

FEB 7 2003
ECONOMIC GROWTH

HOUSE FILE 157
BY JENKINS

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

A BILL FOR

1 An Act creating a university-based research utilization program,
2 providing tax credits, and making appropriations.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HOUSE FILE 157

H-1050

- 1 Amend House File 157 as follows:
- 2 1. Page 1, by striking lines 1 through 21.
- 3 2. Page 1, by inserting before line 22 the
- 4 following:
- 5 "Sec. ____ . NEW SECTION. 262B.7 FUNDING.
- 6 There is annually appropriated from the general
- 7 fund of the state to the state board of regents forty-
- 8 five thousand dollars for purposes of providing a
- 9 single point of contact to assist in the
- 10 implementation of this chapter."
- 11 3. Page 1, line 22, by striking the figure
- 12 "262B.6" and inserting the following: "262B.11".
- 13 4. Page 1, line 28, by inserting after the word
- 14 "businesses." the following: "The program shall
- 15 include the three universities under the control of
- 16 the state board of regents and all accredited private
- 17 universities located in the state."
- 18 5. Page 3, line 22, by inserting after the word
- 19 "department" the following: "for each of the five
- 20 years following the tax year in which the business is
- 21 approved under the program".
- 22 6. By renumbering as necessary.

By COMMITTEE ON ECONOMIC GROWTH
HOFFMAN of Crawford, CHAIRPERSON

H-1050 FILED MARCH 12, 2003

HF-157

1 Section 1. Section 262B.2, Code 2003, is amended by
2 striking the section and inserting in lieu thereof the
3 following:

4 262B.2 LEGISLATIVE INTENT.

5 It is the intent of the general assembly that the three
6 universities under the control of the state board of regents
7 have as a part of their mission the use of their universities'
8 expertise to facilitate economic development within the state.
9 This facilitation may be accomplished through a wide variety
10 of partnership and cooperative endeavors, primarily in the
11 area of high technology, and may result in investments by the
12 private sector for commercialization of the technology. It is
13 envisioned that the investments and job creation will be in
14 Iowa, but need not be in the proximity of the universities.
15 It is also the intent of the general assembly that real or
16 virtual research parks will be established and maintained by
17 the universities in close enough proximity that cooperation
18 between the academic, research, and commercialization phases
19 will be encouraged. It is the intent of the general assembly
20 that satellites of the research parks will encourage economic
21 development in other areas of the state.

22 Sec. 2. NEW SECTION. 262B.6 UNIVERSITY-BASED RESEARCH
23 UTILIZATION PROGRAM.

24 1. The department of economic development shall establish
25 and administer a university-based research utilization program
26 for purposes of encouraging the utilization of university-
27 based research, primarily in the area of high technology, in
28 new or existing businesses.

29 2. A new or existing business that utilizes a technology
30 developed by an employee at a university under the control of
31 the state board of regents may apply to the department of
32 economic development for approval to participate in the
33 university-based research utilization program. The department
34 shall approve an applicant if the applicant meets all of the
35 following criteria:

1 department of economic development. Upon receiving a copy of
2 a tax return from an approved business, the department shall
3 do all of the following:

4 a. Issue a tax credit certificate to the approved business
5 and the university employee responsible for the development of
6 the technology utilized by the approved business in an amount
7 determined pursuant to subsection 5. A tax credit certificate
8 shall contain the taxpayer's name, address, tax identification
9 number, the amount of the tax credit, and other information
10 required by the department of revenue and finance.

11 b. (1) Determine the university share which is equal to
12 the value of thirty percent of the tax liability of the
13 approved business for purposes of making an appropriation
14 pursuant to subsection 7 to the university where the
15 technology utilized by the approved business was developed.

16 (2) The department shall maintain records for each
17 university during each fiscal year regarding the university
18 share each university is entitled to receive through the
19 appropriation in subsection 7. A university shall be entitled
20 to receive the total university share for that particular
21 university during the previous fiscal year.

22 5. The tax credit certificates issued by the department
23 shall be for the following amounts:

24 a. For the approved business, the value of the tax credit
25 certificate shall equal thirty percent of the tax liability of
26 the approved business.

27 b. For the university employee responsible for the
28 development of the technology utilized by the approved
29 business, the value of the tax credit certificate shall equal
30 ten percent of the tax liability of the approved business. If
31 more than one employee is responsible for the development of
32 the technology, the value equal to ten percent of the tax
33 liability of the approved business shall be divided equally
34 and individual tax credit certificates shall be issued to each
35 employee responsible for the development of the technology.

1 a. The applicant utilizes a technology developed by an
2 employee at a university under the control of the state board
3 of regents.

4 b. The applicant develops a five-year business plan
5 approved by the department.

6 c. The applicant meets a minimum-size business standard
7 determined by the department.

8 3. A business approved under the program and the
9 university employee responsible for the development of the
10 technology utilized by the approved business shall be eligible
11 for a tax credit. The credit shall be allowed against the
12 taxes imposed in chapter 422, divisions II and III. An
13 individual may claim a tax credit under this section of a
14 partnership, limited liability company, S corporation, estate,
15 or trust electing to have income taxed directly to the
16 individual. The amount claimed by the individual shall be
17 based upon the pro rata share of the individual's earnings
18 from the partnership, limited liability company, S
19 corporation, estate, or trust. A tax credit shall not be
20 claimed under this subsection unless a tax credit certificate
21 issued by the department of economic development is attached
22 to the taxpayer's tax return for the tax year for which the
23 tax credit is claimed. The amount of a tax credit allowed
24 under this subsection shall equal the amount listed on a tax
25 credit certificate issued by the department of economic
26 development pursuant to subsection 4. A tax credit
27 certificate shall not be transferable. Any tax credit in
28 excess of the taxpayer's liability for the tax year may be
29 credited to the taxpayer's tax liability for the following
30 five years or until depleted, whichever occurs first. A tax
31 credit shall not be carried back to a tax year prior to the
32 tax year in which the taxpayer redeems the tax credit.

33 4. For the five tax years following the tax year in which
34 the business is approved under the program, the business shall
35 file a copy of the tax return for the business with the

1 technology developed by an employee at a university under the
2 control of the state board of regents may apply to the
3 department of economic development for approval to participate
4 in the program. The bill provides that the department shall
5 approve an applicant if the applicant meets all of the
6 following criteria:

7 1. The applicant utilizes a technology developed by an
8 employee at a university under the control of the state board
9 of regents.

10 2. The applicant develops a five-year business plan
11 approved by the department.

12 3. The applicant meets a minimum-size business standard
13 determined by the department.

14 The bill provides that a business approved under the
15 program and the university employee responsible for the
16 development of the technology utilized by the approved
17 business shall be eligible for a tax credit. The credit shall
18 be allowed against personal and corporate income taxes. The
19 bill provides that a tax credit shall not be claimed unless a
20 tax credit certificate issued by the department of economic
21 development is attached to the taxpayer's tax return for the
22 tax year for which the tax credit is claimed. The bill
23 provides that a tax credit certificate shall not be
24 transferable. The bill provides that a tax credit may be
25 carried forward, but shall not be carried back to tax years
26 prior to the tax year in which the taxpayer redeems the tax
27 credit.

28 The bill provides that, for the five tax years following
29 the tax year in which the business is approved under the
30 program, the business shall file a copy of the tax return for
31 the business with the department of economic development. The
32 bill provides that, upon receiving a copy of a tax return from
33 an approved business, the department shall issue a tax credit
34 certificate to the approved business and the university
35 employee responsible for the development of the technology

1 utilized by the approved business. The bill provides that the
2 value of the certificate for an approved business shall equal
3 30 percent of the tax liability of the approved business. The
4 bill provides that the value of the certificate for the
5 university employee responsible for the development of the
6 technology utilized by the approved business shall equal 10
7 percent of the tax liability of the approved business. The
8 bill requires the department of economic development to notify
9 the department of revenue and finance when a tax credit
10 certificate is issued.

11 For purposes of making an appropriation to the university
12 where the technology utilized by the approved business was
13 developed, the bill also requires the department to determine
14 the university share which is equal to the value of 30 percent
15 of the tax liability of the approved business. The bill
16 requires the department to maintain records for each
17 university during each fiscal year regarding the university
18 share each university is entitled to receive through an
19 appropriation. The bill provides that a university shall be
20 entitled to receive the total university share for that
21 particular university during the previous fiscal year. On
22 July 1 of each year, the bill appropriates from the general
23 fund of the state to each university under the control of the
24 state board of regents an amount equal to the total university
25 share for the previous fiscal year for the particular
26 university.

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