

MAR 13 2003
WAYS AND MEANS

HOUSE FILE 544
BY COMMITTEE ON ECONOMIC GROWTH

(SUCCESSOR TO HSB 137)

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

A BILL FOR

1 An Act relating to endow Iowa seed grants and endow Iowa tax
2 credits and including effective and retroactive applicability
3 dates.

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

HF-544

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1 Section 1. NEW SECTION. 15E.221 SHORT TITLE.

2 This division shall be known as and may be cited as the
3 "Endow Iowa Program Act".

4 Sec. 2. NEW SECTION. 15E.222 PURPOSE.

5 The purpose of this division is to enhance the quality of
6 life for citizens of this state through increased
7 philanthropic activity by providing seed capital to citizen
8 groups of this state organized to establish endowment funds
9 that will address community needs. The purpose of this
10 division is also to encourage individuals, businesses, and
11 organizations to invest in community foundations.

12 Sec. 3. NEW SECTION. 15E.223 DEFINITIONS.

13 As used in this division, unless the context otherwise
14 requires:

15 1. "Board" means the governing board of the lead
16 philanthropic entity identified by the department pursuant to
17 section 15E.224.

18 2. "Business" means a business operating within the state
19 and includes individuals operating a sole proprietorship or
20 having rental, royalty, or farm income in this state and
21 includes a consortium of businesses.

22 3. "Community affiliate organization" means a group of
23 five or more community leaders or advocates organized for the
24 purpose of increasing philanthropic activity in an identified
25 community or geographic area in this state with the intention
26 of establishing a community affiliate endowment fund.

27 4. "Endowment gift" means an irrevocable contribution to a
28 permanent endowment held by a qualified community foundation.

29 5. "Lead philanthropic entity" means the entity identified
30 by the department pursuant to section 15E.224.

31 6. "Qualified community foundation" means a community
32 foundation organized or operating in this state that meets or
33 exceeds the national standards established by the national
34 council on foundations.

35 Sec. 4. NEW SECTION. 15E.224 ENDOW IOWA SEED GRANTS.

1 1. The department shall identify a lead philanthropic
2 entity for purposes of encouraging the development of
3 qualified community foundations in this state. A lead
4 philanthropic entity shall meet all of the following
5 qualifications:

6 a. The entity shall be a nonprofit entity which is exempt
7 from federal income taxation pursuant to section 501(c)(3) of
8 the Internal Revenue Code.

9 b. The entity shall be a statewide organization with
10 membership consisting of organizations, such as community,
11 corporate, and private foundations, whose principal function
12 is the making of grants within this state of Iowa.

13 c. The entity shall have a minimum of forty members and
14 that membership shall include qualified community foundations.

15 2. A lead philanthropic entity may receive a grant from
16 the department. The board shall use the grant moneys to award
17 endow Iowa seed grants to community affiliate organizations
18 that do all of the following:

19 a. Provide the board with all information required by the
20 board.

21 b. Demonstrate a dollar-for-dollar funding match in a form
22 approved by the board.

23 c. Identify a qualified community foundation to hold all
24 funds.

25 d. Provide a plan to the board demonstrating the method
26 for distributing grant moneys received from the board to
27 charities within the community or geographic area as defined
28 by the community affiliate organization.

29 3. Endow Iowa seed grants shall not exceed twenty-five
30 thousand dollars per community affiliate organization unless a
31 community affiliate organization demonstrates a multiple
32 county or regional approach. Endow Iowa seed grants may be
33 awarded on an annual basis with not more than three grants
34 going to one county in a fiscal year.

35 4. In ranking applications for grants, the board shall

1 consider a variety of factors including the following:

2 a. The demonstrated need for financial assistance to
3 create a community affiliate endowment fund.

4 b. The potential for future philanthropic activity in the
5 area represented by or being considered for assistance.

6 c. The proportion of the funding match being provided.

7 d. The demonstrated need for the creation of a community
8 affiliate endowment fund in the applicant's geographic area.

9 e. The identification of community needs and the manner in
10 which additional funding will address those needs.

11 f. The geographic diversity of awards.

12 5. Of any moneys received by a lead philanthropic entity
13 from the state, not more than five percent of such moneys
14 shall be used by the entity for administrative purposes.

15 Sec. 5. NEW SECTION. 15E.225 ENDOW IOWA TAX CREDIT.

16 1. For tax years beginning on or after January 1, 2003, a
17 tax credit shall be allowed against the taxes imposed in
18 chapter 422, divisions II, III, and V, and in chapter 432, and
19 against the moneys and credits tax imposed in section 533.24
20 equal to twenty percent of a taxpayer's endowment gift to a
21 qualified community foundation. An individual may claim a tax
22 credit under this section of a partnership, limited liability
23 company, S corporation, estate, or trust electing to have
24 income taxed directly to the individual. The amount claimed
25 by the individual shall be based upon the pro rata share of
26 the individual's earnings from the partnership, limited
27 liability company, S corporation, estate, or trust. A tax
28 credit shall be allowed only for an endowment gift made to a
29 qualified community foundation for a permanent endowment fund
30 established to benefit a charitable cause in this state. Any
31 tax credit in excess of the taxpayer's tax liability for the
32 tax year may be credited to the tax liability for the
33 following five years or until depleted, whichever occurs
34 first. A tax credit shall not be carried back to a tax prior
35 to the tax year in which the taxpayer claims the tax credit.

1 2. The aggregate amount of tax credits authorized pursuant
2 to this section shall not exceed a total of twenty-five
3 million dollars. The maximum amount of tax credits granted to
4 a taxpayer shall not exceed five percent of the aggregate
5 amount of tax credits authorized.

6 3. A tax credit shall not be transferable to any other
7 taxpayer.

8 4. A tax credit shall not be authorized pursuant to this
9 section after December 31, 2005.

10 5. The department shall develop a system for registration
11 and authorization of tax credits under this section and shall
12 control the distribution of all tax credits to taxpayers
13 providing an endowment gift subject to this section. The
14 department shall adopt administrative rules pursuant to
15 chapter 17A for the qualification and administration of
16 endowment gifts.

17 Sec. 6. NEW SECTION. 15E.226 REPORTS -- AUDITS.

18 By January 31 of each year, the lead philanthropic entity,
19 in cooperation with the department, shall publish an annual
20 report of the activities conducted pursuant to this division
21 during the previous calendar year and shall submit the report
22 to the governor and the general assembly. The annual report
23 shall include a listing of endowment funds and the amount of
24 tax credits authorized by the department.

25 Sec. 7. NEW SECTION. 422.11H ENDOW IOWA TAX CREDIT.

26 The tax imposed under this division, less the credits
27 allowed under sections 422.12 and 422.12B, shall be reduced by
28 an endow Iowa tax credit authorized pursuant to section
29 15E.225.

30 Sec. 8. Section 422.33, Code 2003, is amended by adding
31 the following new subsection:

32 NEW SUBSECTION. 14. The taxes imposed under this division
33 shall be reduced by an endow Iowa tax credit authorized
34 pursuant to section 15E.225.

35 Sec. 9. Section 422.60, Code 2003, is amended by adding

1 the following new subsection:

2 NEW SUBSECTION. 7. The taxes imposed under this division
3 shall be reduced by an endow Iowa tax credit authorized
4 pursuant to section 15E.225.

5 Sec. 10. Section 533.24, Code 2003, is amended by adding
6 the following new unnumbered paragraph:

7 NEW UNNUMBERED PARAGRAPH. The moneys and credits tax
8 imposed under this section shall be reduced by an endow Iowa
9 tax credit authorized pursuant to section 15E.225.

10 Sec. 11. APPLICABILITY DATES. This Act, being deemed of
11 immediate importance, takes effect upon enactment and is
12 retroactively applicable to January 1, 2003, for tax years
13 beginning on or after that date.

14 EXPLANATION

15 This bill relates to endow Iowa seed grants made by a lead
16 philanthropic entity identified by the department of economic
17 development and corresponding tax credits.

18 The bill requires the department to identify a lead
19 philanthropic entity for purposes of encouraging the
20 development of qualified community foundations in the state.
21 The bill provides that a lead philanthropic entity shall be a
22 nonprofit entity which is exempt from federal income taxation
23 pursuant to section 501(c)(3) of the Internal Revenue Code; be
24 a statewide organization with membership consisting of
25 organizations, such as community, corporate, and private
26 foundations, whose principal function is the making of grants
27 within the state; and have a minimum of 40 members with that
28 membership including Iowa community foundations meeting the
29 standards established by the national council on foundations.

30 The bill provides that a lead philanthropic entity may
31 receive a grant from the department which shall be used to
32 award endow Iowa seed grants to community affiliate
33 organizations meeting certain criteria. The bill defines
34 "community affiliate organizations" as a group of five or more
35 community leaders or advocates organized for the purpose of

1 increasing philanthropic activity in an identified community
2 or geographic area in this state with the intention of
3 establishing a community affiliate endowment fund. The bill
4 provides that endow Iowa seed grants shall not exceed \$25,000
5 per community affiliate organization unless a community
6 affiliate organization demonstrates a multiple county or
7 regional approach. The bill provides that endow Iowa seed
8 grants may be awarded on an annual basis with not more than
9 three grants going to one county in a fiscal year. The bill
10 limits a lead philanthropic entity to using not more than 5
11 percent of moneys received from the state for administrative
12 purposes.

13 The bill provides that for tax years beginning on or after
14 January 1, 2003, a tax credit shall be allowed against
15 individual and corporate income taxes, the franchise tax for
16 financial institutions, the insurance premium tax, and the
17 moneys and credits tax for credit unions equal to 20 percent
18 of a taxpayer's endowment gift to a qualified community
19 foundation. The bill provides that a tax credit shall be
20 allowed only for an endowment gift made to a qualified
21 community foundation for a permanent endowment fund
22 established to benefit a charitable cause in the state. The
23 bill provides that any tax credit in excess of the taxpayer's
24 tax liability for the tax year may be credited to the tax
25 liability for the following five years or until depleted,
26 whichever occurs first, and a tax credit cannot be carried
27 back to a tax prior to the tax year in which the taxpayer
28 claims the tax credit. The bill provides that the aggregate
29 amount of tax credits authorized shall not exceed a total of
30 \$25 million. The bill limits the amount of tax credits
31 granted to a taxpayer to five percent of the aggregate amount
32 of tax credits authorized. The bill provides that the tax
33 credit shall not be transferable to any other taxpayer. The
34 bill provides that a tax credit shall not be authorized after
35 December 31, 2005. The bill requires the department to

1 develop a system for registration and authorization of tax
2 credits and to control distribution of all tax credits to
3 taxpayers providing an endowment gift.

4 The bill provides that, by January 31 of each year, the
5 lead philanthropic entity, in cooperation with the department,
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Succ^{ed} by
SF 544

HSB 137

ECONOMIC GROWTH

HOUSE FILE _____

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

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Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
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