

FEB 26 2004  
WAYS AND MEANS

HOUSE FILE 2382  
BY COMMITTEE ON ECONOMIC GROWTH

(SUCCESSOR TO HSB 529)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act providing income tax credits for equity investments in  
2 businesses that are primarily engaged in the business of the  
3 production of value-added agricultural products and including  
4 a retroactive applicability date provision.

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

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HF 2382

1 Section 1. NEW SECTION. 422.11J EQUITY INVESTMENT TAX  
2 CREDIT -- VALUE-ADDED AGRICULTURAL PRODUCTS.

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 an equity investment tax credit equal to fifty percent, in the  
6 manner specified in subsection 2, of the amount of an equity  
7 investment in a business which primarily involves the  
8 production of value-added agricultural products and whose  
9 principal business operations are located in the state. The  
10 taxpayer shall not take a credit under this section if a  
11 credit is taken under section 422.11F or any other provision  
12 of the Code for the same investment.

13 2. The amount of the tax credit shall be claimed over five  
14 tax years as follows:

15 a. Ten percent of the amount of the equity investment for  
16 the third tax year following the tax year in which the  
17 investment is made.

18 b. Ten percent of the amount of the equity investment for  
19 each of the four tax years following the tax year for which  
20 the credit was first claimed under paragraph "a".

21 An equity investment shall be deemed to have been made on  
22 the same date as the date of acquisition of the equity  
23 interest as determined under the Internal Revenue Code.

24 3. Any credit in excess of the taxpayer's liability for  
25 the tax year may be credited to the tax liability for the  
26 following five tax years or until depleted, whichever is  
27 earlier.

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

35 Sec. 2. Section 422.33, Code Supplement 2003, is amended

1 by adding the following new subsection:

2 NEW SUBSECTION. 16. a. The taxes imposed under this  
3 division shall be reduced by an equity investment tax credit  
4 equal to fifty percent, in the manner specified in paragraph  
5 "b", of the amount of an equity investment in a business which  
6 primarily involves the production of value-added agricultural  
7 products and whose principal business operations are located  
8 in the state. The taxpayer shall not take a credit under this  
9 subsection if a credit is taken under subsection 12 or any  
10 other provision of the Code for the same investment.

11 b. The amount of the tax credit shall be claimed over five  
12 tax years as follows:

13 (1) Ten percent of the amount of the equity investment for  
14 the third tax year following the tax year in which the  
15 investment is made.

16 (2) Ten percent of the amount of the equity investment for  
17 each of the four tax years following the tax year for which  
18 the credit was first claimed under subparagraph (1).

19 An equity investment shall be deemed to have been made on  
20 the same date as the date of acquisition of the equity  
21 interest as determined under the Internal Revenue Code.

22 c. Any credit in excess of the taxpayer's liability for  
23 the tax year may be credited to the tax liability for the  
24 following five tax years or until depleted, whichever is  
25 earlier.

26 Sec. 3. RETROACTIVE APPLICABILITY DATE. This Act applies  
27 retroactively to January 1, 2004, for tax years beginning on  
28 or after that date.

29 EXPLANATION

30 This bill provides for an individual and corporate tax  
31 credit for equity investments made in a business that  
32 primarily involves the production of value-added agricultural  
33 products and whose principal business operations are located  
34 in the state. The amount of the credit equals 50 percent of  
35 the investment, which must be taken over five tax years. The

1 tax credit equals 10 percent for each tax year beginning with  
2 the third tax year following the tax year in which the  
3 investment is made. The credit is nonrefundable, but any  
4 excess credit may be carried forward for up to five tax years.  
5 If the taxpayer claims this credit, the taxpayer shall not  
6 claim a credit under any other provision of the Code for the  
7 same investment.

8 The bill applies retroactively to January 1, 2004, for tax  
9 years beginning on or after that date.

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S. Olson, Ch.  
Boggess  
Miller

Succeeded By  
S O 2382

HSB 529  
ECONOMIC GROWTH

HOUSE FILE \_\_\_\_\_

BY (PROPOSED COMMITTEE ON  
ECONOMIC GROWTH BILL BY  
CHAIRPERSON HOFFMAN)

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

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

Approved \_\_\_\_\_

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1 Section 1. NEW SECTION. 422.11J EQUITY INVESTMENT TAX  
2 CREDIT -- VALUE-ADDED AGRICULTURAL PRODUCTS.

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 an equity investment tax credit equal to sixty percent, in the  
6 manner specified in subsection 2, of the amount of an equity  
7 investment in a business which primarily involves the  
8 production of value-added agricultural products and whose  
9 principal business operations are located in the state. The  
10 taxpayer shall not take a credit under this section if a  
11 credit is taken under section 422.11F or any other provision  
12 of the Code for the same investment.

13 2. The amount of the tax credit shall be claimed over five  
14 tax years as follows:

15 a. Twenty percent of the amount of the equity investment  
16 for the tax year in which the investment is made.

17 b. Ten percent of the amount of the equity investment for  
18 each of the four tax years following the tax year in which the  
19 investment is made.

20 An equity investment shall be deemed to have been made on  
21 the same date as the date of acquisition of the equity  
22 interest as determined under the Internal Revenue Code.

23 3. Any credit in excess of the taxpayer's liability for  
24 the tax year may be credited to the tax liability for the  
25 following five tax years or until depleted, whichever is  
26 earlier.

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

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35 by adding the following new subsection:

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 2 division shall be reduced by an equity investment tax credit  
 3 equal to sixty percent, in the manner specified in paragraph  
 4 "b", of the amount of an equity investment in a business which  
 5 primarily involves the production of value-added agricultural  
 6 products and whose principal business operations are located  
 7 in the state. The taxpayer shall not take a credit under this  
 8 subsection if a credit is taken under subsection 12 or any  
 9 other provision of the Code for the same investment.

10 b. The amount of the tax credit shall be claimed over five  
 11 tax years as follows:

12 (1) Twenty percent of the amount of the equity investment  
 13 for the tax year in which the investment is made.

14 (2) Ten percent of the amount of the equity investment for  
 15 each of the four tax years following the tax year in which the  
 16 investment is made.

17 An equity investment shall be deemed to have been made on  
 18 the same date as the date of acquisition of the equity  
 19 interest as determined under the Internal Revenue Code.

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 21 the tax year may be credited to the tax liability for the  
 22 following five tax years or until depleted, whichever is  
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24 Sec. 3. RETROACTIVE APPLICABILITY DATE. This Act applies  
 25 retroactively to January 1, 2004, for tax years beginning on  
 26 or after that date.

27 EXPLANATION

28 This bill provides for an individual and corporate tax  
 29 credit for equity investments made in a business that  
 30 primarily involves the production of value-added agricultural  
 31 products and whose principal business operations are located  
 32 in the state. The amount of the credit equals 60 percent of  
 33 the investment, which must be taken over five tax years. The  
 34 tax credit equals 20 percent for the tax year in which the  
 35 investment is made and 10 percent for each of the next four

1 tax years. The credit is nonrefundable but any excess credit  
2 may be carried forward for up to five tax years. If the  
3 taxpayer claims this credit, the taxpayer shall not claim a  
4 credit under any other provision of the Code for the same  
5 investment.

6 The bill applies retroactively to January 1, 2004, for tax  
7 years beginning on or after that date.

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