FEB 2 6 2001
WAYS AND MEANS

HOUSE FILE 408
BY HATCH

Passed House, Date ____________ Passed Senate, Date ____________
Vote: Ayes ______ Nays ________ Vote: Ayes ______ Nays ________
Approved ______________________________

A BILL FOR

An Act relating to the state property rehabilitation tax credit and including an applicability date provision.
BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

HF 408

TLSB 2315HH 79
mg/gg/8

Section 1. Section 404A.1, subsection 1, Code 2001, is amended to read as follows:

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, or division V, or chapter 432 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~~ transferable or carried forward or backward as provided in section 404A.4, subsection 3.

Sec. 2. Section 404A.2, unnumbered paragraph 3, Code 2001, is amended to read as follows:

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, the franchise tax, and the insurance gross premiums tax.

Sec. 3. Section 404A.4, subsection 2, Code 2001, is amended to read as follows:

2. After verifying the eligibility for the tax credit, the state historic 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, and a place for the name and tax identification number of any transferee and the amount of the credit being transferred.

Sec. 4. Section 404A.4, subsections 3 and 4, Code 2001, are amended by striking the subsections and inserting in lieu thereof the following:

3. a. Any property rehabilitation tax credit in excess of the person's tax liability may be carried backward for one tax year or carried forward for up to twenty tax years.

b. A person receiving a property rehabilitation tax credit under this chapter may transfer all or a portion of the unused tax credit to any other person. However, the tax credit shall only be transferred once. The transferee may use the amount of the tax credit transferred against the taxes imposed under chapter 422, divisions II, III, and V and chapter 432 for any tax year the original transferor could have claimed the credit. Any consideration received for the transfer of the tax credit shall not be included as income under chapter 422, divisions II, III, and V or as premiums under chapter 432. Any consideration paid for the transfer of the tax credit shall not be deducted from income under chapter 422, divisions II, III, and V or from premiums under chapter 432.

Sec. 5. Section 422.11D, subsection 1, Code 2001, is amended to read as follows:

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~~ <u>granted under chapter 404A</u> shall be ~~refunded~~ <u>transferable or carried forward or backward</u> as provided in section 404A.4, subsection 3.

Sec. 6. Section 422.33, subsection 10, paragraph a, Code 2001, is amended to read as follows:

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~~ <u>granted under chapter 404A</u> shall be ~~refunded~~ <u>transferable or carried forward or backward</u> as provided in section 404A.4, subsection 3.

Sec. 7. Section 422.60, Code 2001, is amended by adding the following new subsection:

<u>NEW SUBSECTION</u>. 4. 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 granted under chapter 404A shall be transferable or carried forward or backward 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. 8. NEW SECTION. 432.12A PROPERTY REHABILITATION TAX CREDIT.

1. The taxes imposed under this chapter shall be reduced by a property rehabilitation tax credit equal to the amount as computed under chapter 404A for rehabilitating eligible property. Any credit granted under chapter 404A shall be transferable or carried forward or backward as provided in section 404A.4, subsection 3.

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

Sec. 9. EFFECTIVE AND APPLICABILITY DATES. This Act takes effect July 1, 2001, and applies to qualified rehabilitation costs incurred on or after that date.

EXPLANATION

A property rehabilitation tax credit was enacted in the 2000 Session that provided individual and corporate income tax credits to persons rehabilitating historical property. This bill makes a number of changes in that tax credit.

Current law limits the amount of credits that may be granted to $2.4 million per fiscal year. The bill eliminates this cap. The bill expands the availability of the credit to financial institutions that pay the franchise tax and insurance companies that pay the gross premiums tax. The bill makes the tax credit transferable to another person or allows for any excess credit to be carried backward for one tax year or carried forward for 20 tax years. The bill eliminates the refund provisions of the current law.

The bill takes effect July 1, 2001, and applies to qualified rehabilitation costs incurred on or after that date.