

Withdrawn 4/24/03
HF 681 substituted

FILED MAR 20 '03

SENATE FILE 426
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 268)
(SUCCESSOR TO SSB 1066)

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

A BILL FOR

1 An Act relating to tax credits and associated refunds for
2 cooperatives engaged in the production of value-added
3 agricultural products, and providing for its applicability.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 426

1 Section 1. Section 15.333, subsection 1, unnumbered
2 paragraph 1, Code 2003, is amended to read as follows:

3 An eligible business may claim a corporate tax credit up to
4 a maximum of ten percent of the new investment which is
5 directly related to new jobs created by the location or
6 expansion of an eligible business under the program. Any
7 credit in excess of the tax liability for the tax year may be
8 credited to the tax liability for the following seven years or
9 until depleted, whichever occurs earlier. Subject to prior
10 approval by the department of economic development in
11 consultation with the department of revenue and finance, an
12 eligible business whose project primarily involves the
13 production of value-added agricultural products may elect to
14 receive a refund of all or a portion of an unused tax credit.
15 For purposes of this section, an eligible business includes a
16 cooperative described in section 521 of the Internal Revenue
17 Code which is not required to file an Iowa corporate income
18 tax return, ~~and whose project primarily involves the~~
19 ~~production of ethanol~~. The refund may be used against a tax
20 liability imposed under chapter 422, division II, III, or V.
21 If the business is a partnership, S corporation, limited
22 liability company, cooperative organized under chapter 501 and
23 filing as a partnership for federal tax purposes, or estate or
24 trust electing to have the income taxed directly to the
25 individual, an individual may claim the tax credit allowed.
26 The amount claimed by the individual shall be based upon the
27 pro rata share of the individual's earnings of the
28 partnership, S corporation, limited liability company,
29 cooperative organized under chapter 501 and filing as a
30 partnership for federal tax purposes, or estate or trust.

31 Sec. 2. Section 15.333, subsection 2, Code 2003, is
32 amended to read as follows:

33 2. An eligible business whose project primarily involves
34 the production of value-added agricultural products, that
35 elects to receive a refund of all or a portion of an unused

1 tax credit, shall apply to the department of economic
2 development for tax credit certificates. An eligible business
3 whose project primarily involves the production of value-added
4 agricultural products shall not claim a tax credit under this
5 section unless a tax credit certificate issued by the
6 department of economic development is attached to the
7 taxpayer's tax return for the tax year for which the tax
8 credit is claimed. For purposes of this section, an eligible
9 business includes a cooperative described in section 521 of
10 the Internal Revenue Code which is not required to file an
11 Iowa corporate income tax return, ~~and whose project primarily~~
12 ~~involves the production of ethanol.~~ For purposes of this
13 section, an eligible business also includes a cooperative
14 described in section 521 of the Internal Revenue Code which is
15 required to file an Iowa corporate income tax return ~~and whose~~
16 ~~project primarily involves the production of ethanol.~~ The
17 department shall not issue tax credit certificates to eligible
18 businesses until the department has received all applications
19 for the issuance of the tax credit certificates for a
20 succeeding fiscal year on a date established by departmental
21 rule. The department shall not approve an application from a
22 cooperative whose project does not primarily involve the
23 production of ethanol if all of the following apply:
24 a. The department receives an application from a
25 cooperative whose project involves the production of ethanol
26 which receives a tax credit certificate.
27 b. The department issues tax credit certificates totaling
28 more than four million dollars to all eligible businesses,
29 other than cooperatives whose projects do not primarily
30 involve the production of ethanol, for that fiscal year.
31 Such cooperative may elect to transfer all or a portion of
32 its tax credit to its members. The amount of tax credit
33 transferred and claimed by a member shall be based upon the
34 pro rata share of the member's earnings of the cooperative.
35 A tax credit certificate shall not be valid until the tax

1 year following the date of the project completion. A tax
2 credit certificate shall contain the taxpayer's name, address,
3 tax identification number, the date of project completion, the
4 amount of the tax credit, and other information required by
5 the department of revenue and finance. The department of
6 economic development shall not issue tax credit certificates
7 which total more than four million dollars during a fiscal
8 year. If the department receives applications for tax credit
9 certificates in excess of four million dollars, the applicants
10 shall receive certificates for a prorated amount. The tax
11 credit certificates shall not be transferred except as
12 provided in this subsection for a cooperative described in
13 section 521 of the Internal Revenue Code which is required to
14 file an Iowa corporate income tax return ~~and-whose-project~~
15 ~~primarily-involves-the-production-of-ethanol~~. For a
16 cooperative described in section 521 of the Internal Revenue
17 Code, the department of economic development shall require
18 that the cooperative submit a list of its members and the
19 share of each member's interest in the cooperative. The
20 department shall issue a tax credit certificate to each member
21 contained on the submitted list.

22 Sec. 3. APPLICABILITY DATE. This Act applies to tax years
23 beginning on or after July 1, 2003.

24 EXPLANATION

25 This bill eliminates a requirement that a cooperative must
26 be engaged in ethanol production to be eligible to claim a
27 special tax credit or refund available to an eligible business
28 involved in the production of value-added agricultural
29 products. A tax credit is available after the department of
30 economic development issues a certificate after approving an
31 application as an eligible business.

32 The bill provides that a preference is given to
33 applications submitted by cooperatives whose projects involve
34 the production of ethanol over applications by cooperatives
35 whose projects do not involve the production of ethanol.

1 The bill amends provisions in Code section 15.333, which
2 provides that an eligible business may claim a tax credit of
3 up to 10 percent of a new investment that involves the
4 creation of new jobs. The Code section provides that an
5 eligible business involved in the production of value-added
6 agricultural products may elect to receive a refund of all or
7 a portion of the unused tax credit. The business must receive
8 a certificate issued by the department of economic development
9 in order to receive the tax credit or refund. The provision
10 allowing a cooperative to claim a tax credit or refund was
11 enacted during the 2001 Session in House File 716 (2001 Acts,
12 chapter 123).

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SENATE FILE 426

S-3287

1 Amend Senate File 426 as follows:

2 1. By striking everything after the enacting
3 clause and inserting the following:

4 "Section 1. Section 15.333, subsection 1,
5 unnumbered paragraph 1, Code 2003, is amended to read
6 as follows:

7 An eligible business may claim a corporate tax
8 credit up to a maximum of ten percent of the new
9 investment which is directly related to new jobs
10 created by the location or expansion of an eligible
11 business under the program. Any credit in excess of
12 the tax liability for the tax year may be credited to
13 the tax liability for the following seven years or
14 until depleted, whichever occurs earlier. Subject to
15 prior approval by the department of economic
16 development in consultation with the department of
17 revenue and finance, an eligible business whose
18 project primarily involves the production of value-
19 added agricultural products may elect to receive a
20 refund of all or a portion of an unused tax credit.
21 For purposes of this section, an eligible business
22 includes a cooperative described in section 521 of the
23 Internal Revenue Code which is not required to file an
24 Iowa corporate income tax return, ~~and whose project~~
25 ~~primarily involves the production of ethanol.~~ The
26 refund may be used against a tax liability imposed
27 under chapter 422, division II, III, or V. If the
28 business is a partnership, S corporation, limited
29 liability company, cooperative organized under chapter
30 501 and filing as a partnership for federal tax
31 purposes, or estate or trust electing to have the
32 income taxed directly to the individual, an individual
33 may claim the tax credit allowed. The amount claimed
34 by the individual shall be based upon the pro rata
35 share of the individual's earnings of the partnership,
36 S corporation, limited liability company, cooperative
37 organized under chapter 501 and filing as a
38 partnership for federal tax purposes, or estate or
39 trust.

40 Sec. 2. Section 15.333, subsection 2, Code 2003,
41 is amended to read as follows:

42 2. An eligible business whose project primarily
43 involves the production of value-added agricultural
44 products, that elects to receive a refund of all or a
45 portion of an unused tax credit, shall apply to the
46 department of economic development for tax credit
47 certificates. An eligible business whose project
48 primarily involves the production of value-added
49 agricultural products shall not claim a tax credit
50 under this section unless a tax credit certificate

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1 issued by the department of economic development is
2 attached to the taxpayer's tax return for the tax year
3 for which the tax credit is claimed. For purposes of
4 this section, an eligible business includes a
5 cooperative described in section 521 of the Internal
6 Revenue Code which is not required to file an Iowa
7 corporate income tax return, ~~and whose project~~
8 ~~primarily involves the production of ethanol.~~ For
9 purposes of this section, an eligible business also
10 includes a cooperative described in section 521 of the
11 Internal Revenue Code which is required to file an
12 Iowa corporate income tax return ~~and whose project~~
13 ~~primarily involves the production of ethanol.~~ Such
14 cooperative may elect to transfer all or a portion of
15 its tax credit to its members. The amount of tax
16 credit transferred and claimed by a member shall be
17 based upon the pro rata share of the member's earnings
18 of the cooperative.

19 A tax credit certificate shall not be valid until
20 the tax year following the date of the project
21 completion. A tax credit certificate shall contain
22 the taxpayer's name, address, tax identification
23 number, the date of project completion, the amount of
24 the tax credit, and other information required by the
25 department of revenue and finance. The department of
26 economic development shall not issue tax credit
27 certificates which total more than four million
28 dollars during a fiscal year. If the department
29 receives applications for tax credit certificates in
30 excess of four million dollars, the applicants shall
31 receive certificates for a prorated amount. The tax
32 credit certificates shall not be transferred except as
33 provided in this subsection for a cooperative
34 described in section 521 of the Internal Revenue Code
35 which is required to file an Iowa corporate income tax
36 return ~~and whose project primarily involves the~~
37 ~~production of ethanol.~~ For a cooperative described in
38 section 521 of the Internal Revenue Code, the
39 department of economic development shall require that
40 the cooperative submit a list of its members and the
41 share of each member's interest in the cooperative.
42 The department shall issue a tax credit certificate to
43 each member contained on the submitted list.

44 Sec. 3. APPLICABILITY DATE. This Act applies to
45 tax years beginning on or after July 1, 2003."

By DR. JOE SENG

Gaskin
Houser
Kibbie

Succeeded By SSB 1066
SF/HF 426
SENATE FILE Agriculture
BY (PROPOSED COMMITTEE ON
AGRICULTURE BILL BY
CHAIRPERSON BEHN)

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