primary business or a supporting
4 business for increasing research activities in this state
5 within the zone.

6 a. The credit equals ~~thirteen-percent-of-the-state's~~
7 ~~apportioned-share-of-the-qualifying-expenditures-for~~
8 ~~increasing-research-activities-~~ the sum of the following:

9 (1) Thirteen percent of the excess of qualified research
10 expenses during the tax year over the base amount for the tax
11 year based upon the state's apportioned share of the
12 qualifying expenditures for increasing research activities.

13 (2) Thirteen percent of the basic research payments
14 determined under section 41(e)(1)(A) of the Internal Revenue
15 Code during the tax year based upon the state's apportioned
16 share of the qualifying expenditures for increasing research
17 activities.

18 The state's apportioned share of the qualifying
19 expenditures for increasing research activities is a percent
20 equal to the ratio of qualified research expenditures in this
21 state within the zone to total qualified research
22 expenditures.

23 b. In lieu of the credit amount computed in paragraph "a",
24 subparagraph (1), a business may elect to compute the credit
25 amount for qualified research expenses incurred in this state
26 within the zone in a manner consistent with the alternative
27 incremental credit described in section 41(c)(4) of the
28 Internal Revenue Code. The taxpayer may make this election
29 regardless of the method used for the taxpayer's federal
30 income tax. The election made under this paragraph is for the
31 tax year and the taxpayer may use another or the same method
32 for any subsequent year.

33 c. For purposes of the alternate credit computation method
34 in paragraph "b", the credit percentages applicable to
35 qualified research expenses described in clauses (i), (ii),

1 and (iii) of section 41(c)(4)(A) of the Internal Revenue Code
2 are three and thirty hundredths percent, four and forty
3 hundredths percent, and five and fifty hundredths percent,
4 respectively.

5 d. Any credit in excess of the tax liability for the tax
6 year shall be refunded with interest computed under section
7 422.25. In lieu of claiming a refund, the primary business or
8 a supporting business may elect to have the overpayment shown
9 on its final return credited to its tax liability for the
10 following tax year.

11 e. For the purposes of this section, "qualifying
12 expenditures for increasing research activities" means the
13 qualifying expenditures subsection, "base amount", "basic
14 research payment", and "qualified research expense" mean the
15 same as defined for the federal credit for increasing research
16 activities which would be allowable under section 41 of the
17 Internal Revenue Code in effect on January 1, 1999, except
18 that for the alternative incremental credit such amounts are
19 for research conducted within this state within the zone. For
20 purposes of this subsection, "Internal Revenue Code" means the
21 Internal Revenue Code in effect on January 1, 2000.

22 f. The credit authorized in this subsection is in lieu of
23 the credit authorized in section 422.33, subsection 5 and
24 section 422.10.

25 Sec. 3. NEW SECTION. 404A.1 PROPERTY REHABILITATION TAX
26 CREDIT -- ELIGIBLE PROPERTY.

27 1. A property rehabilitation tax credit is granted against
28 the income tax imposed under chapter 422, division II or
29 division III, for the rehabilitation of eligible property
30 located in this state as provided in this chapter. Tax
31 credits in excess of tax liabilities may be carried forward
32 for up to seven years.

33 2. Eligible property for which a taxpayer may receive the
34 property rehabilitation tax credit computed under this chapter
35 includes all of the following:

1 a. Property listed on the national register of historic
2 places or is eligible for such listing.

3 b. Property designated as of historic significance to a
4 district listed in the national register of historic places or
5 is eligible for such designation.

6 c. Property or district designated a local landmark by a
7 city or county ordinance.

8 d. A barn constructed prior to 1937.

9 Sec. 4. NEW SECTION. 404A.2 AMOUNT OF CREDIT.

10 The amount of the credit equals twenty-five percent of the
11 qualified rehabilitation costs made to eligible property. In
12 the case of commercial property, rehabilitation costs must
13 equal at least fifty percent of the assessed value of the
14 property, excluding the land, prior to the rehabilitation. In
15 the case of residential property or barns, the rehabilitation
16 costs must equal at least twenty-five thousand dollars or
17 twenty-five percent of the fair market value, excluding the
18 land, prior to the rehabilitation, whichever is less. In
19 computing the tax credit for eligible property that is
20 classified as residential or as commercial with multifamily
21 residential units, the rehabilitation costs used shall not
22 exceed one hundred thousand dollars per residential unit. In
23 computing the tax credit, the only costs which may be included
24 are the rehabilitation costs incurred between the period
25 ending on the project completion date and beginning on the
26 later of either the date of issuance of the approval of the
27 project as provided in section 404A.3 or two years prior to
28 the project completion date. For purposes of this chapter,
29 "rehabilitation costs" are the costs of work done to the
30 actual structure and do not include costs associated with
31 landscaping.

32 Any rehabilitation costs used in the computation of the tax
33 credit under this chapter shall not be deductible for purposes
34 of individual and corporate income taxes.

35 Sec. 5. NEW SECTION. 404A.3 APPROVAL OF REHABILITATION

1 PROJECT.

2 1. a. In order for costs of a rehabilitation project to
3 qualify for a tax credit, the rehabilitation project must
4 receive approval from the state historical preservation office
5 of the department of cultural affairs.

6 b. Applications for approvals from the state historical
7 preservation office of the department of cultural affairs
8 shall be on forms approved by the state historical
9 preservation office and shall contain information as required
10 by the state historical preservation office. The information
11 shall at least include the approximate date of the start of
12 rehabilitation, the approximate date of completion, as well as
13 the cost.

14 c. The approval process shall not exceed sixty days
15 beginning from the date the rehabilitation project is
16 submitted. After the sixty-day limit, the rehabilitation
17 project is deemed to be approved.

18 2. The state historical preservation office shall
19 establish selection criteria and standards for rehabilitation
20 projects involving eligible property. The main emphasis of
21 the standards shall be to ensure that a rehabilitation project
22 maintains the integrity of the eligible property. To the
23 extent applicable, the standards shall be consistent with the
24 standards of the United States secretary of the interior for
25 rehabilitation of eligible property that is listed on the
26 national register of historic places or is designated as of
27 historic significance to a district listed in the national
28 register of historic places or shall be consistent with
29 standards for issuance of certificates of appropriation under
30 sections 303.27 through 303.32.

31 The selection standards shall provide that a person who
32 qualifies for the rehabilitation tax credit under section 47
33 of the Internal Revenue Code shall automatically qualify for
34 the state property rehabilitation tax credit under this
35 chapter.

1 Sec. 6. NEW SECTION. 404A.4 PROJECT COMPLETION AND TAX
2 CREDIT CERTIFICATION -- CREDIT TRANSFER.

3 1. Upon completion of the rehabilitation project, a
4 certification of completion must be obtained from the state
5 historical preservation office of the department of cultural
6 affairs. A completion certificate shall identify the person
7 claiming the tax credit under this chapter and the
8 rehabilitation costs incurred up to the two years preceding
9 the completion date.

10 2. After verifying the eligibility for the tax credit, the
11 state historical preservation office shall issue a property
12 rehabilitation tax credit certificate to be attached to the
13 person's tax return. The tax credit certificate shall contain
14 the taxpayer's name, address, tax identification number, the
15 date of project completion, the amount of credit, other
16 information required by the department of revenue and finance,
17 and a place for the name and tax identification number of any
18 transferee and the amount of the tax credit being transferred.

19 3. A person receiving a property rehabilitation tax credit
20 under this chapter may transfer all or a portion of the unused
21 tax credit to any other person. However, the tax credit shall
22 only be transferred once. The transferee may use the amount
23 of the tax credit transferred against the taxes imposed under
24 chapter 422, divisions II and III, for any tax year the
25 original transferor could have claimed the credit. Any
26 consideration received for the transfer of the tax credit
27 shall not be included as income under chapter 422, divisions
28 II and III. Any consideration paid for the transfer of the
29 tax credit shall not be deducted from income under chapter
30 422, divisions II and III.

31 Sec. 7. NEW SECTION. 404A.5 ECONOMIC IMPACT --
32 RECOMMENDATIONS.

33 The department of cultural affairs shall be responsible for
34 keeping the general assembly and the legislative fiscal bureau
35 informed on the overall economic impact to the state of the

1 rehabilitation of eligible properties. An annual report shall
2 be filed which shall include, but is not limited to, data on
3 the number and potential value of rehabilitation projects
4 begun during the latest twelve-month period, the total
5 property rehabilitation tax credits originally granted during
6 that period, the potential reduction in state tax revenues as
7 a result of all tax credits still unused, and the potential
8 increase in local property tax revenues as a result of the
9 rehabilitated projects. The department, to the extent it is
10 able, shall provide recommendations on whether a limit on tax
11 credits should be established, the need for a broader or more
12 restrictive definition of eligible property, and other
13 adjustments to the tax credits under this chapter.

14 Sec. 8. Section 422.7, subsection 31, Code 1999, is
15 amended to read as follows:

16 31. For a person who is disabled, or is fifty-five years
17 of age or older, or is the surviving spouse of an individual
18 or a survivor having an insurable interest in an individual
19 who would have qualified for the exemption under this
20 subsection for the tax year, subtract, to the extent included,
21 the total amount of a governmental or other pension or
22 retirement pay, including, but not limited to, defined benefit
23 or defined contribution plans, annuities, individual
24 retirement accounts, plans maintained or contributed to by an
25 employer, or maintained or contributed to by a self-employed
26 person as an employer, and deferred compensation plans or any
27 earnings attributable to the deferred compensation plans, up
28 to a maximum of five six thousand dollars for a person, other
29 than a husband or wife, who files a separate state income tax
30 return and up to a maximum of ten twelve thousand dollars for
31 a husband and wife who file a joint state income tax return.
32 However, a surviving spouse who is not disabled or fifty-five
33 years of age or older can only exclude the amount of pension
34 or retirement pay received as a result of the death of the
35 other spouse. A husband and wife filing separate state income

1 tax returns or separately on a combined state return are
2 allowed a combined maximum exclusion under this subsection of
3 up to ten twelve thousand dollars. The ten twelve thousand
4 dollar exclusion shall be allocated to the husband or wife in
5 the proportion that each spouse's respective pension and
6 retirement pay received bears to total combined pension and
7 retirement pay received.

8 Sec. 9. Section 422.10, Code Supplement 1999, is amended
9 to read as follows:

10 422.10 RESEARCH ACTIVITIES CREDIT.

11 1. The taxes imposed under this division shall be reduced
12 by a state tax credit for increasing research activities in
13 this state.

14 a. For individuals, the credit equals six-and-one-half
15 percent-of-the-state's-apportioned-share-of-the-qualifying
16 expenditures-for-increasing-research-activities. the sum of
17 the following:

18 (1) Six and one-half percent of the excess of qualified
19 research expenses during the tax year over the base amount for
20 the tax year based upon the state's apportioned share of the
21 qualifying expenditures for increasing research activities.

22 (2) Six and one-half percent of the basic research
23 payments determined under section 41(e)(1)(A) of the Internal
24 Revenue Code during the tax year based upon the state's
25 apportioned share of the qualifying expenditures for
26 increasing research activities.

27 The state's apportioned share of the qualifying
28 expenditures for increasing research activities is a percent
29 equal to the ratio of qualified research expenditures in this
30 state to total qualified research expenditures.

31 b. In lieu of the credit amount computed in paragraph "a",
32 subparagraph (1), a taxpayer may elect to compute the credit
33 amount for qualified research expenses incurred in this state
34 in a manner consistent with the alternative incremental credit
35 described in section 41(c)(4) of the Internal Revenue Code.

1 The taxpayer may make this election regardless of the method
2 used for the taxpayer's federal income tax. The election made
3 under this paragraph is for the tax year and the taxpayer may
4 use another or the same method for any subsequent year.

5 c. For purposes of the alternate credit computation method
6 in paragraph "b", the credit percentages applicable to
7 qualified research expenses described in clauses (i), (ii),
8 and (iii) of section 41(c)(4)(A) of the Internal Revenue Code
9 are one and sixty-five hundredths percent, two and twenty
10 hundredths percent, and two and seventy-five hundredths
11 percent, respectively.

12 2. For purposes of this section, an individual may claim a
13 research credit for-qualifying-research-expenditures incurred
14 by a partnership, subchapter S corporation, limited liability
15 company, estate, or trust electing to have the income taxed
16 directly to the individual. The amount claimed by the
17 individual shall be based upon the pro rata share of the
18 individual's earnings of a partnership, subchapter S
19 corporation, limited liability company, estate, or trust.

20 3. For purposes of this section, "qualifying-expenditures
21 for-increasing-research-activities"-means-the-qualifying
22 expenditures "base amount", "basic research payment", and
23 "qualified research expense" mean the same as defined for the
24 federal credit for increasing research activities which-would
25 be-allowable under section 41 of the Internal Revenue Code in
26 effect-on-January-1, 1999, except that for the alternative
27 incremental credit such amounts are for research conducted
28 within this state. For purposes of this section, "Internal
29 Revenue Code" means the Internal Revenue Code in effect on
30 January 1, 2000.

31 4. Any credit in excess of the tax liability imposed by
32 section 422.5 less the credits allowed under sections 422.11A,
33 422.12, and 422.12B for the taxable year shall be refunded
34 with interest computed under section 422.25. In lieu of
35 claiming a refund, a taxpayer may elect to have the

1 overpayment shown on the taxpayer's final, completed return
2 credited to the tax liability for the following taxable year.

3 Sec. 10. NEW SECTION. 422.11D PROPERTY REHABILITATION
4 TAX CREDIT.

5 1. The taxes imposed under this division, less the credits
6 allowed under sections 422.12 and 422.12B, shall be reduced by
7 a property rehabilitation tax credit equal to the amount as
8 computed under chapter 404A for rehabilitating eligible
9 property. Any credit in excess of the tax liability is
10 nonrefundable and may be carried forward for up to seven tax
11 years.

12 2. An individual may claim a property rehabilitation tax
13 credit allowed a partnership, limited liability company, S
14 corporation, estate, or trust electing to have the income
15 taxed directly to the individual. The amount claimed by the
16 individual shall be based upon the pro rata share of the
17 individual's earnings of a partnership, limited liability
18 company, S corporation, estate, or trust.

19 3. However, if the original taxpayer who receives the
20 property rehabilitation tax credit transfers all or a portion
21 of the tax credit, any transferee shall only be entitled to
22 use the amount of the tax credit transferred for a tax year
23 for which the original taxpayer could have claimed the credit.

24 4. For purposes of this section, "eligible property" means
25 the same as used in section 404A.1.

26 Sec. 11. NEW SECTION. 422.11E ASSISTIVE DEVICE TAX
27 CREDIT -- SMALL BUSINESS.

28 1. The taxes imposed under this division, less the credits
29 allowed under sections 422.12 and 422.12B, shall be reduced by
30 an assistive device tax credit. A small business purchasing,
31 renting, or modifying an assistive device or making workplace
32 modifications for an individual with a disability who is
33 employed or will be employed by the small business is
34 eligible, subject to availability of credits, to receive this
35 assistive device tax credit which is equal to fifty percent of

1 the first five thousand dollars paid during the tax year for
2 the purchase, rental, or modification of the assistive device
3 or for making the workplace modifications. Any credit in
4 excess of the tax liability shall be refunded with interest
5 computed under section 422.25. In lieu of claiming a refund,
6 a taxpayer may elect to have the overpayment shown on the
7 taxpayer's final, completed return credited to the tax
8 liability for the following tax year. If the small business
9 elects to take the assistive device tax credit, the small
10 business shall not deduct for Iowa tax purposes any amount of
11 the cost of an assistive device or workplace modifications
12 which is deductible for federal tax purposes.

13 2. To receive the assistive device tax credit, the
14 eligible small business must submit an application to the
15 department of economic development. If the taxpayer meets the
16 criteria for eligibility, the department of economic
17 development shall issue to the taxpayer a certification of
18 entitlement for the assistive device tax credit. However, the
19 combined amount of tax credits that may be approved for a
20 fiscal year under this section and section 422.33, subsection
21 9, shall not exceed five hundred thousand dollars. Tax
22 credit certificates shall be issued on an earliest filed
23 basis. The certification shall contain the taxpayer's name,
24 address, tax identification number, the amount of the credit,
25 and tax year for which the certificate applies. The taxpayer
26 must file the tax credit certificate with the taxpayer's
27 individual income tax return in order to claim the tax credit.
28 The departments of economic development and revenue and
29 finance shall each adopt rules to jointly administer this
30 section and shall provide by rule for the method to be used to
31 determine for which fiscal year the tax credits are approved.

32 3. An individual may claim an assistive device tax credit
33 allowed a partnership, limited liability company, S
34 corporation, estate, or trust electing to have the income
35 taxed directly to the individual. The amount claimed by the

1 individual shall be based upon the pro rata share of the
2 individual's earnings of the partnership, limited liability
3 company, S corporation, estate, or trust.

4 4. For purposes of this section:

5 a. "Assistive device" means any item, piece of equipment,
6 or product system which is used to increase, maintain, or
7 improve the functional capabilities of an individual with a
8 disability in the workplace or on the job. "Assistive device"
9 does not mean any medical device, surgical device, or organ
10 implanted or transplanted into or attached directly to an
11 individual. "Assistive device" does not include any device
12 for which a certificate of title is issued by the state
13 department of transportation, but does include any item, piece
14 of equipment, or product system otherwise meeting the
15 definition of "assistive device" that is incorporated,
16 attached, or included as a modification in or to such a device
17 issued a certificate of title.

18 b. "Disability" means the same as defined in section
19 225C.46.

20 c. "Small business" means a business that either had gross
21 receipts for its preceding tax year of three million dollars
22 or less or employed not more than fourteen full-time employees
23 during its preceding tax year.

24 d. "Workplace modifications" means physical alterations to
25 the work environment.

26 Sec. 12. Section 422.33, subsection 5, Code Supplement
27 1999, is amended to read as follows:

28 5. a. The taxes imposed under this division shall be
29 reduced by a state tax credit for increasing research
30 activities in this state equal to six-and-one-half-percent
31 the state's apportioned share of the qualifying expenditures
32 for increasing research activities; the sum of the following:

33 (1) Six and one-half percent of the excess of qualified
34 research expenses during the tax year over the base amount for
35 the tax year based upon the state's apportioned share of the

1 qualifying expenditures for increasing research activities.
2 (2) Six and one-half percent of the basic research
3 payments determined under section 41(e)(1)(A) of the Internal
4 Revenue Code during the tax year based upon the state's
5 apportioned share of the qualifying expenditures for
6 increasing research activities.

7 The state's apportioned share of the qualifying
8 expenditures for increasing research activities is a percent
9 equal to the ratio of qualified research expenditures in this
10 state to the total qualified research expenditures.

11 b. In lieu of the credit amount computed in paragraph "a",
12 subparagraph (1), a corporation may elect to compute the
13 credit amount for qualified research expenses incurred in this
14 state in a manner consistent with the alternative incremental
15 credit described in section 41(c)(4) of the Internal Revenue
16 Code. The taxpayer may make this election regardless of the
17 method used for the taxpayer's federal income tax. The
18 election made under this paragraph is for the tax year and the
19 taxpayer may use another or the same method for any subsequent
20 year.

21 c. For purposes of the alternate credit computation method
22 in paragraph "b", the credit percentages applicable to
23 qualified research expenses described in clauses (i), (ii),
24 and (iii) of section 41(c)(4)(A) of the Internal Revenue Code
25 are one and sixty-five hundredths percent, two and twenty
26 hundredths percent, and two and seventy-five hundredths
27 percent, respectively.

28 d. For purposes of this subsection, "qualifying
29 expenditures for increasing research activities" means the
30 qualifying expenditures "base amount", "basic research
31 payment", and "qualified research expense" mean the same as
32 defined for the federal credit for increasing research
33 activities which would be allowable under section 41 of the
34 Internal Revenue Code in effect on January 17, 1999, except
35 that for the alternative incremental credit such amounts are

1 for research conducted within this state. For purposes of
2 this subsection, "Internal Revenue Code" means the Internal
3 Revenue Code in effect on January 1, 2000.

4 e. Any credit in excess of the tax liability for the
5 taxable year shall be refunded with interest computed under
6 section 422.25. In lieu of claiming a refund, a taxpayer may
7 elect to have the overpayment shown on its final, completed
8 return credited to the tax liability for the following taxable
9 year.

10 Sec. 13. Section 422.33, Code Supplement 1999, is amended
11 by adding the following new subsection:

12 NEW SUBSECTION. 8A. a. The taxes imposed under this
13 division shall be reduced by an assistive device tax credit.
14 A small business purchasing, renting, or modifying an
15 assistive device or making workplace modifications for an
16 individual with a disability who is employed or will be
17 employed by the small business is eligible, subject to
18 availability of credits, to receive this assistive device tax
19 credit which is equal to fifty percent of the first five
20 thousand dollars paid during the tax year for the purchase,
21 rental, or modification of the assistive device or for making
22 the workplace modifications. Any credit in excess of the tax
23 liability shall be refunded with interest computed under
24 section 422.25. In lieu of claiming a refund, a taxpayer may
25 elect to have the overpayment shown on the taxpayer's final,
26 completed return credited to the tax liability for the
27 following tax year. If the small business elects to take the
28 assistive device tax credit, the small business shall not
29 deduct for Iowa tax purposes any amount of the cost of an
30 assistive device or workplace modifications which is
31 deductible for federal income tax purposes.

32 b. To receive the assistive device tax credit, the
33 eligible small business must submit an application to the
34 department of economic development. If the taxpayer meets the
35 criteria for eligibility, the department of economic

1 development shall issue to the taxpayer a certification of
2 entitlement for the assistive device tax credit. However, the
3 combined amount of tax credits that may be approved for a
4 fiscal year under this subsection and section 422.11D shall
5 not exceed five hundred thousand dollars. Tax credit
6 certificates shall be issued on an earliest filed basis. The
7 certification shall contain the taxpayer's name, address, tax
8 identification number, the amount of the credit, and tax year
9 for which the certificate applies. The taxpayer must file the
10 tax credit certificate with the taxpayer's corporate income
11 tax return in order to claim the tax credit. The departments
12 of economic development and revenue and finance shall each
13 adopt rules to jointly administer this subsection and shall
14 provide by rule for the method to be used to determine for
15 which fiscal year the tax credits are approved.

16 c. For purposes of this subsection:

17 (1) "Assistive device" means any item, piece of equipment,
18 or product system which is used to increase, maintain, or
19 improve the functional capabilities of an individual with a
20 disability in the workplace or on the job. "Assistive device"
21 does not mean any medical device, surgical device, or organ
22 implanted or transplanted into or attached directly to an
23 individual. "Assistive device" does not include any device
24 for which a certificate of title is issued by the state
25 department of transportation, but does include any item, piece
26 of equipment, or product system otherwise meeting the
27 definition of "assistive device" that is incorporated,
28 attached, or included as a modification in or to such a device
29 issued a certificate of title.

30 (2) "Disability" means the same as defined in section
31 225C.46.

32 (3) "Small business" means a business that either had
33 gross receipts for its preceding tax year of three million
34 dollars or less or employed not more than fourteen full-time
35 employees during its preceding tax year.

1 (4) "Workplace modifications" means physical alterations
2 to the work environment.

3 Sec. 14. Section 422.33, Code Supplement 1999, is amended
4 by adding the following new subsection:

5 NEW SUBSECTION. 9. a. The taxes imposed under this
6 division shall be reduced by a property rehabilitation tax
7 credit equal to the amount as computed under chapter 404A for
8 rehabilitating eligible property. Any credit in excess of the
9 tax liability is nonrefundable but may be carried forward for
10 up to seven tax years.

11 b. However, if the original taxpayer who receives the
12 property rehabilitation tax credit transfers all or a portion
13 of the tax credit, any transferee shall only be entitled to
14 use the amount of the tax credit transferred for a tax year
15 for which the original taxpayer could have claimed the credit.

16 c. For purposes of this subsection, "eligible property"
17 means the same as used in section 404A.1.

18 Sec. 15. APPLICABILITY PROVISION. Chapter 404A, enacted
19 in this Act, applies to rehabilitation projects initiated on
20 or after July 1, 2000, for which no expenses have been
21 incurred prior to that date.

22 Sec. 16. APPLICABILITY DATE. Sections 1, 2, 9, 11, 12,
23 and 13, of this Act apply retroactively to January 1, 2000,
24 for tax years beginning on or after that date. Section 8 of
25 this Act applies to tax years beginning on or after January 1,
26 2001.

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HOUSE FILE 2560

S-5577

1 Amend House File 2560, as amended, passed, and
2 reprinted by the House, as follows:

3 1. Page 4, by striking lines 31 and 32 and
4 inserting the following: "credits in excess of tax
5 liabilities shall be refunded as provided in section
6 404A.4, subsection 3."

7 2. Page 5, by striking lines 28 through 31 and
8 inserting the following: "the project completion
9 date."

10 For purposes of this chapter, qualified
11 rehabilitation costs include amounts if they are
12 properly includable in computing the basis for tax
13 purposes of the eligible property. Amounts treated as
14 an expense and deducted in the tax year in which they
15 are paid or incurred and amounts that are otherwise
16 not added to the basis for tax purposes of the
17 eligible property are not qualified rehabilitation
18 costs. Amounts incurred for architectural and
19 engineering fees, site survey fees, legal expenses,
20 insurance premiums, development fees, and other
21 construction-related costs are qualified
22 rehabilitation costs to the extent they are added to
23 the basis for tax purposes of the eligible property.
24 Costs of sidewalks, parking lots, and landscaping do
25 not constitute qualified rehabilitation costs."

26 3. Page 7, line 2, by striking the word
27 "TRANSFER" and inserting the following: "REFUND".

28 4. Page 7, line 15, by inserting after the word
29 "credit," the following: "and".

30 5. Page 7, by striking lines 16 through 30 and
31 inserting the following: "information required by the
32 department of revenue and finance."

33 3. A person receiving a property rehabilitation
34 tax credit under this chapter which is in excess of
35 the person's tax liability for the tax year is
36 entitled to a refund of the excess at a discounted
37 value. The discounted value of the tax credit refund,
38 as calculated by the historical preservation office in
39 consultation with the department of revenue and
40 finance, shall be determined based on the discounted
41 value of the tax credit five years after the tax year
42 of the project completion at an interest rate
43 equivalent to the prime rate plus two percent. The
44 refunded tax credit shall not exceed seventy-five
45 percent of the allowable tax credit."

46 6. Page 8, line 7, by inserting after the word
47 "unused" the following: "and eligible for refund".

48 7. Page 11, line 9, by striking the word "is" and
49 inserting the following: "shall be refunded as
50 provided in section 404A.4, subsection 3."

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Page 2

- 1 8. Page 11, by striking lines 10 and 11.
- 2 9. Page 11, by striking lines 19 through 23.
- 3 10. Page 12, line 21 by striking the figure "9"
- 4 and inserting the following: "8A".
- 5 11. Page 16, line 4, by striking the figure
- 6 "422.11D" and inserting the following: "422.11E".
- 7 12. Page 17, by striking lines 9 through 15 and
- 8 inserting the following: "tax liability shall be
- 9 refunded as provided in section 404A.4, subsection 3."
- 10 13. Page 17, by inserting after line 17 the
- 11 following:
- 12 "Sec. 100. Section 427.1, Code Supplement 1999, is
- 13 amended by adding the following new subsection:
- 14 NEW SUBSECTION. 31. BARN PRESERVATION. The
- 15 increase in assessed value added to a farm structure
- 16 constructed prior to 1937 as a result of improvements
- 17 made to the farm structure for purposes of preserving
- 18 the integrity of the internal and external features of
- 19 the structure as a barn is exempt from taxation. To
- 20 be eligible for the exemption, the structure must have
- 21 been first placed in service as a barn prior to 1937.
- 22 The exemption shall apply to the assessment year
- 23 beginning after the completion of the improvements to
- 24 preserve the structure as a barn.
- 25 For purposes of this subsection, "barn" means an
- 26 agricultural structure, in whatever shape or design,
- 27 which was originally used for the storage of farm
- 28 products or feed or for the housing of farm animals,
- 29 poultry, or farm equipment.
- 30 Application for this exemption shall be filed with
- 31 the assessing authority not later than February 1 of
- 32 the first year for which the exemption is requested,
- 33 on forms provided by the department of revenue and
- 34 finance. The application shall describe and locate
- 35 the specific structure for which the added value is
- 36 requested to be exempt.
- 37 Once the exemption is granted, the exemption shall
- 38 continue to be granted for subsequent assessment years
- 39 without further filing of applications as long as the
- 40 structure continues to be used as a barn. The
- 41 taxpayer shall notify the assessing authority when the
- 42 structure ceases to be used as a barn.
- 43 Sec. _____. Section 25B.7 does not apply to the
- 44 exemption granted pursuant to section 100 of this
- 45 Act."
- 46 14. Title page, line 9, by inserting after the
- 47 word "purposes" the following: "and a property tax
- 48 exemption for increasing the value of certain barns as
- 49 a result of the rehabilitation of the barns,".
- 50 15. By renumbering as necessary.

By COMMITTEE ON WAYS AND MEANS
JOANN JOHNSON, CHAIRPERSON

0/0
4/25/00 (p. 1368)

HOUSE FILE 2560

S-5582

1 Amend House File 2560, as amended, passed, and
2 reprinted by the House, as follows:

3 1. Page 17, by inserting after line 17 the
4 following:
5 "Sec. ____ . Section 422.45, Code Supplement 1999,
6 is amended by adding the following new subsection:
7 NEW SUBSECTION. 12B. The gross receipts from the
8 sale of bottled, or otherwise packaged, water for
9 human consumption including, but not limited to,
10 distilled, effervescent, noneffervescent, soda, and
11 mineral water."

12 2. Title page, line 9, by inserting after the
13 word "purposes," the following: "and a sales and use
14 tax exemption for the sale of bottled and other
15 packaged water for human consumption,".

By JOHNIE HAMMOND	JOE BOLKCOM
ELAINE SZYMONIAK	JOHN JUDGE
EUGENE S. FRAISE	MIKE CONNOLLY
JOHN P. KIBBIE	PATRICIA HARPER
STEVEN D. HANSEN	BETTY A. SOUKUP
DENNIS H. BLACK	MATT McCOY
ROBERT E. DVORSKY	TOM FLYNN
PATRICK J. DELUHERY	BILL FINK
MICHAEL E. GRONSTAL	MARK SHEARER

S-5582 FILED APRIL 24, 2000

W/D
4/25/00 (P. 1368) HOUSE FILE 2560

S-5600

1 Amend House File 2560, as amended, passed, and
2 reprinted by the House, as follows:
3 1. Page 17, by striking lines 19 through 21 and
4 inserting the following: "in this Act, applies to
5 qualified rehabilitation costs incurred on or after
6 July 1, 2000."

By STEVEN D. HANSEN

S-5600 FILED APRIL 24, 2000

Loat
4/25/00 (P. 1369)

HOUSE FILE 2560

S-5601

1 Amend House File 2560, as amended, passed, and
2 reprinted by the House, as follows:

3 1. Page 4, line 27, by inserting after the word
4 "credit" the following: ", subject to the
5 availability of the credit,".

6 2. Page 7, by inserting before line 31 the
7 following:

8 "____. The total amount of tax credits that may be
9 approved for a fiscal year under this chapter shall
10 not exceed two million five hundred thousand dollars.
11 Tax credit certificates shall be issued on the basis
12 of the earliest awarding of certifications of
13 completion as provided in subsection 1. The
14 departments of cultural affairs and revenue and
15 finance shall each adopt rules to jointly administer
16 this subsection and shall provide by rule for the
17 method to be used to determine for which fiscal year
18 the tax credits are approved."

By JOANN JOHNSON

S-5601 FILED APRIL 24, 2000

w/d
4/25/00
(p. 1368)

HOUSE FILE 2560

S-5603

1 Amend House File 2560, as amended, passed, and
2 reprinted by the House, as follows:

3 1. Page 17, by inserting before line 18 the
4 following:

5 "Sec. 200. Section 427.1, Code Supplement 1999, is
6 amended by adding the following new subsection:

7 NEW SUBSECTION. 32. ONE-ROOM SCHOOLHOUSE

8 PRESERVATION. The increase in assessed value added to
9 a one-room schoolhouse as a result of improvements
10 made to the structure for purposes of preserving the
11 integrity of the internal and external features of the
12 structure as a one-room schoolhouse is exempt from
13 taxation. The exemption shall apply to the assessment
14 year beginning after the completion of the
15 improvements to preserve the structure as a one-room
16 schoolhouse.

17 Application for this exemption shall be filed with
18 the assessing authority not later than February 1 of
19 the first year for which the exemption is requested,
20 on forms provided by the department of revenue and
21 finance. The application shall describe and locate
22 the specific one-room schoolhouse for which the added
23 value is requested to be exempt.

24 Once the exemption is granted, the exemption shall
25 continue to be granted for subsequent assessment years
26 without further filing of applications as long as the
27 structure is not used for dwelling purposes and the
28 structure is preserved as a one-room schoolhouse. The
29 taxpayer shall notify the assessing authority when the
30 structure ceases to be eligible. The exemption in
31 this subsection applies even though the one-room
32 schoolhouse is no longer used for instructional
33 purposes.

34 Sec. _____. Section 25B.7 does not apply to the
35 exemption granted pursuant to section 200 of this
36 Act."

37 2. Title page, line 9, by inserting after the
38 word "purposes" the following: "and a property tax
39 exemption for increasing the value of one-room
40 schoolhouses as a result of the rehabilitation of the
41 one-room schoolhouses,".

42 3. By renumbering as necessary.

By MIKE CONNOLLY

S-5603 FILED APRIL 24, 2000

adopted
4/25/00
(p. 368)

HOUSE FILE 2560

S-5563

1 Amend House File 2560, as amended, passed, and
2 reprinted by the House, as follows:

3 1. Page 4, by inserting after line 24 the
4 following:

5 "Sec. ____ . NEW SECTION. 296.8 TAX EXEMPTION.
6 Any bonds or notes issued by a school district for
7 school infrastructure purposes shall be exempt from
8 taxation by this state and the interest on the bonds
9 or notes shall be exempt from state income tax. For
10 the purposes of this section, school infrastructure
11 purposes shall refer to the purposes specified in
12 section 296.1."

13 2. Page 9, by inserting after line 7 the
14 following:

15 "Sec. ____ . Section 422.7, Code 1999, is amended by
16 adding the following new subsection:

17 NEW SUBSECTION. 35. Subtract interest earned on
18 bonds and notes issued by a school district for school
19 infrastructure purposes as provided in section 296.8."

20 3. Title page, line 7, by inserting after the
21 word "and" the following: "an exemption for bonds
22 issued for school infrastructure purposes and".

By KITTY REHBERG
STEVE KING
LARRY MCKIBBEN

S-5563 FILED APRIL 24, 2000

W/P
4/25/00
(P. 1368)

HOUSE FILE 2560

S-5608

1 Amend the amendment S-5577 to House File 2560, as
2 amended, passed, and reprinted by the House, as
3 follows:

4 1. Page 2, line 27, by striking the words "was
5 originally" and inserting the following: "is".

By MERLIN E. BARTZ

S-5608 FILED APRIL 25, 2000
RULED OUT OF ORDER

(P. 1368)

HOUSE FILE 2560

S-5612

1 Amend House File 2560, as amended, passed, and
2 reprinted by the House, as follows:

3 1. Page 17, line 22, by inserting after the
4 figure "2," the following: "8,".

5 2. Page 17, line 24, by striking the words and
6 figure "Section 8 of".

7 3. Page 17, by striking lines 25 and 26.

By PATRICK J. DELUHERY

PATRICIA HARPER

MIKE CONNOLLY

WALLY E. HORN

JOHN JUDGE

JOE BOLKCOM

MICHAEL E. GRONSTAL

EUGENE S. FRAISE

JOHNNIE HAMMOND

MATT McCOY

MARK SHEARER

TOM FLYNN

STEVEN D. HANSEN

BILL FINK

DENNIS H. BLACK

ROBERT E. DVORSKY

BETTY A. SOUKUP

JOHN P. KIBBIE

S-5612 FILED APRIL 25, 2000
LOST

(P. 1369)

HOUSE FILE 2560

S-5615

1 Amend House File 2560, as amended, passed, and
2 reprinted by the House, as follows:

3 1. Page 4, line 27, by inserting after the word
4 "credit" the following: ", subject to the
5 availability of the credit,".

6 2. Page 4, by striking lines 31 and 32 and
7 inserting the following: "credits in excess of tax
8 liabilities shall be refunded as provided in section
9 404A.4, subsection 3."

10 3. Page 5, by striking lines 28 through 31 and
11 inserting the following: "the project completion
12 date."

13 For purposes of this chapter, qualified
14 rehabilitation costs include amounts if they are
15 properly includable in computing the basis for tax
16 purposes of the eligible property. Amounts treated as
17 an expense and deducted in the tax year in which they
18 are paid or incurred and amounts that are otherwise
19 not added to the basis for tax purposes of the
20 eligible property are not qualified rehabilitation
21 costs. Amounts incurred for architectural and
22 engineering fees, site survey fees, legal expenses,
23 insurance premiums, development fees, and other
24 construction-related costs are qualified
25 rehabilitation costs to the extent they are added to
26 the basis for tax purposes of the eligible property.
27 Costs of sidewalks, parking lots, and landscaping do
28 not constitute qualified rehabilitation costs."

29 4. Page 6, line 14, by striking the word "sixty"
30 and inserting the following "one hundred twenty".

31 5. Page 6, line 16, by striking the word "sixty-
32 day" and inserting the following: "one hundred
33 twenty-day".

34 6. Page 7, line 2, by striking the word
35 "TRANSFER" and inserting the following: "REFUND".

36 7. Page 7, by striking line 11 and inserting the
37 following: "department of economic development, in
38 consultation with the state historical preservation
39 office, shall issue a property".

40 8. Page 7, line 15, by inserting after the word
41 "credit," the following: "and".

42 9. Page 7, by striking lines 16 through 30 and
43 inserting the following: "information required by the
44 department of revenue and finance."

45 3. A person receiving a property rehabilitation
46 tax credit under this chapter which is in excess of
47 the person's tax liability for the tax year is
48 entitled to a refund of the excess at a discounted
49 value. The discounted value of the tax credit refund,
50 as calculated by the department of economic

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Page 2

1 development, in consultation with the department of
2 revenue and finance, shall be determined based on the
3 discounted value of the tax credit five years after
4 the tax year of the project completion at an interest
5 rate equivalent to the prime rate plus two percent.
6 The refunded tax credit shall not exceed seventy-five
7 percent of the allowable tax credit.

8 4. The total amount of tax credits that may be
9 approved for a fiscal year under this chapter shall
10 not exceed two million four hundred thousand dollars.
11 Tax credit certificates shall be issued on the basis
12 of the earliest awarding of certifications of
13 completion as provided in subsection 1. The
14 departments of economic development and revenue and
15 finance shall each adopt rules to jointly administer
16 this subsection and shall provide by rule for the
17 method to be used to determine for which fiscal year
18 the tax credits are approved."

19 10. Page 7, line 33, by inserting after the word
20 "affairs" the following: ", in consultation with the
21 department of economic development,".

22 11. Page 8, line 7, by inserting after the word
23 "unused" the following: "and eligible for refund".

24 12. Page 11, line 9, by striking the word "is"
25 and inserting the following: "shall be refunded as
26 provided in section 404A.4, subsection 3."

27 13. Page 11, by striking lines 10 and 11.

28 14. Page 11, by striking lines 19 through 23.

29 15. Page 12, line 21, by striking the figure "9"
30 and inserting the following: "8A".

31 16. Page 16, line 4, by striking the figure
32 "422.11D" and inserting the following: "422.11E".

33 17. Page 17, by striking lines 9 through 15 and
34 inserting the following: "tax liability shall be
35 refunded as provided in section 404A.4, subsection 3."

36 18. Page 17, by inserting after line 17 the
37 following:

38 "Sec. 100. Section 427.1, Code Supplement 1999, is
39 amended by adding the following new subsection:

40 NEW SUBSECTION. 31. BARN PRESERVATION. The
41 increase in assessed value added to a farm structure
42 constructed prior to 1937 as a result of improvements
43 made to the farm structure for purposes of preserving
44 the integrity of the internal and external features of
45 the structure as a barn is exempt from taxation. To
46 be eligible for the exemption, the structure must have
47 been first placed in service as a barn prior to 1937.
48 The exemption shall apply to the assessment year
49 beginning after the completion of the improvements to
50 preserve the structure as a barn.

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Page 3

1 For purposes of this subsection, "barn" means an
2 agricultural structure, in whatever shape or design,
3 which is used for the storage of farm products or feed
4 or for the housing of farm animals, poultry, or farm
5 equipment.

6 Application for this exemption shall be filed with
7 the assessing authority not later than February 1 of
8 the first year for which the exemption is requested,
9 on forms provided by the department of revenue and
10 finance. The application shall describe and locate
11 the specific structure for which the added value is
12 requested to be exempt.

13 Once the exemption is granted, the exemption shall
14 continue to be granted for subsequent assessment years
15 without further filing of applications as long as the
16 structure continues to be used as a barn. The
17 taxpayer shall notify the assessing authority when the
18 structure ceases to be used as a barn.

19 Sec. _____. Section 25B.7 does not apply to the
20 exemption granted pursuant to section 100 of this
21 Act."

22 19. Title page, line 9, by inserting after the
23 word "purposes" the following: "and a property tax
24 exemption for increasing the value of certain barns as
25 a result of the rehabilitation of the barns,".

26 20. By renumbering as necessary.

By LARRY MCKIBBEN

S-5615 FILED APRIL 25, 2000

ADOPTED

(P. 1368)

HOUSE FILE 2560

S-5616

1 Amend House File 2560, as amended, passed, and
2 reprinted by the House, as follows:

3 1. Page 17, by inserting after line 17 the
4 following:

5 "Sec. _____. Section 422.45, Code Supplement 1999,
6 is amended by adding the following new subsection:

7 NEW SUBSECTION. 57. The gross receipts from the
8 rendering, furnishing, or performing of environmental
9 test laboratory services including services of a
10 mobile environmental testing laboratory and field
11 testing services by an environmental test laboratory."

12 2. Title page, line 9, by inserting after the
13 word "purposes," the following: "and a sales and use
14 tax exemption for environmental laboratory services,".

By DENNIS H. BLACK
DONALD B. REDFERN
SHELDON RITTMER

S-5616 FILED APRIL 25, 2000
RULED OUT OF ORDER

0/0
4/25/00
(P. 1370)

SENATE AMENDMENT TO HOUSE FILE 2560

H-9094

1 Amend House File 2560, as amended, passed, and
2 reprinted by the House, as follows:

3 1. Page 4, line 27, by inserting after the word
4 "credit" the following: ", subject to the
5 availability of the credit,".

6 2. Page 4, by striking lines 31 and 32 and
7 inserting the following: "credits in excess of tax
8 liabilities shall be refunded as provided in section
9 404A.4, subsection 3."

10 3. Page 5, by striking lines 28 through 31 and
11 inserting the following: "the project completion
12 date.

13 For purposes of this chapter, qualified
14 rehabilitation costs include amounts if they are
15 properly includable in computing the basis for tax
16 purposes of the eligible property. Amounts treated as
17 an expense and deducted in the tax year in which they
18 are paid or incurred and amounts that are otherwise
19 not added to the basis for tax purposes of the
20 eligible property are not qualified rehabilitation
21 costs. Amounts incurred for architectural and
22 engineering fees, site survey fees, legal expenses,
23 insurance premiums, development fees, and other
24 construction-related costs are qualified
25 rehabilitation costs to the extent they are added to
26 the basis for tax purposes of the eligible property.
27 Costs of sidewalks, parking lots, and landscaping do
28 not constitute qualified rehabilitation costs."

29 4. Page 6, line 14, by striking the word "sixty"
30 and inserting the following "one hundred twenty".

31 5. Page 6, line 16, by striking the word "sixty-
32 day" and inserting the following: "one hundred
33 twenty-day".

34 6. Page 7, line 2, by striking the word
35 "TRANSFER" and inserting the following: "REFUND".

36 7. Page 7, by striking line 11 and inserting the
37 following: "department of economic development, in
38 consultation with the state historical preservation
39 office, shall issue a property".

40 8. Page 7, line 15, by inserting after the word
41 "credit," the following: "and".

42 9. Page 7, by striking lines 16 through 30 and
43 inserting the following: "information required by the
44 department of revenue and finance.

45 3. A person receiving a property rehabilitation
46 tax credit under this chapter which is in excess of
47 the person's tax liability for the tax year is
48 entitled to a refund of the excess at a discounted
49 value. The discounted value of the tax credit refund,
50 as calculated by the department of economic

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1 development, in consultation with the department of
2 revenue and finance, shall be determined based on the
3 discounted value of the tax credit five years after
4 the tax year of the project completion at an interest
5 rate equivalent to the prime rate plus two percent.
6 The refunded tax credit shall not exceed seventy-five
7 percent of the allowable tax credit.

8 4. The total amount of tax credits that may be
9 approved for a fiscal year under this chapter shall
10 not exceed two million four hundred thousand dollars.
11 Tax credit certificates shall be issued on the basis
12 of the earliest awarding of certifications of
13 completion as provided in subsection 1. The
14 departments of economic development and revenue and
15 finance shall each adopt rules to jointly administer
16 this subsection and shall provide by rule for the
17 method to be used to determine for which fiscal year
18 the tax credits are approved."

19 10. Page 7, line 33, by inserting after the word
20 "affairs" the following: ", in consultation with the
21 department of economic development,".

22 11. Page 8, line 7, by inserting after the word
23 "unused" the following: "and eligible for refund".

24 12. Page 11, line 9, by striking the word "is"
25 and inserting the following: "shall be refunded as
26 provided in section 404A.4, subsection 3."

27 13. Page 11, by striking lines 10 and 11.

28 14. Page 11, by striking lines 19 through 23.

29 15. Page 12, line 21, by striking the figure "9"
30 and inserting the following: "8A".

31 16. Page 16, line 4, by striking the figure
32 "422.11D" and inserting the following: "422.11E".

33 17. Page 17, by striking lines 9 through 15 and
34 inserting the following: "tax liability shall be
35 refunded as provided in section 404A.4, subsection 3."

36 18. Page 17, by inserting after line 17 the
37 following:

38 "Sec. 100. Section 427.1, Code Supplement 1999, is
39 amended by adding the following new subsection:

40 NEW SUBSECTION. 31. BARN PRESERVATION. The
41 increase in assessed value added to a farm structure
42 constructed prior to 1937 as a result of improvements
43 made to the farm structure for purposes of preserving
44 the integrity of the internal and external features of
45 the structure as a barn is exempt from taxation. To
46 be eligible for the exemption, the structure must have
47 been first placed in service as a barn prior to 1937.
48 The exemption shall apply to the assessment year
49 beginning after the completion of the improvements to
50 preserve the structure as a barn.

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1 For purposes of this subsection, "barn" means an
2 agricultural structure, in whatever shape or design,
3 which is used for the storage of farm products or feed
4 or for the housing of farm animals, poultry, or farm
5 equipment.

6 Application for this exemption shall be filed with
7 the assessing authority not later than February 1 of
8 the first year for which the exemption is requested,
9 on forms provided by the department of revenue and
10 finance. The application shall describe and locate
11 the specific structure for which the added value is
12 requested to be exempt.

13 Once the exemption is granted, the exemption shall
14 continue to be granted for subsequent assessment years
15 without further filing of applications as long as the
16 structure continues to be used as a barn. The
17 taxpayer shall notify the assessing authority when the
18 structure ceases to be used as a barn.

19 Sec. _____. Section 25B.7 does not apply to the
20 exemption granted pursuant to section 100 of this
21 Act."

22 19. Page 17, by inserting before line 18 the
23 following:

24 "Sec. 200. Section 427.1, Code Supplement 1999, is
25 amended by adding the following new subsection:

26 NEW SUBSECTION. 32. ONE-ROOM SCHOOLHOUSE
27 PRESERVATION. The increase in assessed value added to
28 a one-room schoolhouse as a result of improvements
29 made to the structure for purposes of preserving the
30 integrity of the internal and external features of the
31 structure as a one-room schoolhouse is exempt from
32 taxation. The exemption shall apply to the assessment
33 year beginning after the completion of the
34 improvements to preserve the structure as a one-room
35 schoolhouse.

36 Application for this exemption shall be filed with
37 the assessing authority not later than February 1 of
38 the first year for which the exemption is requested,
39 on forms provided by the department of revenue and
40 finance. The application shall describe and locate
41 the specific one-room schoolhouse for which the added
42 value is requested to be exempt.

43 Once the exemption is granted, the exemption shall
44 continue to be granted for subsequent assessment years
45 without further filing of applications as long as the
46 structure is not used for dwelling purposes and the
47 structure is preserved as a one-room schoolhouse. The
48 taxpayer shall notify the assessing authority when the
49 structure ceases to be eligible. The exemption in
50 this subsection applies even though the one-room

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- 1 schoolhouse is no longer used for instructional
- 2 purposes.
- 3 Sec. ____ . Section 25B.7 does not apply to the
- 4 exemption granted pursuant to section 200 of this
- 5 Act."
- 6 20. Title page, line 9, by inserting after the
- 7 word "purposes" the following: "and a property tax
- 8 exemption for increasing the value of certain barns as
- 9 a result of the rehabilitation of the barns,".
- 10 21. Title page, line 9, by inserting after the
- 11 word "purposes" the following: "and a property tax
- 12 exemption for increasing the value of one-room
- 13 schoolhouses as a result of the rehabilitation of the
- 14 one-room schoolhouses,".
- 15 22. By renumbering, relettering, or redesignating
- 16 and correcting internal references as necessary.

RECEIVED FROM THE SENATE

H-9094 FILED APRIL 25, 2000

House Concurred
4-26-00

(p. 1866)

HOUSE FILE 2560

H-9095

- 1 Amend the Senate amendment H-9094 to House File
- 2 2560, as amended, passed, and reprinted by the House,
- 3 as follows:
- 4 1. Page 4, by inserting after line 5 the
- 5 following:
- 6 " ____ . Page 17, by striking lines 19 through 21 and
- 7 inserting the following: "in this Act, applies to
- 8 qualified rehabilitation costs incurred on or after
- 9 July 1, 2000."

By WARNSTADT of Woodbury
WHITEAD of Woodbury

H-9095 FILED APRIL 25, 2000

Adopted
4-26-00 (p. 1866)

HOUSE FILE 2560

H-9096

- 1 Amend the Senate amendment, H-9094, to House File
- 2 2560, as amended, passed, and reprinted by the House,
- 3 as follows:
- 4 1. Page 1, by striking lines 3 through 9.
- 5 2. By striking page 1, line 29, through page 2,
- 6 line 28.
- 7 3. Page 2, by striking lines 33 through 35.

By JAGER of Black Hawk

H-9096 FILED APRIL 25, 2000

W/D
4/26/00
(p. 1865)

HOUSE FILE 2560

H-9104

1 Amend the Senate amendment, H-9094, to House File.
2 2560, as amended, passed, and reprinted by the House,
3 as follows:
4 1. Page 1, line 30, by striking the words "one
5 hundred twenty" and inserting the following:
6 "ninety".
7 2. Page 1, lines 32 and 33, by striking the words
8 "one hundred twenty-day" and inserting the following:
9 "ninety-day".
10 3. Page 1, by striking lines 36 through 39 and
11 inserting the following:
12 "____. Page 7, line 11, by inserting after the
13 word "office" the following: ", in consultation with
14 the department of economic development, "."
15 4. Page 4, by inserting after line 5 the
16 following:
17 "____. Page 17, by inserting before line 18 the
18 following:
19 "Sec. ____ . The legislative council is requested to
20 establish an interim study committee to review the
21 benefits of allowing state tax credits to be
22 transferable. In reviewing the transferability of
23 state tax credits, the study committee shall analyze
24 the benefits to the transferor, the transferee, and to
25 the state, the administrative costs involved, the
26 conditions under which transferability should be
27 allowed, and the restrictions that should be placed on
28 transferability, if any. The study committee's report
29 along with its recommendations shall be filed with the
30 legislative council by January 1, 2001."

By JAGER of Black Hawk

H-9104 FILED APRIL 26, 2000

Adopted
4-26-00
(P. 1865)

HOUSE AMENDMENT TO SENATE AMENDMENT TO
HOUSE FILE 2560

S-5666

1 Amend the Senate amendment, H-9094, to House File
2 2560, as amended, passed, and reprinted by the House,
3 as follows:

4 1. Page 1, line 30, by striking the words "one
5 hundred twenty" and inserting the following:
6 "ninety".

7 2. Page 1, lines 32 and 33, by striking the words
8 "one hundred twenty-day" and inserting the following:
9 "ninety-day".

10 3. Page 1, by striking lines 36 through 39 and
11 inserting the following:

12 "____. Page 7, line 11, by inserting after the
13 word "office" the following: ", in consultation with
14 the department of economic development, "."

15 4. Page 4, by inserting after line 5 the
16 following:

17 "____. Page 17, by inserting before line 18 the
18 following:

19 "Sec. _____. The legislative council is requested to
20 establish an interim study committee to review the
21 benefits of allowing state tax credits to be
22 transferable. In reviewing the transferability of
23 state tax credits, the study committee shall analyze
24 the benefits to the transferor, the transferee, and to
25 the state, the administrative costs involved, the
26 conditions under which transferability should be
27 allowed, and the restrictions that should be placed on
28 transferability, if any. The study committee's report
29 along with its recommendations shall be filed with the
30 legislative council by January 1, 2001."

31 5. Page 4, by inserting after line 5 the
32 following:

33 "____. Page 17, by striking lines 19 through 21 and
34 inserting the following: "in this Act, applies to
35 qualified rehabilitation costs incurred on or after
36 July 1, 2000."

37 6. By renumbering, relettering, or redesignating
38 and correcting internal references as necessary.

RECEIVED FROM THE HOUSE

S-5666 FILED APRIL 26, 2000
CONCURRED

**HOUSE FILE 2560
FISCAL NOTE**

A fiscal note for House File 2560 as passed by the House 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.

House File 2560 as passed by the House provides a credit against either the State individual income tax or corporate income tax for the rehabilitation of historic properties, a credit against either the State individual income tax or corporate income tax for small businesses that purchase or rent assistive technology to improve the work environment for disabled employees, an alternative method for determining the amount of credit a firm operating in Iowa may claim for research related expenditures against either the State individual income tax or corporate income tax, and an increase in the amount of pension income that may be excluded in determining a taxpayer's individual income tax liability.

The first provision of the Bill relates to the tax credit for the restoration of historic properties. In order to receive the credit, one of the following four eligibility requirements must be satisfied.

1. The property is listed on the National Register of Historic Places, or it is eligible for such listing.
2. The property is designated as of historic significance to a district listed on the National Register of Historic Places, or it is eligible for such designation.
3. The property is designated a local landmark by a city or county ordinance.
4. The property is a barn constructed prior to 1937.

The amount of the credit equals 25.0% of the qualified rehabilitation costs made to the eligible property. In the case of commercial property, rehabilitation costs must equal at least 50.0% of the assessed value of the property, excluding the land value, prior to the rehabilitation. In the case of residential property or barns, the rehabilitation costs must equal at least \$25,000 or 25.0% of the fair market value of the property, excluding the land, prior to the rehabilitation, whichever is less. For multifamily residential property, the rehabilitation costs eligible for the credit may not exceed \$100,000 per residential unit.

Second, the Bill expands the research activities credit for income tax purposes for businesses under the New Jobs and Income Program, the Quality Jobs Enterprise Zone Program, the incentives for building in enterprise zones, the individual income tax, and the corporate income tax. The expansion provides for an alternative method for computing the tax credit based on the federal approach using an incremental computation method for measuring increased research activities. The rates specified for computing the tax credit using the alternative method equal the federal rates that existed prior to passage of the Tax Relief Extension Act of 1999. By explicitly specifying rates in the

Bill, any changes in federal law will not automatically change the rates used to compute the Iowa research activities credit using the alternative method.

Third, the Bill provides a refundable income tax credit equal to 50.0% of the cost of the purchase, rental, or modification of an assistive device or for the renovation of the workplace for an individual with a disability. Only small businesses, defined as businesses with gross receipts of \$3.0 million or less during the prior tax year or employing not more than 14 full-time employees, qualify for the credit. Also, the credit is restricted to workplace or working environment improvements for workers with disabilities as defined in Section 225C.46, Code of Iowa.

Fourth, the Bill provides for an increase from \$5,000 to \$6,000 for individual taxpayers and from \$10,000 to \$12,000 for married taxpayers filing jointly as the amount of pension, and other qualifying income, that may be excluded in the determination of their Iowa income tax liability. To qualify for this exemption, individuals must be disabled, 55 years of age or older, or the surviving spouse of an individual or a survivor having an insurable interest in an individual who would have qualified for the exemption.

BACKGROUND

Historic Preservation Tax Credit:

The federal government provides a tax credit for the rehabilitation of pre-1937 buildings or certified historic structures. The federal credit equals 10.0% of the cost of rehabilitating pre-1937 buildings or 20.0% of the cost of rehabilitating certified historic structures. For both types of credits, rehabilitation costs must equal at least \$5,000 or the taxpayer's adjusted basis in the building.

Numerous states also provide income tax credits for the rehabilitation of historic buildings and structures. North Carolina provides a 20.0% state tax credit for the rehabilitation of income producing historic properties that qualify for the 20.0% federal tax credit, and a 30.0% tax credit for non-income producing historic structures. Missouri provides a 25.0% tax credit for the rehabilitation of historic properties when rehabilitation costs exceed 50.0% of the taxpayer's basis in the property and the rehabilitation meets the standards of the State Historic Preservation Officer. Some other states offering income tax credits for the rehabilitation of historic properties include Oklahoma, Utah, Michigan, and Wisconsin.

Research Activities Tax Credit:

Current federal law allows a choice of two methods to determine the research tax credit. The first method, referred to as the regular credit, is the sum of (1) 20.0% of the excess of qualified research expenses for the current tax year over a base period amount and (2) 20.0% of university basic research payments. The second method, referred to as the alternative incremental credit, equals the sum of an increasing percentage of the amount of qualified research expenses in excess of a percentage of the base period amount, divided into three tiers. The tier one amount equals 1.65% of qualified research expenses in excess of 1.0% of the base amount but not more than 1.5% of the base amount.

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The tier two amount equals 2.20% of qualified research expenses in excess of 1.5% of the base amount but not in excess of 2.0% of the base amount. The tier three amount equals 2.75% of qualified research expenses in excess of 2.0% of the base amount. Once a taxpayer elects to use either of the methods to compute the research tax credit, a change in method requires the approval of the IRC Commissioner.

Assistive Devices Tax Credit:

Based on information obtained from the Vocational Rehabilitation Division, Iowa Department of Education, and the Department for the Blind, about 750 individuals with disabilities requiring assistive devices or workplace modifications are placed with private employers each year. About 20.0% of these placements are with small businesses. The types of assistive devices or technology often needed to aid the individual's function in the workplace include: hearing aids, glasses, prosthetic devices, large screen computer monitors, voice recognition software, refreshable Braille software, font enlarging software, handrails, and raised desks to accommodate wheel chairs.

Increased Pension Income Exclusion:

For tax year 1998, the pension income exclusion was increased to \$5,000 for individual taxpayers and to \$10,000 for married taxpayers filing jointly. Types of income to which the exclusion applies include governmental and other pension or retirement pay, defined contribution plans, annuities, individual retirement accounts, plans maintained or contributed to by a self-employed person as an employer, and deferred compensation plans or any earnings attributable to the deferred compensation plans.

ASSUMPTIONS

Historic Preservation Tax Credit:

1. Based on the experience of North Carolina, which has had an historic properties rehabilitation tax credit since 1976, and adjusting for differences in the population and the number of housing units in Iowa relative to North Carolina, the number of properties that will qualify for the credit each year will average between 114 and 133.
2. The cost of qualifying rehabilitation work will average \$84,000 per property.
3. The amount of the credit equals 25.0% of qualifying expenditures.
4. All of the credits will be used because any credit not used in the year the rehabilitation is completed may be carried forward for up to seven years, or the credit may be transferred once to another taxpayer.

Research Activities Tax Credit:

1. The taxpayer may elect a method for computing the Iowa research tax credit that is different from the method used to determine the federal research tax credit.
2. Taxpayers will elect the method for computing the Iowa research tax credit that maximizes the amount of the credit.
3. The tier percentages that apply for the alternative incremental credit

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method are 1.65%, 2.20%, and 2.75%, except when the enterprise claiming the tax credit is located in a Quality Jobs Enterprise Zone in which case the percentages are 3.30%, 4.40%, and 5.50%.

4. The amount of research expenses incurred that qualify for the Iowa tax credit will approximately equal the amount incurred during the year that was the subject of the Iowa Department of Revenue and Finance study upon which the fiscal estimate is based.
5. Any unused portion of the credit is refundable to the taxpayer, as is the current Iowa research tax credit.
6. This provision will apply retroactively to January 1, 2000.

Assistive Devices Tax Credit:

1. Approximately 150 individuals requiring assistive devices or workplace modification to accommodate disabilities will obtain employment with Iowa small businesses per year.
2. The average cost of assistive devices or workplace modification equals \$1,000.
3. The individuals in the relevant population will remain in the workforce for an average of 30 years.
4. The acquired assistive devices or other workplace improvements have a useful life of five years.
5. The credit equals 50.0% of the cost of the assistive devices or workplace modification.
6. Individuals that qualify for assistance must satisfy the definition of disabled as specified in Section 225C.46, Code of Iowa.
7. This provision would apply retroactively to January 1, 2000.

Increased Pension Income Exclusion:

1. The pension income exclusions for individual taxpayers and for married taxpayers filing jointly will increase to \$6,000 and to \$12,000, respectively.
2. The increased pension income exclusion amounts will take effect for tax year 2001.

FISCAL IMPACT

House File 2560 as passed by the House will result in a reduction in State General Fund revenues equal to \$6.1 million for FY 2001 and equal to \$14.0 million for FY 2002.

The fiscal impacts for the historic preservation tax credit equal a \$2.6 million decrease in General Fund revenues for FY 2001 and a decrease equal to \$2.7 million for FY 2002.

The fiscal impacts for the research activities tax credit equal a \$3.0 million decrease in General Fund revenues for FY 2001 and a decrease equal to \$3.1 million for FY 2002.

The fiscal impacts for the assistive devices tax credit equal a \$0.45 million decrease in General Fund revenues for FY 2001 and a decrease equal to \$0.46 million for FY 2002.

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The fiscal impacts for the increase in the amounts of pension income that may be excluded in determining taxpayers' Iowa individual income tax liabilities equal \$0.0 million for FY 2001 and equal a \$7.7 million decrease in General Fund revenues for FY 2002.

SOURCES

West's Federal Taxation

State of Missouri Legislative Internet Site

State of North Carolina Historic Preservation Office Internet Site

State Historic Preservation Officer

Iowa Department of Revenue and Finance

Iowa Department of Cultural Affairs

Iowa Department for the Blind

Vocational Rehabilitation Division, Iowa Department of Education

(LSB 7265HV.2, MAL)

FILED APRIL 25, 2000

BY DENNIS PROUTY, FISCAL DIRECTOR

**HOUSE FILE 2560
FISCAL NOTE**

A fiscal note for House File 2560 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.

House File 2560 provides a credit against either the State individual income tax or corporate income tax for the rehabilitation of historic properties. In order to receive the credit, one of the following four eligibility requirements must be satisfied.

1. The property is listed on the National Register of Historic Places, or it is eligible for such listing.
2. The property is designated as of historic significance to a district listed on the National Register of Historic Places, or it is eligible for such designation.
3. The property is designated a local landmark by a city or county ordinance.
4. The property is a barn constructed 100 or more years prior to certification.

The amount of the credit equals 25% of the qualified rehabilitation costs made to the eligible property. In the case of commercial property, rehabilitation costs must equal at least 50% of the assessed value of the property, excluding the land value, prior to the rehabilitation. In the case of residential property or barns, the rehabilitation costs must equal at least \$25,000 or 25% of the fair market value of the property, excluding the land, prior to the rehabilitation, whichever is less. For multifamily residential property, the rehabilitation costs eligible for the credit may not exceed \$100,000 per residential unit.

BACKGROUND

The federal government provides a tax credit for the rehabilitation of pre-1936 buildings or certified historic structures. The federal credit equals 10% of the cost of rehabilitating pre-1936 buildings or 20% of the cost of rehabilitating certified historic structures. For both types of credits, rehabilitation costs must equal at least \$5,000 or the taxpayer's adjusted basis in the building.

Numerous states also provide income tax credits for the rehabilitation of historic buildings and structures. North Carolina provides a 20% state tax credit for the rehabilitation of income producing historic properties that qualify for the 20% federal tax credit, and a 30% tax credit for non-income producing historic structures. Missouri provides a 25% tax credit for the rehabilitation of historic properties when rehabilitation costs exceed 50% of the taxpayer's basis in the property and the rehabilitation meets the standards of the State Historic Preservation Officer. Some other states offering income tax credits for the rehabilitation of historic properties include Oklahoma, Utah, Michigan, and Wisconsin.

ASSUMPTIONS

1. Based on the experience of North Carolina, which has had an historic properties rehabilitation tax credit since 1976, and adjusting for differences in the population and the number of housing units in Iowa relative to North Carolina, the number of properties that will qualify for the credit each year will average between 114 and 133.
2. The cost of qualifying rehabilitation work will average \$84,000 per property.
3. The amount of the credit equals 25% of qualifying expenditures.
4. All of the credits will be used because any credit not used in the year the rehabilitation is completed may be carried forward for up to seven years, or the credit may be transferred once to another taxpayer.

FISCAL IMPACT

House File 2560 will result in a reduction in State General Fund revenues of between \$2.4 million and \$2.8 million per year. The impact may be expected to increase in proportion to increases in the costs of construction.

SOURCES

West's Federal Taxation
State of Missouri Legislative Internet Site
State of North Carolina Historic Preservation Office Internet Site
State Historic Preservation Officer

(LSB 7265hv, MAL)

FILED APRIL 11, 2000

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 2560

AN ACT

PROVIDING AN INDIVIDUAL AND CORPORATE INCOME TAX CREDIT FOR THE REHABILITATION OF CERTAIN ELIGIBLE COMMERCIAL AND RESIDENTIAL PROPERTY AND BARNS, AN ALTERNATIVE METHOD FOR COMPUTING THE INDIVIDUAL AND CORPORATE INCOME TAX CREDIT FOR INCREASING RESEARCH AND DEVELOPMENT, AN ASSISTIVE DEVICE TAX CREDIT UNDER THE INDIVIDUAL AND CORPORATE TAXES FOR ASSISTING PERSONS WITH A DISABILITY IN THE WORKPLACE, AND AN INCREASE IN THE DEDUCTION FOR PENSION AND RETIREMENT INCOME FOR INCOME TAX PURPOSES, AND A PROPERTY TAX EXEMPTION FOR INCREASING THE VALUE OF CERTAIN BARNS AS A RESULT OF THE REHABILITATION OF THE BARNS, AND A PROPERTY TAX EXEMPTION FOR INCREASING THE VALUE OF ONE-ROOM SCHOOLHOUSES AS A RESULT OF THE REHABILITATION OF THE ONE-ROOM SCHOOLHOUSES, AND INCLUDING APPLICABILITY DATES.

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

Section 1. Section 15.335, Code Supplement 1999, is amended to read as follows:

15.335 RESEARCH ACTIVITIES CREDIT.

1. An eligible business may claim a corporate tax credit for increasing research activities in this state during the period the eligible business is participating in the program.

a. The credit equals six-and-one-half-percent-of-the state's-apportioned-share-of-the-qualifying-expenditures-for-increasing-research-activities; the sum of the following:

(1) Six and one-half percent of the excess of qualified research expenses during the tax year over the base amount for the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

(2) Six and one-half percent of the basic research payments determined under section 41(e)(1)(A) of the Internal Revenue Code during the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to total qualified research expenditures.

b. In lieu of the credit amount computed in paragraph "a", subparagraph (1), an eligible business may elect to compute the credit amount for qualified research expenses incurred in this state in a manner consistent with the alternative incremental credit described in section 41(c)(4) of the Internal Revenue Code. The taxpayer may make this election regardless of the method used for the taxpayer's federal income tax. The election made under this paragraph is for the tax year and the taxpayer may use another or the same method for any subsequent year.

c. For purposes of the alternate credit computation method in paragraph "b", the credit percentages applicable to qualified research expenses described in clauses (i), (ii), and (iii) of section 41(c)(4)(A) of the Internal Revenue Code are one and sixty-five hundredths percent, two and twenty hundredths percent, and two and seventy-five hundredths percent, respectively.

2. The credit allowed in this section is in addition to the credit authorized in section 422.33, subsection 5, and section 422.10. However, if the alternative credit

computation method is used in section 422.33, subsection 5, or section 422.10, the credit allowed in this section shall also be computed using that method.

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

4. For purposes of this section, "qualifying-expenditures for-increasing-research-activities"-means-the-qualifying expenditures "base amount", "basic research payment", and "qualified research expense" mean the same as defined for the federal credit for increasing research activities which would be allowable under section 41 of the Internal Revenue Code in effect on January 1, 1999, except that for the alternative incremental credit such amounts are for research conducted within this state. For purposes of this section, "Internal Revenue Code" means the Internal Revenue Code in effect on January 1, 2000.

5. Any credit in excess of the tax liability for the taxable year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on its final, completed return credited to the tax liability for the following year.

Sec. 2. Section 15A.9, subsection 8, Code Supplement 1999, is amended to read as follows:

8. CORPORATE TAX RESEARCH CREDIT. A corporate tax credit shall be available to the primary business or a supporting business for increasing research activities in this state within the zone.

a. The credit equals ~~thirteen-percent-of-the-state's apportioned-share-of-the-qualifying-expenditures-for increasing-research-activities~~ the sum of the following:

(1) Thirteen percent of the excess of qualified research expenses during the tax year over the base amount for the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

(2) Thirteen percent of the basic research payments determined under section 41(e)(1)(A) of the Internal Revenue Code during the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state within the zone to total qualified research expenditures.

b. In lieu of the credit amount computed in paragraph "a", subparagraph (1), a business may elect to compute the credit amount for qualified research expenses incurred in this state within the zone in a manner consistent with the alternative incremental credit described in section 41(c)(4) of the Internal Revenue Code. The taxpayer may make this election regardless of the method used for the taxpayer's federal income tax. The election made under this paragraph is for the tax year and the taxpayer may use another or the same method for any subsequent year.

c. For purposes of the alternate credit computation method in paragraph "b", the credit percentages applicable to qualified research expenses described in clauses (i), (ii), and (iii) of section 41(c)(4)(A) of the Internal Revenue Code are three and thirty hundredths percent, four and forty hundredths percent, and five and fifty hundredths percent, respectively.

d. Any credit in excess of the tax liability for the tax year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, the primary business or a supporting business may elect to have the overpayment shown on its final return credited to its tax liability for the following tax year.

e. For the purposes of this section, ~~"qualifying expenditures for increasing research activities"~~ means the ~~qualifying expenditures subsection, "base amount", "basic research payment", and "qualified research expense"~~ mean the same as defined for the federal credit for increasing research activities which would be allowable under section 41 of the Internal Revenue Code in effect on January 17, 1999, except that for the alternative incremental credit such amounts are for research conducted within this state within the zone. For purposes of this subsection, "Internal Revenue Code" means the Internal Revenue Code in effect on January 1, 2000.

f. The credit authorized in this subsection is in lieu of the credit authorized in section 422.33, subsection 5 and section 422.10.

Sec. 3. NEW SECTION. 404A.1 PROPERTY REHABILITATION TAX CREDIT -- ELIGIBLE PROPERTY.

1. A property rehabilitation tax credit, subject to the availability of the credit, is granted against the income tax imposed under chapter 422, division II or division III, for the rehabilitation of eligible property located in this state as provided in this chapter. Tax credits in excess of tax liabilities shall be refunded as provided in section 404A.4, subsection 3.

2. Eligible property for which a taxpayer may receive the property rehabilitation tax credit computed under this chapter includes all of the following:

- a. Property listed on the national register of historic places or is eligible for such listing.
- b. Property designated as of historic significance to a district listed in the national register of historic places or is eligible for such designation.
- c. Property or district designated a local landmark by a city or county ordinance.
- d. A barn constructed prior to 1937.

Sec. 4. NEW SECTION. 404A.2 AMOUNT OF CREDIT.

The amount of the credit equals twenty-five percent of the qualified rehabilitation costs made to eligible property. In the case of commercial property, rehabilitation costs must equal at least fifty percent of the assessed value of the property, excluding the land, prior to the rehabilitation. In the case of residential property or barns, the rehabilitation costs must equal at least twenty-five thousand dollars or twenty-five percent of the fair market value, excluding the land, prior to the rehabilitation, whichever is less. In computing the tax credit for eligible property that is classified as residential or as commercial with multifamily residential units, the rehabilitation costs used shall not exceed one hundred thousand dollars per residential unit. In computing the tax credit, the only costs which may be included are the rehabilitation costs incurred between the period ending on the project completion date and beginning on the later of either the date of issuance of the approval of the project as provided in section 404A.3 or two years prior to the project completion date.

For purposes of this chapter, qualified rehabilitation costs include amounts if they are properly includable in computing the basis for tax purposes of the eligible property. Amounts treated as an expense and deducted in the tax year in which they are paid or incurred and amounts that are otherwise not added to the basis for tax purposes of the eligible property are not qualified rehabilitation costs. Amounts incurred for architectural and engineering fees, site survey fees, legal expenses, insurance premiums, development fees, and other construction-related costs are qualified rehabilitation costs to the extent they are added to the basis for tax purposes of the eligible property. Costs of sidewalks, parking lots, and landscaping do not constitute qualified rehabilitation costs.

Any rehabilitation costs used in the computation of the tax credit under this chapter shall not be deductible for purposes of individual and corporate income taxes.

Sec. 5. NEW SECTION. 404A.3 APPROVAL OF REHABILITATION PROJECT.

1. a. In order for costs of a rehabilitation project to qualify for a tax credit, the rehabilitation project must receive approval from the state historical preservation office of the department of cultural affairs.

b. Applications for approvals from the state historical preservation office of the department of cultural affairs shall be on forms approved by the state historical preservation office and shall contain information as required by the state historical preservation office. The information shall at least include the approximate date of the start of rehabilitation, the approximate date of completion, as well as the cost.

c. The approval process shall not exceed ninety days beginning from the date the rehabilitation project is submitted. After the ninety-day limit, the rehabilitation project is deemed to be approved.

2. The state historical preservation office shall establish selection criteria and standards for rehabilitation projects involving eligible property. The main emphasis of the standards shall be to ensure that a rehabilitation project maintains the integrity of the eligible property. To the extent applicable, the standards shall be consistent with the standards of the United States secretary of the interior for rehabilitation of eligible property that is listed on the national register of historic places or is designated as of historic significance to a district listed in the national register of historic places or shall be consistent with standards for issuance of certificates of appropriation under sections 303.27 through 303.32.

The selection standards shall provide that a person who qualifies for the rehabilitation tax credit under section 47 of the Internal Revenue Code shall automatically qualify for the state property rehabilitation tax credit under this chapter.

Sec. 6. NEW SECTION. 404A.4 PROJECT COMPLETION AND TAX CREDIT CERTIFICATION -- CREDIT REFUND.

1. Upon completion of the rehabilitation project, a certification of completion must be obtained from the state historical preservation office of the department of cultural affairs. A completion certificate shall identify the person claiming the tax credit under this chapter and the rehabilitation costs incurred up to the two years preceding the completion date.

2. After verifying the eligibility for the tax credit, the state historical preservation office, in consultation with the department of economic development, shall issue a property rehabilitation tax credit certificate to be attached to the person's tax return. The tax credit certificate shall contain the taxpayer's name, address, tax identification number, the date of project completion, the amount of credit, and other information required by the department of revenue and finance.

3. A person receiving a property rehabilitation tax credit under this chapter which is in excess of the person's tax liability for the tax year is entitled to a refund of the excess at a discounted value. The discounted value of the tax credit refund, as calculated by the department of economic development, in consultation with the department of revenue and finance, shall be determined based on the discounted value of the tax credit five years after the tax year of the project completion at an interest rate equivalent to the prime rate plus two percent. The refunded tax credit shall not exceed seventy-five percent of the allowable tax credit.

4. The total amount of tax credits that may be approved for a fiscal year under this chapter shall not exceed two million four hundred thousand dollars. Tax credit certificates shall be issued on the basis of the earliest awarding of certifications of completion as provided in subsection 1. The departments of economic development and revenue and finance shall each adopt rules to jointly administer this subsection and shall provide by rule for the

method to be used to determine for which fiscal year the tax credits are approved.

Sec. 7. NEW SECTION. 404A.5 ECONOMIC IMPACT -- RECOMMENDATIONS.

The department of cultural affairs, in consultation with the department of economic development, shall be responsible for keeping the general assembly and the legislative fiscal bureau informed on the overall economic impact to the state of the rehabilitation of eligible properties. An annual report shall be filed which shall include, but is not limited to, data on the number and potential value of rehabilitation projects begun during the latest twelve-month period, the total property rehabilitation tax credits originally granted during that period, the potential reduction in state tax revenues as a result of all tax credits still unused and eligible for refund, and the potential increase in local property tax revenues as a result of the rehabilitated projects. The department, to the extent it is able, shall provide recommendations on whether a limit on tax credits should be established, the need for a broader or more restrictive definition of eligible property, and other adjustments to the tax credits under this chapter.

Sec. 8. Section 422.7, subsection 31, Code 1999, is amended to read as follows:

31. For a person who is disabled, or is fifty-five years of age or older, or is the surviving spouse of an individual or a survivor having an insurable interest in an individual who would have qualified for the exemption under this subsection for the tax year, subtract, to the extent included, the total amount of a governmental or other pension or retirement pay, including, but not limited to, defined benefit or defined contribution plans, annuities, individual retirement accounts, plans maintained or contributed to by an employer, or maintained or contributed to by a self-employed person as an employer, and deferred compensation plans or any earnings attributable to the deferred compensation plans, up

to a maximum of ~~five~~ six thousand dollars for a person, other than a husband or wife, who files a separate state income tax return and up to a maximum of ~~ten~~ twelve thousand dollars for a husband and wife who file a joint state income tax return. However, a surviving spouse who is not disabled or fifty-five years of age or older can only exclude the amount of pension or retirement pay received as a result of the death of the other spouse. A husband and wife filing separate state income tax returns or separately on a combined state return are allowed a combined maximum exclusion under this subsection of up to ~~ten~~ twelve thousand dollars. The ~~ten~~ twelve thousand dollar exclusion shall be allocated to the husband or wife in the proportion that each spouse's respective pension and retirement pay received bears to total combined pension and retirement pay received.

Sec. 9. Section 422.10, Code Supplement 1999, is amended to read as follows:

422.10 RESEARCH ACTIVITIES CREDIT.

1. The taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state.

a. For individuals, the credit equals ~~six-and-one-half percent-of-the-state's-apportioned-share-of-the-qualifying-expenditures-for-increasing-research-activities.~~ the sum of the following:

(1) Six and one-half percent of the excess of qualified research expenses during the tax year over the base amount for the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

(2) Six and one-half percent of the basic research payments determined under section 41(e)(1)(A) of the Internal Revenue Code during the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

The state's apportioned share of the qualifying expenditures for increasing research activities is a percent

equal to the ratio of qualified research expenditures in this state to total qualified research expenditures.

b. In lieu of the credit amount computed in paragraph "a", subparagraph (1), a taxpayer may elect to compute the credit amount for qualified research expenses incurred in this state in a manner consistent with the alternative incremental credit described in section 41(c)(4) of the Internal Revenue Code. The taxpayer may make this election regardless of the method used for the taxpayer's federal income tax. The election made under this paragraph is for the tax year and the taxpayer may use another or the same method for any subsequent year.

c. For purposes of the alternate credit computation method in paragraph "b", the credit percentages applicable to qualified research expenses described in clauses (i), (ii), and (iii) of section 41(c)(4)(A) of the Internal Revenue Code are one and sixty-five hundredths percent, two and twenty hundredths percent, and two and seventy-five hundredths percent, respectively.

2. For purposes of this section, an individual may claim a research credit for ~~qualifying research expenditures~~ incurred by a partnership, subchapter S corporation, limited liability company, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of a partnership, subchapter S corporation, limited liability company, estate, or trust.

3. For purposes of this section, ~~"qualifying expenditures for increasing research activities"~~ means the ~~qualifying expenditures~~ "base amount", "basic research payment", and "qualified research expense" mean the same as defined for the federal credit for increasing research activities ~~which would be allowable under section 41 of the Internal Revenue Code in effect on January 17, 1999~~, except that for the alternative incremental credit such amounts are for research conducted within this state. For purposes of this section, "Internal Revenue Code" means the Internal Revenue Code in effect on January 1, 2000.

4. Any credit in excess of the tax liability imposed by section 422.5 less the credits allowed under sections 422.11A, 422.12, and 422.12B for the taxable year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following taxable year.

Sec. 10. NEW SECTION. 422.11D PROPERTY REHABILITATION TAX CREDIT.

1. The taxes imposed under this division, less the credits allowed under sections 422.12 and 422.12B, shall be reduced by a property rehabilitation tax credit equal to the amount as computed under chapter 404A for rehabilitating eligible property. Any credit in excess of the tax liability shall be refunded as provided in section 404A.4, subsection 3.

2. An individual may claim a property rehabilitation tax credit allowed a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of a partnership, limited liability company, S corporation, estate, or trust.

3. For purposes of this section, "eligible property" means the same as used in section 404A.1.

Sec. 11. NEW SECTION. 422.11E ASSISTIVE DEVICE TAX CREDIT -- SMALL BUSINESS.

1. The taxes imposed under this division, less the credits allowed under sections 422.12 and 422.12B, shall be reduced by an assistive device tax credit. A small business purchasing, renting, or modifying an assistive device or making workplace modifications for an individual with a disability who is employed or will be employed by the small business is eligible, subject to availability of credits, to receive this assistive device tax credit which is equal to fifty percent of the first five thousand dollars paid during the tax year for the purchase, rental, or modification of the assistive device

or for making the workplace modifications. Any credit in excess of the tax liability shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following tax year. If the small business elects to take the assistive device tax credit, the small business shall not deduct for Iowa tax purposes any amount of the cost of an assistive device or workplace modifications which is deductible for federal tax purposes.

2. To receive the assistive device tax credit, the eligible small business must submit an application to the department of economic development. If the taxpayer meets the criteria for eligibility, the department of economic development shall issue to the taxpayer a certification of entitlement for the assistive device tax credit. However, the combined amount of tax credits that may be approved for a fiscal year under this section and section 422.33, subsection 8A, shall not exceed five hundred thousand dollars. Tax credit certificates shall be issued on an earliest filed basis. The certification shall contain the taxpayer's name, address, tax identification number, the amount of the credit, and tax year for which the certificate applies. The taxpayer must file the tax credit certificate with the taxpayer's individual income tax return in order to claim the tax credit. The departments of economic development and revenue and finance shall each adopt rules to jointly administer this section and shall provide by rule for the method to be used to determine for which fiscal year the tax credits are approved.

3. An individual may claim an assistive device tax credit allowed a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, limited liability company, S corporation, estate, or trust.

4. For purposes of this section:

a. "Assistive device" means any item, piece of equipment, or product system which is used to increase, maintain, or improve the functional capabilities of an individual with a disability in the workplace or on the job. "Assistive device" does not mean any medical device, surgical device, or organ implanted or transplanted into or attached directly to an individual. "Assistive device" does not include any device for which a certificate of title is issued by the state department of transportation, but does include any item, piece of equipment, or product system otherwise meeting the definition of "assistive device" that is incorporated, attached, or included as a modification in or to such a device issued a certificate of title.

b. "Disability" means the same as defined in section 225C.46.

c. "Small business" means a business that either had gross receipts for its preceding tax year of three million dollars or less or employed not more than fourteen full-time employees during its preceding tax year.

d. "Workplace modifications" means physical alterations to the work environment.

Sec. 12. Section 422.33, subsection 5, Code Supplement 1999, is amended to read as follows:

5. a. The taxes imposed under this division shall be reduced by a state tax credit for increasing research activities in this state equal to ~~six-and-one-half-percent-of-the-state's-apportioned-share-of-the-qualifying-expenditures-for-increasing-research-activities;~~ the sum of the following:

(1) Six and one-half percent of the excess of qualified research expenses during the tax year over the base amount for the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

(2) Six and one-half percent of the basic research payments determined under section 41(e)(1)(A) of the Internal Revenue Code during the tax year based upon the state's apportioned share of the qualifying expenditures for increasing research activities.

The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to the total qualified research expenditures.

b. In lieu of the credit amount computed in paragraph "a", subparagraph (1), a corporation may elect to compute the credit amount for qualified research expenses incurred in this state in a manner consistent with the alternative incremental credit described in section 41(c)(4) of the Internal Revenue Code. The taxpayer may make this election regardless of the method used for the taxpayer's federal income tax. The election made under this paragraph is for the tax year and the taxpayer may use another or the same method for any subsequent year.

c. For purposes of the alternate credit computation method in paragraph "b", the credit percentages applicable to qualified research expenses described in clauses (i), (ii), and (iii) of section 41(c)(4)(A) of the Internal Revenue Code are one and sixty-five hundredths percent, two and twenty hundredths percent, and two and seventy-five hundredths percent, respectively.

d. For purposes of this subsection, "qualifying expenditures-for-increasing-research-activities" means the qualifying expenditures "base amount", "basic research payment", and "qualified research expense" mean the same as defined for the federal credit for increasing research activities which would be allowable under section 41 of the Internal Revenue Code in effect on January 17, 1999, except that for the alternative incremental credit such amounts are for research conducted within this state. For purposes of this subsection, "Internal Revenue Code" means the Internal Revenue Code in effect on January 1, 2000.

e. Any credit in excess of the tax liability for the taxable year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on its final, completed

return credited to the tax liability for the following taxable year.

Sec. 13. Section 422.33, Code Supplement 1999, is amended by adding the following new subsection:

NEW SUBSECTION. 8A. a. The taxes imposed under this division shall be reduced by an assistive device tax credit. A small business purchasing, renting, or modifying an assistive device or making workplace modifications for an individual with a disability who is employed or will be employed by the small business is eligible, subject to availability of credits, to receive this assistive device tax credit which is equal to fifty percent of the first five thousand dollars paid during the tax year for the purchase, rental, or modification of the assistive device or for making the workplace modifications. Any credit in excess of the tax liability shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following tax year. If the small business elects to take the assistive device tax credit, the small business shall not deduct for Iowa tax purposes any amount of the cost of an assistive device or workplace modifications which is deductible for federal income tax purposes.

b. To receive the assistive device tax credit, the eligible small business must submit an application to the department of economic development. If the taxpayer meets the criteria for eligibility, the department of economic development shall issue to the taxpayer a certification of entitlement for the assistive device tax credit. However, the combined amount of tax credits that may be approved for a fiscal year under this subsection and section 422.11E shall not exceed five hundred thousand dollars. Tax credit certificates shall be issued on an earliest filed basis. The certification shall contain the taxpayer's name, address, tax identification number, the amount of the credit, and tax year

for which the certificate applies. The taxpayer must file the tax credit certificate with the taxpayer's corporate income tax return in order to claim the tax credit. The departments of economic development and revenue and finance shall each adopt rules to jointly administer this subsection and shall provide by rule for the method to be used to determine for which fiscal year the tax credits are approved.

c. For purposes of this subsection:

(1) "Assistive device" means any item, piece of equipment, or product system which is used to increase, maintain, or improve the functional capabilities of an individual with a disability in the workplace or on the job. "Assistive device" does not mean any medical device, surgical device, or organ implanted or transplanted into or attached directly to an individual. "Assistive device" does not include any device for which a certificate of title is issued by the state department of transportation, but does include any item, piece of equipment, or product system otherwise meeting the definition of "assistive device" that is incorporated, attached, or included as a modification in or to such a device issued a certificate of title.

(2) "Disability" means the same as defined in section 225C.46.

(3) "Small business" means a business that either had gross receipts for its preceding tax year of three million dollars or less or employed not more than fourteen full-time employees during its preceding tax year.

(4) "Workplace modifications" means physical alterations to the work environment.

Sec. 14. Section 422.33, Code Supplement 1999, is amended by adding the following new subsection:

NEW SUBSECTION. 9. a. The taxes imposed under this division shall be reduced by a property rehabilitation tax credit equal to the amount as computed under chapter 404A for rehabilitating eligible property. Any credit in excess of the tax liability shall be refunded as provided in section 404A.4, subsection 3.

b. For purposes of this subsection, "eligible property" means the same as used in section 404A.1.

Sec. 15. Section 427.1, Code Supplement 1999, is amended by adding the following new subsection:

NEW SUBSECTION. 31. BARN PRESERVATION. The increase in assessed value added to a farm structure constructed prior to 1937 as a result of improvements made to the farm structure for purposes of preserving the integrity of the internal and external features of the structure as a barn is exempt from taxation. To be eligible for the exemption, the structure must have been first placed in service as a barn prior to 1937. The exemption shall apply to the assessment year beginning after the completion of the improvements to preserve the structure as a barn.

For purposes of this subsection, "barn" means an agricultural structure, in whatever shape or design, which is used for the storage of farm products or feed or for the housing of farm animals, poultry, or farm equipment.

Application for this exemption shall be filed with the assessing authority not later than February 1 of the first year for which the exemption is requested, on forms provided by the department of revenue and finance. The application shall describe and locate the specific structure for which the added value is requested to be exempt.

Once the exemption is granted, the exemption shall continue to be granted for subsequent assessment years without further filing of applications as long as the structure continues to be used as a barn. The taxpayer shall notify the assessing authority when the structure ceases to be used as a barn.

Sec. 16. Section 25B.7 does not apply to the exemption granted pursuant to section 15 of this Act.

Sec. 17. Section 427.1, Code Supplement 1999, is amended by adding the following new subsection:

NEW SUBSECTION. 32. ONE-ROOM SCHOOLHOUSE PRESERVATION. The increase in assessed value added to a one-room schoolhouse as a result of improvements made to the structure for purposes

of preserving the integrity of the internal and external features of the structure as a one-room schoolhouse is exempt from taxation. The exemption shall apply to the assessment year beginning after the completion of the improvements to preserve the structure as a one-room schoolhouse.

Application for this exemption shall be filed with the assessing authority not later than February 1 of the first year for which the exemption is requested, on forms provided by the department of revenue and finance. The application shall describe and locate the specific one-room schoolhouse for which the added value is requested to be exempt.

Once the exemption is granted, the exemption shall continue to be granted for subsequent assessment years without further filing of applications as long as the structure is not used for dwelling purposes and the structure is preserved as a one-room schoolhouse. The taxpayer shall notify the assessing authority when the structure ceases to be eligible. The exemption in this subsection applies even though the one-room schoolhouse is no longer used for instructional purposes.

Sec. 18. Section 25B.7 does not apply to the exemption granted pursuant to section 17 of this Act.

Sec. 19. The legislative council is requested to establish an interim study committee to review the benefits of allowing state tax credits to be transferable. In reviewing the transferability of state tax credits, the study committee shall analyze the benefits to the transferor, the transferee, and to the state, the administrative costs involved, the conditions under which transferability should be allowed, and the restrictions that should be placed on transferability, if any. The study committee's report along with its recommendations shall be filed with the legislative council by January 1, 2001.

Sec. 20. APPLICABILITY PROVISION. Chapter 404A, enacted in this Act, applies to qualified rehabilitation costs incurred on or after July 1, 2000.

Sec. 21. APPLICABILITY DATE. Sections 1, 2, 9, 11, 12, and 13, of this Act apply retroactively to January 1, 2000, for tax years beginning on or after that date. Section 8 of this Act applies to tax years beginning on or after January 1, 2001.

BRENT SIEGRIST
Speaker of the House

MARY E. KRAMER
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2560, Seventy-eighth General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved 5/16, 2000

THOMAS J. VILSACK
Governor