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APR 8 2002  
WAYS & MEANS CALENDAR

HOUSE FILE 2621  
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 2522)

Passed House, Date <sup>(P. 1333)</sup> 4/11/02 Passed Senate, Date <sup>P. 1146</sup> 4/12/02  
Vote: Ayes 96 Nays 0 Vote: Ayes 44 Nays 0  
Approved May 7, 2002  
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A BILL FOR

1 An Act relating to tax credits under the new jobs and income  
2 program and the enterprise zone program for farmers'  
3 cooperatives and including a retroactive applicability date.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

HF 2621

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1 Section 1. Section 15.333, subsection 1, Code Supplement  
2 2001, is amended to read as follows:

3 1. An eligible business may claim a corporate tax credit  
4 up to a maximum of ten percent of the new investment which is  
5 directly related to new jobs created by the location or  
6 expansion of an eligible business under the program. Any  
7 credit in excess of the tax liability for the tax year may be  
8 credited to the tax liability for the following seven years or  
9 until depleted, whichever occurs earlier. Subject to prior  
10 approval by the department of economic development in  
11 consultation with the department of revenue and finance, an  
12 eligible business whose project primarily involves the  
13 production of value-added agricultural products may elect to  
14 refund all or a portion of an unused tax credit. For purposes  
15 of this section, an eligible business includes a cooperative  
16 described in section 521 of the Internal Revenue Code which is  
17 not required to file an Iowa corporate income tax return, and  
18 whose project primarily involves the production of ethanol.  
19 The refund may be used against a tax liability imposed under  
20 chapter 422, division II, III, or V. If the business is a  
21 partnership, ~~subchapter S corporation~~, limited liability  
22 company, cooperative organized under chapter 501 and filing as  
23 a partnership for federal tax purposes, or estate or trust  
24 electing to have the income taxed directly to the individual,  
25 an individual may claim the tax credit allowed. The amount  
26 claimed by the individual shall be based upon the pro rata  
27 share of the individual's earnings of the partnership,  
28 ~~subchapter S corporation~~, limited liability company,  
29 cooperative organized under chapter 501 and filing as a  
30 partnership for federal tax purposes, or estate or trust.

31 For purposes of this section, an eligible business includes  
32 a cooperative described in section 521 of the Internal Revenue  
33 Code which is required to file an Iowa corporate income tax  
34 return and whose project primarily involves the production of  
35 ethanol may elect to transfer all or a portion of the tax

1 credit to its members. The amount of tax credit transferred  
2 and claimed by a member shall be based upon the pro rata share  
3 of the member's earnings of the cooperative.

4 PARAGRAPH DIVIDED. For purposes of this section, "new  
5 investment directly related to new jobs created by the  
6 location or expansion of an eligible business under the  
7 program" means the cost of machinery and equipment, as defined  
8 in section 427A.1, subsection 1, paragraphs "e" and "j",  
9 purchased for use in the operation of the eligible business,  
10 the purchase price of which has been depreciated in accordance  
11 with generally accepted accounting principles, and the cost of  
12 improvements made to real property which is used in the  
13 operation of the eligible business.

14 Sec. 2. Section 15E.193C, subsection 7, paragraph a, Code  
15 Supplement 2001, is amended to read as follows:

16 a. An eligible development business may claim a tax credit  
17 up to a maximum of ten percent of the new investment that is  
18 directly related to the construction, expansion, or  
19 rehabilitation of building space to be used for manufacturing,  
20 processing, cold storage, distribution, or office facilities.  
21 For purposes of this section, "new investment" includes the  
22 purchase price of land and the cost of improvements made to  
23 real property. The tax credit may be claimed by an eligible  
24 development business for the tax year in which the  
25 construction, expansion, or rehabilitation is completed. The  
26 tax credit may be used to reduce the tax liability imposed  
27 under chapter 422, division II, III, or V, or chapter 432.  
28 Any credit in excess of the tax liability for the tax year may  
29 be credited to the tax liability for the following seven years  
30 or until depleted, whichever occurs earlier. If the business  
31 is a partnership, S corporation, limited liability company,  
32 cooperative organized under chapter 501 and filing as a  
33 partnership for federal tax purposes, or estate or trust  
34 electing to have the income taxed directly to the individual,  
35 an individual may claim the tax credit allowed. The amount

1 claimed by the individual shall be based upon the pro rata  
2 share of the individual's earnings of the partnership, S  
3 corporation, limited liability company, cooperative organized  
4 under chapter 501 and filing as a partnership for federal tax  
5 purposes, or estate or trust.

6 Sec. 3. APPLICABILITY DATE. This Act applies  
7 retroactively to January 1, 2002, for tax years beginning on  
8 or after that date.

9 EXPLANATION

10 Under present law, a farmers' cooperative that owns an  
11 ethanol-producing facility which is not required to file an  
12 Iowa corporate income tax return is entitled to a tax credit  
13 under the new jobs and income program. This tax credit is  
14 claimed by the members. However, if the farmers' cooperative  
15 must file an Iowa corporate income tax return, all of the  
16 credit must be used by the cooperative. This bill allows  
17 farmers' cooperatives that file partnership returns for  
18 federal tax purposes to pass through the credit to their  
19 members. This bill allows farmers' cooperatives that file  
20 Iowa corporate income tax returns to transfer all or a portion  
21 of the tax credit to its members.

22 The bill also allows farmers' cooperatives that file as  
23 partnerships for federal tax purposes to elect to have the tax  
24 credit acquired for developing building space in an enterprise  
25 zone to be passed through to the cooperatives' members.

26 The bill applies retroactively to January 1, 2002, for tax  
27 years beginning on or after that date.

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# Legislative Fiscal Bureau

## Fiscal Note

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HF 2621 - Iowa Investment Tax Credit (LSB 6113 HV)

Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)

Fiscal Note Version — New

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### Description

House File 2621 allows cooperatives organized under Chapter 501, Code of Iowa, and file as partnerships for federal tax purposes to pass tax credits earned under the New Jobs and Income Program and the Enterprise Zone Development Business Program through to the partners of the cooperative. The change applies retroactively to tax years beginning on or after January 1, 2002.

### Assumption

The refundable tax credits available for value-added agriculture projects for both the New Jobs and Income Program and the Enterprise Zone Program are limited to a total of \$4.0 million per year as specified in Section 15.333 (2), Code of Iowa.

### Fiscal Impact

Expanding the types of organizations eligible for refundable value-added agriculture tax credits under the New Jobs and Income Program and the Enterprise Zone Program will not reduce General Fund revenues due to the total annual amount of the refundable tax credits is limited by the Code of Iowa.

### Sources

Department of Economic Development

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/s/ Dennis C Prouty

April 10, 2002

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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Vetoed

HOUSE FILE 2621

AN ACT  
RELATING TO TAX CREDITS UNDER THE NEW JOBS AND INCOME  
PROGRAM AND THE ENTERPRISE ZONE PROGRAM FOR FARMERS'  
COOPERATIVES AND INCLUDING A RETROACTIVE APPLICABILITY DATE.

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

Section 1. Section 15.333, subsection 1, Code Supplement 2001, is amended to read as follows:

1. An eligible business may claim a corporate tax credit up to a maximum of ten percent of the new investment which is directly related to new jobs created by the location or expansion of an eligible business under the program. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs earlier. Subject to prior approval by the department of economic development in consultation with the department of revenue and finance, an eligible business whose project primarily involves the production of value-added agricultural products may elect to refund all or a portion of an unused tax credit. For purposes of this section, an eligible business includes a cooperative described in section 521 of the Internal Revenue Code which is not required to file an Iowa corporate income tax return, and whose project primarily involves the production of ethanol. The refund may be used against a tax liability imposed under chapter 422, division II, III, or V. If the business is a partnership, subchapter S corporation, limited liability company, cooperative organized under chapter 501 and filing as a partnership for federal tax purposes, 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,

cooperative organized under chapter 501 and filing as a partnership for federal tax purposes, or estate or trust.

For purposes of this section, an eligible business includes a cooperative described in section 521 of the Internal Revenue Code which is required to file an Iowa corporate income tax return and whose project primarily involves the production of ethanol may elect to transfer all or a portion of the tax credit to its members. The amount of tax credit transferred and claimed by a member shall be based upon the pro rata share of the member's earnings of the cooperative.

PARAGRAPH DIVIDED. For purposes of this section, "new investment directly related to new jobs created by the location or expansion of an eligible business under the program" means the cost of machinery and equipment, as defined in section 427A.1, subsection 1, paragraphs "e" and "j", purchased for use in the operation of the eligible business, the purchase price of which has been depreciated in accordance with generally accepted accounting principles, and the cost of improvements made to real property which is used in the operation of the eligible business.

Sec. 2. Section 15E.193C, subsection 7, paragraph a, Code Supplement 2001, is amended to read as follows:

a. An eligible development business may claim a tax credit up to a maximum of ten percent of the new investment that is directly related to the construction, expansion, or rehabilitation of building space to be used for manufacturing, processing, cold storage, distribution, or office facilities. For purposes of this section, "new investment" includes the purchase price of land and the cost of improvements made to real property. The tax credit may be claimed by an eligible development business for the tax year in which the construction, expansion, or rehabilitation is completed. The tax credit may be used to reduce the tax liability imposed under chapter 422, division II, III, or V, or chapter 432. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs earlier. If the business

is a partnership, S corporation, limited liability company, cooperative organized under chapter 501 and filing as a partnership for federal tax purposes, 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, S corporation, limited liability company, cooperative organized under chapter 501 and filing as a partnership for federal tax purposes, or estate or trust.

Sec. 3. APPLICABILITY DATE. This Act applies retroactively to January 1, 2002, for tax years beginning on or after that date.

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BRENT SIEGRIST  
Speaker of the House

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MARY E. KRAMER  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2621, Seventy-ninth General Assembly.

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MARGARET THOMSON  
Chief Clerk of the House

*Vetoed*  
Approved 5/7, 2002

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THOMAS J. VILSACK  
Governor