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Agriculture

HOUSE FILE 539

BY TEIG

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to life science initiatives by providing for an  
2 income, franchise, and gross premiums tax credit for making  
3 capital investments in a cooperative association or limited  
4 liability company organized to operate a renewable fuel  
5 production facility or a development facility designed to  
6 produce products from agricultural goods and including  
7 applicability date provisions.

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

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HF 539

1 Section 1. NEW SECTION. 422.11F VALUE-ADDED AGRICULTURE  
2 INCENTIVE TAX CREDIT.

3 1. The taxes imposed under this division, less the credits  
4 allowed under sections 422.12 and 422.12B, shall be reduced by  
5 a value-added agriculture incentive tax credit. To be  
6 eligible for the credit, the taxpayer must be a member of and  
7 make a capital investment in a cooperative association or  
8 limited liability company organized for the purpose of  
9 operating a renewable fuel production facility or a  
10 development facility. The amount of the credit equals fifty  
11 percent, not to exceed twenty-five thousand dollars, of the  
12 amount of the capital investment made in the tax year by the  
13 taxpayer, as a member, in such cooperative association or  
14 limited liability company. However, for credits earned from  
15 investments made in the 2001, 2002, 2003, and 2004 calendar  
16 years, taxpayers may not claim the credit sooner than the tax  
17 year beginning in the 2005 calendar year.

18 Any credit in excess of the tax liability may be carried  
19 forward for up to five tax years.

20 2. An individual may claim a value-added agriculture  
21 incentive tax credit allowed a partnership, limited liability  
22 company, S corporation, estate, or trust electing to have the  
23 income taxed directly to the individual. The amount claimed  
24 by the individual shall be based upon the pro rata share of  
25 the individual's earnings of a partnership, limited liability  
26 company, S corporation, estate, or trust.

27 3. a. The taxpayer shall submit to the department of  
28 economic development, division of business development, value-  
29 added agriculture subdivision, an application for the tax  
30 credit authorized by this section on a form provided by the  
31 subdivision.

32 After verifying the eligibility for the tax credit, the  
33 subdivision shall notify the department of revenue and finance  
34 that the investment is eligible for the credit and the  
35 department of revenue and finance shall issue a tax credit

1 certificate to be attached to the person's tax return. The  
2 tax credit certificate shall contain the taxpayer's name,  
3 address, tax identification number, the amount of credit,  
4 other information required by the department of revenue and  
5 finance, and a place for the name and tax identification  
6 number of any transferee and the amount of the tax credit  
7 being transferred.

8     b. A person receiving a tax credit under this section may  
9 transfer all or a portion of the unused tax credit to any  
10 other person. However, the tax credit shall only be  
11 transferred once. The transferee may use the amount of the  
12 tax credit transferred against the taxes imposed under this  
13 division and divisions III and V and chapter 432 for any tax  
14 year the original transferor could have claimed the credit.  
15 Any consideration received for the transfer of the tax credit  
16 shall not be included as income under this division and  
17 divisions III and V or as premiums under chapter 432. Any  
18 consideration paid for the transfer of the tax credit shall  
19 not be deducted from income under this division and divisions  
20 III and V or from premiums under chapter 432.

21     4. For purposes of this section:

22     a. "Cooperative association" means a cooperative  
23 association organized under chapter 501 or converted to  
24 regulation under chapter 501 pursuant to section 501.601.

25     b. "Development facility" means a facility that produces a  
26 product derived from an agricultural commodity or uses a  
27 process to produce a product derived from an agricultural  
28 product.

29     c. "Renewable fuel production facility" means a facility  
30 producing an energy source which is derived from a renewable,  
31 domestically grown, organic compound capable of powering  
32 machinery, including an engine or power plant, and any by-  
33 product derived from such energy source.

34     Sec. 2. Section 422.33, Code 2001, is amended by adding  
35 the following new subsection:

1 NEW SUBSECTION. 11. a. The taxes imposed under this  
2 division shall be reduced by a value-added agriculture  
3 incentive tax credit. To be eligible for the credit, the  
4 taxpayer must be a member of and make a capital investment in  
5 a cooperative association or limited liability company  
6 organized for the purpose of operating a renewable fuel  
7 production facility or a development facility. The amount of  
8 the credit equals fifty percent, not to exceed twenty-five  
9 thousand dollars, of the amount of the capital investment made  
10 in the tax year by the taxpayer, as a member, in such  
11 cooperative association or limited liability company.  
12 However, for credits earned from investments made in the 2001,  
13 2002, 2003, and 2004 calendar years, taxpayers may not claim  
14 the credit sooner than the tax year beginning in the 2005  
15 calendar year.

16 Any credit in excess of the tax liability may be carried  
17 forward for up to five tax years.

18 b. (1) The taxpayer shall submit to the department of  
19 economic development, division of business development, value-  
20 added agriculture subdivision, an application for the tax  
21 credit authorized by this subsection on a form provided by the  
22 subdivision.

23 After verifying the eligibility for the tax credit, the  
24 subdivision shall notify the department of revenue and finance  
25 that the investment is eligible for the credit and the  
26 department of revenue and finance shall issue a tax credit  
27 certificate to be attached to the person's tax return. The  
28 tax credit certificate shall contain the taxpayer's name,  
29 address, tax identification number, the amount of credit,  
30 other information required by the department of revenue and  
31 finance, and a place for the name and tax identification  
32 number of any transferee and the amount of the tax credit  
33 being transferred.

34 (2) A person receiving a tax credit under this subsection  
35 may transfer all or a portion of the unused tax credit to any

1 other person. However, the tax credit shall only be  
2 transferred once. The transferee may use the amount of the  
3 tax credit transferred against the taxes imposed under this  
4 division and divisions II and V and chapter 432 for any tax  
5 year the original transferor could have claimed the credit.  
6 Any consideration received for the transfer of the tax credit  
7 shall not be included as income under this division and  
8 divisions II and V or as premiums under chapter 432. Any  
9 consideration paid for the transfer of the tax credit shall  
10 not be deducted from income under this division and divisions  
11 II and V or from premiums under chapter 432.

12 c. For purposes of this subsection:

13 (1) "Cooperative association" means a cooperative  
14 association organized under chapter 501 or converted to  
15 regulation under chapter 501 pursuant to section 501.601.

16 (2) "Development facility" means a facility that produces  
17 a product derived from an agricultural commodity or uses a  
18 process to produce a product derived from an agricultural  
19 product.

20 (3) "Renewable fuel production facility" means a facility  
21 producing an energy source which is derived from a renewable,  
22 domestically grown, organic compound capable of powering  
23 machinery, including an engine or power plant, and any by-  
24 product derived from such energy source.

25 Sec. 3. Section 422.60, Code 2001, is amended by adding  
26 the following new subsection:

27 NEW SUBSECTION. 4. a. The taxes imposed under this  
28 division shall be reduced by a value-added agriculture  
29 incentive tax credit. To be eligible for the credit, the  
30 taxpayer must be a member of and make a capital investment in  
31 a cooperative association or limited liability company  
32 organized for the purpose of operating a renewable fuel  
33 production facility or a development facility. The amount of  
34 the credit equals fifty percent, not to exceed twenty-five  
35 thousand dollars, of the amount of the capital investment made

1 in the tax year by the taxpayer, as a member, in such  
2 cooperative association or limited liability company.  
3 However, for credits earned from investments made in the 2001,  
4 2002, 2003, and 2004 calendar years, taxpayers may not claim  
5 the credit sooner than the tax year beginning in the 2005  
6 calendar year.

7 Any credit in excess of the tax liability may be carried  
8 forward for up to five tax years.

9 b. (1) The taxpayer shall submit to the department of  
10 economic development, division of business development, value-  
11 added agriculture subdivision, an application for the tax  
12 credit authorized by this subsection on a form provided by the  
13 subdivision.

14 After verifying the eligibility for the tax credit, the  
15 subdivision shall notify the department of revenue and finance  
16 that the investment is eligible for the credit and the  
17 department of revenue and finance shall issue a 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 amount of credit,  
21 other information required by the department of revenue and  
22 finance, and a place for the name and tax identification  
23 number of any transferee and the amount of the tax credit  
24 being transferred.

25 (2) A person receiving a tax credit under this subsection  
26 may transfer all or a portion of the unused tax credit to any  
27 other person. However, the tax credit shall only be  
28 transferred once. The transferee may use the amount of the  
29 tax credit transferred against the taxes imposed under this  
30 division and divisions II and III and chapter 432 for any tax  
31 year the original transferor could have claimed the credit.  
32 Any consideration received for the transfer of the tax credit  
33 shall not be included as income under this division and  
34 divisions II and III or as premiums under chapter 432. Any  
35 consideration paid for the transfer of the tax credit shall

1 not be deducted from income under this division and divisions  
2 II and III or from premiums under chapter 432.

3 c. For purposes of this subsection, "cooperative  
4 association", "development facility", and "renewable fuel  
5 production facility" mean the same as defined in section  
6 422.33, subsection 11, paragraph "c".

7 Sec. 4. NEW SECTION. 432.12A VALUE-ADDED AGRICULTURE  
8 INCENTIVE TAX CREDIT.

9 1. The taxes imposed under this chapter shall be reduced  
10 by a value-added agriculture incentive tax credit. To be  
11 eligible for the credit, the taxpayer must be a member of and  
12 make a capital investment in a cooperative association or  
13 limited liability company organized for the purpose of  
14 operating a renewable fuel production facility or a  
15 development facility. The amount of the credit equals fifty  
16 percent, not to exceed twenty-five thousand dollars, of the  
17 amount of the capital investment made in the calendar year by  
18 the taxpayer, as a member, in such cooperative association or  
19 limited liability company. However, for credits earned from  
20 investments made in the 2001, 2002, 2003, and 2004 calendar  
21 years, taxpayers may not claim the credit sooner than the tax  
22 year beginning in the 2005 calendar year.

23 Any credit in excess of the tax liability may be carried  
24 forward for up to five calendar years.

25 2. a. The taxpayer shall submit to the department of  
26 economic development, division of business development, value-  
27 added agriculture subdivision, an application for the tax  
28 credit authorized by this section on a form provided by the  
29 subdivision.

30 After verifying the eligibility for the tax credit, the  
31 subdivision shall notify the department of revenue and finance  
32 that the investment is eligible for the credit and the  
33 department of revenue and finance shall issue a tax credit  
34 certificate to be attached to the person's tax return. The  
35 tax credit certificate shall contain the taxpayer's name,

1 address, tax identification number, the amount of credit,  
2 other information required by the department of revenue and  
3 finance, and a place for the name and tax identification  
4 number of any transferee and the amount of the tax credit  
5 being transferred.

6 b. A person receiving a tax credit under this section may  
7 transfer all or a portion of the unused tax credit to any  
8 other person. However, the tax credit shall only be  
9 transferred once. The transferee may use the amount of the  
10 tax credit transferred against the taxes imposed under this  
11 chapter and chapter 422, divisions II, III, and V, for any tax  
12 year the original transferor could have claimed the credit.  
13 Any consideration received for the transfer of the tax credit  
14 shall not be included as premiums under this chapter or as  
15 income under chapter 422, divisions II, III, and V. Any  
16 consideration paid for the transfer of the tax credit shall  
17 not be deducted from premiums under this chapter or from  
18 income under chapter 422, divisions II, III, and V.

19 c. For purposes of this subsection, "cooperative  
20 association", "development facility", and "renewable fuel  
21 production facility" mean the same as defined in section  
22 422.33, subsection 11, paragraph "c".

23 Sec. 5. APPLICABILITY DATE. This Act applies  
24 retroactively to January 1, 2001, for tax years beginning on  
25 or after that date and for investments made after July 1,  
26 2001.

27 EXPLANATION

28 This bill provides an individual and corporate income,  
29 franchise, and gross premiums tax credit for capital  
30 investments made by members of a cooperative association or  
31 limited liability company organized to operate a renewable  
32 fuel production facility or a development facility designed to  
33 produce products from agricultural goods. The amount of the  
34 credit equals 50 percent, not to exceed \$25,000, of the  
35 investment made in the tax year. Any excess credit may be



1 carried forward five tax years. A taxpayer who receives the  
2 credit may transfer the credit to another taxpayer to use.  
3 The bill provides that credits earned in 2001 through 2004  
4 calendar years cannot be used until the 2005 tax year.

5 The bill applies retroactively to January 1, 2001, for tax  
6 years beginning on or after that date and for investments made  
7 after July 1, 2001.

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