

House Study Bill 83

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 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:
4 TLSB 1937HC 80
5 tm/sh/80

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1 1 Section 1. Section 262B.2, Code 2003, is amended by
1 2 striking the section and inserting in lieu thereof the
1 3 following:
1 4 262B.2 LEGISLATIVE INTENT.
1 5 It is the intent of the general assembly that the
1 6 universities under the control of the state board of regents
1 7 have as a part of their mission the use of their universities'
1 8 expertise to facilitate economic development within the state.
1 9 This facilitation may be accomplished through a wide variety
1 10 of partnership and cooperative endeavors, primarily in the
1 11 area of high technology, and may result in investments by the
1 12 private sector for commercialization of the technology. It is
1 13 envisioned that the investments and job creation will be in
1 14 Iowa, but need not be in the proximity of the universities.
1 15 It is also the intent of the general assembly that real or
1 16 virtual research parks will be established and maintained by
1 17 the universities in close enough proximity that cooperation
1 18 between the academic, research, and commercialization phases
1 19 will be encouraged. It is the intent of the general assembly
1 20 that satellites of the research parks will encourage economic
1 21 development in other areas of the state.
1 22 Sec. 2. NEW SECTION. 262B.6 UNIVERSITY=BASED RESEARCH
1 23 UTILIZATION PROGRAM.
1 24 1. The department of economic development shall establish
1 25 and administer a university-based research utilization program
1 26 for purposes of encouraging the utilization of university=
1 27 based research, primarily in the area of high technology, in
1 28 new or existing businesses.
1 29 2. A new or existing business that utilizes a technology
1 30 developed by an employee at a university under the control of
1 31 the state board of regents may apply to the department of
1 32 economic development for approval to participate in the
1 33 university-based research utilization program. The department
1 34 shall approve an applicant if the applicant meets all of the
1 35 following criteria:
2 1 a. The applicant utilizes a technology developed by an
2 2 employee at a university under the control of the state board
2 3 of regents.
2 4 b. The applicant develops a five-year business plan
2 5 approved by the department.
2 6 c. The applicant meets a minimum-size business standard
2 7 determined by the department.
2 8 3. A business approved under the program and the
2 9 university employee responsible for the development of the
2 10 technology utilized by the approved business shall be eligible
2 11 for a tax credit. The credit shall be allowed against the
2 12 taxes imposed in chapter 422, divisions II and III. An
2 13 individual may claim a tax credit under this section of a
2 14 partnership, limited liability company, S corporation, estate,
2 15 or trust electing to have income taxed directly to the
2 16 individual. The amount claimed by the individual shall be
2 17 based upon the pro rata share of the individual's earnings
2 18 from the partnership, limited liability company, S
2 19 corporation, estate, or trust. A tax credit shall not be
2 20 claimed under this subsection unless a tax credit certificate
2 21 issued by the department of economic development is attached
2 22 to the taxpayer's tax return for the tax year for which the

2 23 tax credit is claimed. The amount of a tax credit allowed
2 24 under this subsection shall equal the amount listed on a tax
2 25 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 the business is approved under the program, the business shall
2 35 file a copy of the tax return for the business with the
3 1 department of economic development. Upon receiving a copy of
3 2 a tax return from an approved business, the department shall
3 3 do all of the following:

3 4 a. Issue a tax credit certificate to the approved business
3 5 and the university employee responsible for the development of
3 6 the technology utilized by the approved business in an amount
3 7 determined pursuant to subsection 5. A tax credit certificate
3 8 shall contain the taxpayer's name, address, tax identification
3 9 number, the amount of the tax credit, and other information
3 10 required by the department of revenue and finance.

3 11 b. (1) Determine the university share which is equal to
3 12 the value of thirty percent of the tax liability of the
3 13 approved business for purposes of making an appropriation
3 14 pursuant to subsection 7 to the university where the
3 15 technology utilized by the approved business was developed.

3 16 (2) The department shall maintain records for each
3 17 university during each fiscal year regarding the university
3 18 share each university is entitled to receive through the
3 19 appropriation in subsection 7. A university shall be entitled
3 20 to receive the total university share for that particular
3 21 university during the previous fiscal year.

3 22 5. The tax credit certificates issued by the department
3 23 shall be for the following amounts:

3 24 a. For the approved business, the value of the tax credit
3 25 certificate shall equal thirty percent of the tax liability of
3 26 the approved business.

3 27 b. For the university employee responsible for the
3 28 development of the technology utilized by the approved
3 29 business, the value of the tax credit certificate shall equal
3 30 ten percent of the tax liability of the approved business. If
3 31 more than one employee is responsible for the development of
3 32 the technology, the value equal to ten percent of the tax
3 33 liability of the approved business shall be divided equally
3 34 and individual tax credit certificates shall be issued to each
3 35 employee responsible for the development of the technology.

4 1 6. The department of economic development shall notify the
4 2 department of revenue and finance when a tax credit
4 3 certificate is issued pursuant to subsection 4. The
4 4 notification shall include the name and tax identification
4 5 number appearing on any tax credit certificate.

4 6 7. On July 1 of each year, there is appropriated from the
4 7 general fund of the state to each university under the control
4 8 of the state board of regents, an amount equal to the amount
4 9 determined by the department of economic development pursuant
4 10 to subsection 4, paragraph "b", subparagraph (2).

4 11 Sec. 3. NEW SECTION. 422.11H UNIVERSITY=BASED RESEARCH
4 12 UTILIZATION PROGRAM TAX CREDIT.

4 13 The taxes imposed under this division, less the credits
4 14 allowed under sections 422.12 and 422.12B, shall be reduced by
4 15 a university-based research utilization program tax credit
4 16 authorized pursuant to section 262B.6.

4 17 Sec. 4. Section 422.33, Code 2003, is amended by adding
4 18 the following new subsection:

4 19 NEW SUBSECTION. 14. The taxes imposed under this division
4 20 shall be reduced by a university-based research utilization
4 21 program tax credit authorized pursuant to section 262B.6.

4 22 EXPLANATION

4 23 This bill creates a university-based research utilization
4 24 program administered by the department of economic
4 25 development.

4 26 The bill rewrites the legislative intent of Code chapter
4 27 262B which relates to university-based research and economic
4 28 development. The rewrite incorporates the new university=
4 29 based research utilization program into the legislative intent
4 30 of the Code chapter.

4 31 The bill establishes a university-based research
4 32 utilization program for purposes of encouraging the
4 33 utilization of university-based research, primarily in the

4 34 area of high technology, in new or existing businesses. The
4 35 bill provides that a new or existing business that utilizes a
5 1 technology developed by an employee at a university under the
5 2 control of the state board of regents may apply to the
5 3 department of economic development for approval to participate
5 4 in the program. The bill provides that the department shall
5 5 approve an applicant if the applicant meets all of the
5 6 following criteria:

5 7 1. The applicant utilizes a technology developed by an
5 8 employee at a university under the control of the state board
5 9 of regents.

5 10 2. The applicant develops a five-year business plan
5 11 approved by the department.

5 12 3. The applicant meets a minimum-size business standard
5 13 determined by the department.

5 14 The bill provides that a business approved under the
5 15 program and the university employee responsible for the
5 16 development of the technology utilized by the approved
5 17 business shall be eligible for a tax credit. The credit shall
5 18 be allowed against personal and corporate income taxes. The
5 19 bill provides that a tax credit shall not be claimed unless a
5 20 tax credit certificate issued by the department of economic
5 21 development is attached to the taxpayer's tax return for the
5 22 tax year for which the tax credit is claimed. The bill
5 23 provides that a tax credit certificate shall not be
5 24 transferable. The bill provides that a tax credit may be
5 25 carried forward, but shall not be carried back to tax years
5 26 prior to the tax year in which the taxpayer redeems the tax
5 27 credit.

5 28 The bill provides that, for the five tax years following
5 29 the tax year in which the business is approved under the
5 30 program, the business shall file a copy of the tax return for
5 31 the business with the department of economic development. The
5 32 bill provides that, upon receiving a copy of a tax return from
5 33 an approved business, the department shall issue a tax credit
5 34 certificate to the approved business and the university
5 35 employee responsible for the development of the technology
6 1 utilized by the approved business. The bill provides that the
6 2 value of the certificate for an approved business shall equal
6 3 30 percent of the tax liability of the approved business. The
6 4 bill provides that the value of the certificate for the
6 5 university employee responsible for the development of the
6 6 technology utilized by the approved business shall equal 10
6 7 percent of the tax liability of the approved business. The
6 8 bill requires the department of economic development to notify
6 9 the department of revenue and finance when a tax credit
6 10 certificate is issued.

6 11 For purposes of making an appropriation to the university
6 12 where the technology utilized by the approved business was
6 13 developed, the bill also requires the department to determine
6 14 the university share which is equal to the value of 30 percent
6 15 of the tax liability of the approved business. The bill
6 16 requires the department to maintain records for each
6 17 university during each fiscal year regarding the university
6 18 share each university is entitled to receive through an
6 19 appropriation. The bill provides that a university shall be
6 20 entitled to receive the total university share for that
6 21 particular university during the previous fiscal year. On
6 22 July 1 of each year, the bill appropriates from the general
6 23 fund of the state to each university under the control of the
6 24 state board of regents an amount equal to the total university
6 25 share for the previous fiscal year for the particular
6 26 university.

6 27 LSB 1937HC 80
6 28 tm/sh/8