

APR 13 2004
WAYS & MEANS CALENDAR

HOUSE FILE 2575
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 2425)
(SUCCESSOR TO HSB 653)

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

A BILL FOR

1 An Act relating to moneys and tax credits for economic
2 development.

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

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HF 2575

1 Section 1. Section 15.109, subsection 2, Code 2003, is
2 amended to read as follows:

3 2. Apply for, receive, administer, and use federal or
4 other funds available for achieving the purposes of this
5 chapter. For purposes of this subsection, the term "federal
6 funds" includes federal tax credits, grants, or other economic
7 benefits allocated or provided by the United States government
8 to encourage investment in low-income or other specified areas
9 or to otherwise promote economic development. The department
10 may enter into an agreement pursuant to chapter 28E, or any
11 other agreement, with a person, including for-profit and
12 nonprofit legal entities, in order to directly or indirectly
13 apply for, receive, administer, and use federal funds. As
14 part of such agreements and in furtherance of this public
15 purpose and in addition to powers and duties conferred under
16 other provisions of law, the department may, including for or
17 on behalf of for-profit or nonprofit legal entities, appoint,
18 remove, and replace board members and advisors; provide
19 oversight; make its personnel and resources available to
20 perform administrative, management, and compliance functions;
21 coordinate investments; and engage in other acts as reasonable
22 and necessary to encourage investment in low-income or other
23 areas or to promote economic development. The department,
24 including department officials and employees in their official
25 and personal capacities, are immune from liability for all
26 acts or omissions under this subsection.

27 Sec. 2. Section 15E.43, subsection 4, Code Supplement
28 2003, is amended to read as follows:

29 4. The aggregate amount of tax credits issued pursuant to
30 this division shall not exceed a total of ten million dollars.
31 The total amount of tax credits issued during the fiscal year
32 beginning July 1, 2002, shall not exceed three million
33 dollars. The total amount of tax credits issued during the
34 fiscal year beginning July 1, 2003, shall not exceed three
35 million dollars. The total amount of tax credits issued

1 during the fiscal year beginning July 1, 2004, shall not
2 exceed four million dollars. If the total amount of tax
3 credits allowed for a particular fiscal year are not issued,
4 any remaining amount may be issued in succeeding years. Tax
5 credits shall not be issued pursuant to this division after
6 June 30, 2008.

7 Sec. 3. Section 15E.65, subsection 2, paragraph c, Code
8 2003, is amended to read as follows:

9 c. The Iowa fund of funds shall establish and administer a
10 program to provide loan guarantees and other related credit
11 enhancements on loans to rural and small business borrowers
12 within the state of Iowa, including rural small business
13 investment companies formed under the federal Farm Security
14 and Rural Investment Act of 2002, Pub. L. No. 107-171. The
15 Iowa fund of funds shall invest five percent of its assets in
16 investments for this program.

17 EXPLANATION

18 This bill relates to moneys and tax credits for economic
19 development.

20 The bill provides that the department of economic
21 development may enter into an agreement pursuant to Code
22 chapter 28E, or any other agreement, with a person, including
23 for-profit and nonprofit legal entities, in order to directly
24 or indirectly apply for, receive, administer, and use certain
25 federal funds. The bill provides for powers and duties that
26 the department may exercise under such agreements. The bill
27 provides that the department, including department officials
28 and employees in their official and personal capacities, are
29 immune from liability for all acts or omissions under such
30 agreements.

31 The bill provides that the Iowa fund of funds, as part of a
32 program to provide loan guarantees and other related credit
33 enhancements on loans to rural and small business borrowers
34 within the state of Iowa, may provide such financial
35 assistance to rural small business investment companies formed

1 under the federal Farm Security and Rural Investment Act of
2 2002.

3 The bill extends the number of years in which tax credits
4 equal to a portion of an equity investment in a qualifying
5 business or in a community-based seed capital fund may be
6 issued. The tax credits are issued by the Iowa capital
7 investment board. Currently, the aggregate amount of tax
8 credits issued shall not exceed a total of \$10 million. The
9 total amount of tax credits issued during the fiscal year
10 beginning July 1, 2002, shall not exceed \$3 million. The
11 total amount of tax credits issued during the fiscal year
12 beginning July 1, 2003, shall not exceed \$3 million. The
13 total amount of tax credits issued during the fiscal year
14 beginning July 1, 2004, shall not exceed \$4 million. The bill
15 provides that if the total amount of tax credits allowed for a
16 particular fiscal year are not issued, any remaining amount
17 may be issued in succeeding years. The bill provides that tax
18 credits shall not be issued after June 30, 2008.

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 2575 - Venture Capital, New Market Tax Credit Clean Up (LSB 6375 HZ)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version - New

Description

Section 2 of HF 2575 allows unused tax credits available during FY 2003, FY 2004, and FY 2005 under the Community-Based Seed Capital Fund program to be available for award during FY 2005 through FY 2008.

Background

The Community-Based Seed Capital Program (Section 15E.41, Code of Iowa) was authorized a total of \$10.0 million in tax credits, with \$3.0 million available in FY 2003 and in FY 2004, and \$4.0 million available in FY 2005. To date, approximately \$600,000 of the first two year's of credits has been awarded. The authority for FY 2003 credits has expired and the authority for FY 2004 credits will expire June 30, 2004.

Once awarded, tax credits cannot be used for three tax years. Unused tax credits may carry-forward five tax years.

Fiscal Impact

The change contained in Section 2 of HF 2575 has the potential to increase tax credit awards in FY 2005 through FY 2008. Redemption of additional tax credits awarded in those years will reduce General Fund revenue starting FY 2008.

The maximum General Fund reduction, spread over FY 2008 through FY 2016, is approximately \$9.0 million. This maximum represents the total amount of credit authority that has yet to be utilized. Without a substantial increase in demand for the credits or an expansion of the purpose of the Program through separate legislation, the actual impact will likely be considerably less than the maximum.

Senate File 2302 (Community-Based Seed Capital Investment Bill) and SF 443 (Community-Based Seed Capital Criteria Bill) are examples of current legislation designed to expand utilization of the tax credits.

Sources

Department of Revenue
Legislative Services Agency

Dennis C Prouty

April 14, 2004

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 Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

Steve Olson, Chair
Lalk
Granzow
Miller
D. Olson

HSB653
ECONOMIC GROWTH

HOUSE FILE _____

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

Succeeded By

€ O 2425 + 2575

Passed House, Date _____

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Vote: Ayes _____ Nays _____

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