

House Study Bill 666

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 _____

A BILL FOR

1 An Act relating to educational institutions under the university=
2 based research utilization program.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 6416HC 80
5 tm/gg/14

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1 1 Section 1. Section 262B.11, subsection 1, 2, 3, and 4,
1 2 Code Supplement 2003, are amended to read as follows:
1 3 1. The department of economic development shall establish
1 4 and administer a university-based research utilization program
1 5 for purposes of encouraging the utilization of university=
1 6 based research, primarily in the area of high technology, in
1 7 new or existing businesses. The program shall include the
1 8 three universities under the control of the state board of
1 9 regents, community colleges established under chapter 260C,
1 10 and all accredited private universities located in the state.
1 11 For purposes of this section, "educational institution" means
1 12 a university under the control of the state board of regents,
1 13 a community college established under chapter 260C, or an
1 14 accredited private university located in the state.
1 15 2. A new or existing business that utilizes a technology
1 16 developed by an employee at ~~a university under the control of~~
1 17 ~~the state board of regents~~ an educational institution may
1 18 apply to the department of economic development for approval
1 19 to participate in the university-based research utilization
1 20 program. The department shall approve an applicant if the
1 21 applicant meets all of the following criteria:
1 22 a. The applicant utilizes a technology developed by an
1 23 employee at ~~a university under the control of the state board~~
1 24 ~~of regents~~ an educational institution, provided that the
1 25 technology has received a patent after July 1, 2003. If the
1 26 applicant has been in existence more than one year prior to
1 27 applying, the applicant shall organize a separate company to
1 28 utilize the technology. For purposes of this section, the
1 29 separate company shall be considered the applicant and, if
1 30 approved, the approved business.
1 31 b. The applicant develops a five-year business plan
1 32 approved by the department. The plan shall include
1 33 information concerning the applicant's Iowa employment goals
1 34 and projected impact on the Iowa economy. The department
1 35 shall only approve plans showing sufficient potential impact
2 1 on Iowa employment and economic development.
2 2 c. The applicant meets a minimum-size business standard
2 3 determined by the department.
2 4 d. The applicant provides annual reports to the department
2 5 that include employment statistics for the applicant and the
2 6 total taxable wages paid to Iowa employees and reported to the
2 7 department of revenue pursuant to section 422.16.
2 8 3. A business approved under the program and the
2 9 ~~university~~ employee of an educational institution responsible
2 10 for the development of the technology utilized by the approved
2 11 business shall be eligible for a tax credit. The credit shall
2 12 be allowed against the taxes imposed in chapter 422, divisions
2 13 II and III. An individual may claim a tax credit under this
2 14 section of a partnership, limited liability company, S
2 15 corporation, estate, or trust electing to have income taxed
2 16 directly to the individual. The amount claimed by the
2 17 individual shall be based upon the pro rata share of the
2 18 individual's earnings from the partnership, limited liability
2 19 company, S corporation, estate, or trust. A tax credit shall
2 20 not be claimed under this subsection unless a tax credit
2 21 certificate issued by the department of economic development
2 22 is attached to the taxpayer's tax return for the tax year for

2 23 which the tax credit is claimed. The amount of a tax credit
2 24 allowed under this subsection shall equal the amount listed on
2 25 a tax credit certificate issued by the department of economic
2 26 development pursuant to subsection 4. A tax credit
2 27 certificate shall not be transferable. Any tax credit in
2 28 excess of the taxpayer's liability for the tax year may be
2 29 credited to the taxpayer's tax liability for the following
2 30 five years or until depleted, whichever occurs first. A tax
2 31 credit shall not be carried back to a tax year prior to the
2 32 tax year in which the taxpayer redeems the tax credit.

2 33 4. For the five tax years following the tax year in which
2 34 a business is approved under the program, the department of
2 35 revenue shall provide the department of economic development
3 1 with information required by the department of economic
3 2 development from each tax return filed by the approved
3 3 business. Upon receiving the tax return-related information,
3 4 the department of economic development shall do all of the
3 5 following:

3 6 a. Review the information provided by the department of
3 7 revenue pursuant to this subsection and the annual report
3 8 submitted by the applicant pursuant to subsection 2, paragraph
3 9 "d". If the department determines that the business
3 10 activities of the applicant are not providing the benefits to
3 11 Iowa employment and economic development projected in the
3 12 applicant's approved five-year business plan, the department
3 13 shall not issue tax credit certificates for that year to the
3 14 applicant or ~~university~~ employee of an educational institution
3 15 and shall determine any related university share to be equal
3 16 to zero for that year.

3 17 b. Effective for the fiscal year beginning July 1, 2004,
3 18 and for subsequent fiscal years, issue a tax credit
3 19 certificate to the approved business and the ~~university~~
3 20 employee of an educational institution responsible for the
3 21 development of the technology utilized by the approved
3 22 business in an amount determined pursuant to subsection 5. A
3 23 tax credit certificate shall contain the taxpayer's name,
3 24 address, tax identification number, the amount of the tax
3 25 credit, and other information required by the department of
3 26 revenue.

3 27 c. (1) ~~Determine~~ If the educational institution at issue
3 28 is a university under the control of the state board of
3 29 regents, determine the university share which is equal to the
3 30 value of thirty percent of the tax liability of the approved
3 31 business for purposes of making an appropriation pursuant to
3 32 section 262B.12, to the university where the technology
3 33 utilized by the approved business was developed. A university
3 34 share shall not exceed two hundred twenty-five thousand
3 35 dollars per year per technology utilized. For each technology
4 1 utilized, the aggregate university share over a five-year
4 2 period shall not exceed six hundred thousand dollars.

4 3 (2) The department shall maintain records for each
4 4 university during each fiscal year regarding the university
4 5 share each university is entitled to receive through the
4 6 appropriation in section 262B.12. A university shall be
4 7 entitled to receive the total university share for that
4 8 particular university during the previous fiscal year.

4 9 d. For the fiscal year beginning July 1, 2004, not more
4 10 than two million dollars worth of certificates shall be issued
4 11 pursuant to paragraph "b". For the fiscal year beginning July
4 12 1, 2005, and every fiscal year thereafter, not more than ten
4 13 million dollars worth of certificates shall be issued pursuant
4 14 to paragraph "b".

4 15 Sec. 2. Section 262B.11, subsection 5, paragraph b, Code
4 16 Supplement 2003, is amended to read as follows:

4 17 b. For the ~~university~~ employee of an educational
4 18 institution responsible for the development of the technology
4 19 utilized by the approved business, the value of the tax credit
4 20 certificate shall equal ten percent of the tax liability of
4 21 the approved business. If more than one employee is
4 22 responsible for the development of the technology, the value
4 23 equal to ten percent of the tax liability of the approved
4 24 business shall be divided equally and individual tax credit
4 25 certificates shall be issued to each employee responsible for
4 26 the development of the technology. Each year, the total value
4 27 of a certificate or certificates issued for a utilized
4 28 technology shall not exceed seventy-five thousand dollars.
4 29 For each technology utilized, the total aggregate value of
4 30 certificates issued over a five-year period to the ~~university~~
4 31 employee of an educational institution responsible for the
4 32 development of the technology shall not exceed two hundred
4 33 thousand dollars.

EXPLANATION

4 34

4 35 This bill relates to educational institutions under the
5 1 university-based research utilization program.

5 2 The bill defines "educational institution" to mean a
5 3 university under the control of the state board of regents, a
5 4 community college, or an accredited private university located
5 5 in the state. The bill provides that a new or existing
5 6 business that utilizes a technology developed by an employee
5 7 at an educational institution may apply to the department of
5 8 economic development for approval to participate in the
5 9 program. The bill provides that a business approved under the
5 10 program and the employee of an educational institution
5 11 responsible for the development of the technology utilized by
5 12 the approved business shall be eligible for a tax credit under
5 13 the program. Currently, only technologies developed by an
5 14 employee at a university under the control of the state board
5 15 of regents trigger eligibility under the program.

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