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SENATE FILE 450
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1198)

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

A BILL FOR

1 An Act relating to charitable contributions and historical
2 rehabilitation by establishing a community development program
3 to provide tax credits for businesses contributing to
4 community development projects to aid certain neighborhoods
5 and communities; by establishing an endow Iowa seed grants
6 program to aid local philanthropic entities and providing tax
7 credits; by allowing the transfer of certain historical
8 rehabilitation and housing tax credits; and by establishing an
9 individual income tax credit for contributions to certain
10 qualified endowments; and including effective and retroactive
11 applicability date provisions.

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

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SF 450

1 Section 1. NEW SECTION. 15.380 SHORT TITLE.

2 This part shall be known as and may be cited as the
3 "Community Development Program Act".

4 Sec. 2. NEW SECTION. 15.381 DEFINITIONS.

5 As used in this part, unless the context otherwise
6 requires:

7 1. "Business" means all businesses operating within the
8 state and includes individuals operating a sole proprietorship
9 or having rental, royalty, or farm income in this state and
10 includes a consortium of businesses.

11 2. "Community services" means, but is not limited to,
12 individual, group, and family counseling; parent and early
13 childhood education; mental health services; primary care and
14 community medical health centers; child and adult care
15 services; senior citizen service centers; recreation programs;
16 nutrition programs; emergency shelters for persons suffering
17 from physical abuse or rape; services for the handicapped;
18 sheltered workshops; vocational counseling; substance abuse
19 counseling; and referral services.

20 3. "Contribution" includes cash, material or supplies,
21 real estate, labor, professional services, technical
22 assistance, or equipment. "Contribution" does not include
23 investments made by a financial institution or insurance
24 company in the normal course of its business.

25 4. "Crime prevention" means activities which include but
26 are not limited to services to ex-offenders, local civilian
27 organizations that help prevent crime or provide aid to
28 victims of crime, mediation services aimed at resolving
29 disputes and conflicts before they become criminal incidents,
30 or services to juveniles who have had contact with the court
31 or police.

32 5. "Distressed or blighted area" means an area designated
33 or that qualifies under section 15E.194 to be designated an
34 enterprise zone pursuant to chapter 15E, division XVIII,
35 designated as a slum or blighted area pursuant to chapter 403,

1 or designated as a revitalization area pursuant to chapter
2 404.

3 6. "Economic development" means the acquisition,
4 renovation, improvement, or the furnishing or equipping of
5 existing buildings and real estate in distressed or blighted
6 areas of the state when this acquisition, renovation,
7 improvement, or the furnishing or equipping of the existing
8 buildings and real estate will result in the creation or
9 retention of jobs within the state.

10 7. "Education" includes literacy programs, adult basic
11 education and general educational development certificate
12 programs, training for the physically or mentally challenged,
13 and other educational programs deemed beneficial to the
14 participants.

15 8. "Job training" means those activities which provide
16 specific vocational skills including special apprenticeship or
17 on-the-job training programs not otherwise available.

18 9. "Neighborhood or community area" means a specific
19 geographic area certified by the department as having a
20 readily identifiable residential population and which may
21 include, but is not limited to, any of the following factors:
22 a. A sense of belonging or identity that ties residents to
23 a given area.

24 b. Social, cultural, political, or economic activities
25 around which people organize themselves.

26 c. The existence of cohesive organizations formed by
27 residents.

28 d. A city with a population of less than ten thousand or a
29 region within a rural area may be certified as a neighborhood
30 or community area.

31 e. A history of acting or being treated as a distinct or
32 cohesive unit.

33 f. The area is designated as a community empowerment area
34 in accordance with chapter 28.

35 10. "Physical revitalization" means activities designed

1 for the physical improvement of any part or all of a
2 neighborhood or community area. These activities may include,
3 but are not limited to, such programs as commercial area
4 revitalization; housing construction or rehabilitation;
5 improvements to or acquisition or construction of facilities
6 used by nonprofit organizations for community purposes or
7 related planning and promotional activities designed to aid in
8 those programs.

9 11. a. "Qualifying organization" means an organization
10 performing community services or economic development
11 activities in the state and is any of the following:

12 (1) A person or organization that is exempt from federal
13 income taxation under the Internal Revenue Code as defined in
14 section 422.3.

15 (2) A nonprofit corporation organized under the laws of
16 this state.

17 (3) Designated as a community development corporation by
18 the federal government pursuant to Title VII of the Economic
19 Opportunity Act of 1964, Pub. L. No. 88-452.

20 (4) A community empowerment area board created in
21 accordance with chapter 28.

22 b. "Qualifying organization" does not include any of the
23 following:

24 (1) A unit or agency of the state, local government, or
25 educational institution. This subparagraph shall not be
26 interpreted to prevent a community empowerment area board from
27 being considered a qualifying organization.

28 (2) A foundation or trust of a postsecondary educational
29 institution.

30 (3) A church-affiliated religious organization unless all
31 of the contributions to the organization are used for
32 performing community services.

33 Sec. 3. NEW SECTION. 15.382 COMMUNITY DEVELOPMENT TAX
34 CREDIT -- APPROVAL OF PROJECTS AND PROPOSALS.

35 1. TAX CREDIT. A business which engages in the activities

1 of providing physical revitalization, economic development,
2 job training or education for individuals, community services,
3 or crime prevention in the state shall receive a community
4 development tax credit as provided in section 15.383 if the
5 director annually approves the proposal of the business.
6 However, a proposal for a community development tax credit
7 shall not be approved unless the local government for the area
8 in which the business is engaging in such activities endorses
9 the proposal as consistent with the strategic plan adopted by
10 an organization representative of the area or if such plan
11 does not exist, as consistent with the overall neighborhood or
12 community development plan adopted by that local government.

13 2. ECONOMIC DEVELOPMENT PROJECTS. For economic
14 development projects in distressed or blighted areas for which
15 community development tax credits under this part may be
16 approved, the following guidelines apply:

17 a. Applications shall be accepted from any locally based
18 qualifying organization wishing to conduct an economic
19 development project in a distressed or blighted area.

20 b. Applicants may not administer more than one economic
21 development project at a time. A project may include more
22 than one building, provided that the proposal meets all other
23 eligibility requirements as set forth in this subsection and
24 rules of the department.

25 c. Applications will be accepted by the department at any
26 time of the year and will be approved on a case-by-case basis
27 as all the necessary requirements are met and as credits
28 become available.

29 d. A maximum authorization of one hundred fifty thousand
30 dollars in community development tax credits will be permitted
31 per project and no more than five percent of the credits
32 authorized for the project shall normally be allowed for
33 administrative and operating expenses. In unusual
34 circumstances, a higher percentage may be allowed at the
35 discretion of the department.

1 3. COMMUNITY DEVELOPMENT PROJECTS. For community
2 development projects, other than economic development
3 projects, for which community development tax credits under
4 this part may be approved, the following procedures, criteria,
5 and priorities apply:

6 a. A proposal for a proposed program shall be submitted by
7 a qualifying organization for carrying out a specific project
8 consistent with the purposes of this part.

9 b. All proposals shall be made on the forms supplied by
10 the department. Each proposal shall contain a project budget
11 and shall identify, if possible, the items and amounts of the
12 budget which will be provided for from contributions from any
13 business. A project budget shall be approved by the
14 department. The department may request any additional
15 information it determines necessary to evaluate a proposal or
16 plan.

17 c. Community development projects and the budgets for them
18 may be approved for a period of up to three years at the
19 discretion of the director.

20 d. An annual application deadline shall be determined by
21 the department and application materials shall be distributed
22 upon request no less than sixty days prior to the actual
23 application deadline.

24 e. All proposals must address at least one of the
25 following priorities in order to qualify for approval:

26 (1) The project substantially contributes to self-help
27 efforts by residents of the neighborhood or community area to
28 be served in addressing locally defined objectives.

29 (2) The project will result in the provision of essential
30 services to low-income and moderate-income families which
31 would not otherwise be provided in the affected neighborhood
32 or community area and for which there are not other resources.
33 "Low-income and moderate-income families" means those
34 families, including single-person households, earning no more
35 than eighty percent of the higher of the median family income

1 of the county or the statewide nonmetropolitan area as
2 determined by the latest United States department of housing
3 and urban development, section 8 income guidelines.

4 (3) The project tangibly contributes to the development of
5 lasting cooperation and partnership efforts of neighborhood
6 organizations and businesses.

7 f. Approval or disapproval of proposals shall be based on
8 the following criteria:

9 (1) The director must certify an area as experiencing
10 problems endangering the area's existence as a viable and
11 stable neighborhood or community to be eligible for
12 assistance.

13 (2) The qualifying organization submitting the proposal
14 must demonstrate its capacity to adequately administer the
15 project.

16 (3) There must be a demonstrated need for the program in
17 the neighborhood or community area within which the project is
18 to be carried out.

19 (4) The proposal must demonstrate that efforts have been
20 made to include residents of the affected neighborhood or
21 community area in the planning of the proposed project and
22 describe the extent to which they will be involved in its
23 implementation.

24 (5) The proposal must be consistent with all locally
25 approved neighborhood or community development plans for the
26 area.

27 (6) Proposals submitted subsequent to the first year will
28 be evaluated on performance of the first-year project, other
29 resources developed, continued need, and potential for
30 eventual self-sufficiency.

31 g. In no case shall a project be approved that does not
32 have a written endorsement of the appropriate local public
33 authority with notification given to the community empowerment
34 board.

35 h. The maximum amount of community development tax credits

1 allowed per project is one hundred fifty thousand dollars.

2 i. For purposes of the criterion in paragraph "f",
3 subparagraph (1), an area is experiencing problems endangering
4 its existence as a viable and stable neighborhood or community
5 if some of the following factors are present: declining
6 population, high percentage of people dependent on public
7 assistance, persistent or substantial unemployment or
8 underemployment, lower than average family incomes, financial
9 disinvestment, insurance and financial redlining, general
10 weakened market conditions on the neighborhood or community
11 commercial strip as indicated by declining rents or vacant
12 stores, excessive abandonment of properties, a significant
13 percentage of neighborhood or community residents on fixed
14 incomes, unsanitary or inadequate housing, overcrowding,
15 significant proportion of the property is rental property,
16 property speculation, high rates of crime and delinquency,
17 high degree of drug or alcohol abuse, increasing cases of
18 mental health problems, significant numbers of single-parent
19 households, high degree of infant mortality and disease,
20 disabilities, general unsanitary conditions in the area, or
21 poor city and public utility services.

22 4. TAX CREDIT APPLICATION.

23 a. The department shall approve or disapprove applications
24 for community development tax credits to businesses which have
25 invested in approved economic development projects or other
26 community development projects. The director, upon approval
27 of an application, shall notify the director of revenue and
28 finance and the governor of those businesses entitled to a tax
29 credit.

30 If the business meets the criteria for eligibility, the
31 department of economic development shall issue to the business
32 a certification of entitlement for the community development
33 tax credit. The certification shall contain the name of the
34 business, address, tax identification number, the amount of
35 the credit, the tax year for which the certificate applies,

1 and any other information required by the department of
2 revenue and finance.

3 b. The procedures and requirements for filing a tax credit
4 application are as follows:

5 (1) Businesses wanting to donate to a particular community
6 development project, but first wishing to verify the
7 eligibility of the donation for a tax credit, may submit a tax
8 credit eligibility confirmation form to the department. The
9 department will confirm in writing whether or not the donation
10 qualifies for credit and how the value of the credit will be
11 determined. This confirmation will not constitute credit
12 approval.

13 (2) In order to qualify for credit, donations must occur
14 during the approved project period with the exception of
15 donated audit services, which may occur anytime during the
16 six-month period following the project period, and must be
17 directly related to the approved project.

18 (3) Businesses wishing to apply for credit must complete a
19 community development tax credit application.

20 (4) Tax credit applications are to be signed by the
21 qualifying organization and submitted directly to the
22 department not later than one year following the date of
23 donation.

24 (5) The order in which completed credit applications are
25 received by the department will determine the order in which
26 credits are approved. Facsimile copies will not be considered
27 completed applications.

28 (6) Every transmittal of community development tax credit
29 applications to the department must be accompanied by a
30 project report prepared by the qualifying organization.

31 (7) The department shall examine all submitted
32 applications and determine which donations meet the
33 eligibility criteria.

34 c. The department shall establish by rule the methods to
35 be used in determining the value of contributions of a

1 business.

2 Sec. 4. NEW SECTION. 15.383 TAX CREDIT -- DOCUMENTATION.

3 1. For a tax credit application approved pursuant to
4 section 15.382, the community development tax credit available
5 under this part may be used to reduce the tax liability
6 imposed under chapter 422, division II, III, or V, or chapter
7 432 or 533.

8 2. Subject to subsections 3 and 4, the amount of the
9 community development tax credit shall be fifty percent of the
10 contribution made by the business during the tax year.

11 3. a. The tax credit shall not exceed one hundred
12 thousand dollars annually.

13 b. Any tax credit in excess of the business's tax
14 liability for a tax year may be credited to the tax liability
15 for the following five tax years or until depleted, whichever
16 is the earlier.

17 c. A financial institution or insurance company shall not
18 receive a tax credit for activities that are part of its
19 normal course of business.

20 d. To be eligible to receive the tax credit, a business
21 shall provide documentation of the contributions on which the
22 credit is based. The documentation shall be as specified by
23 rules of the department.

24 4. The total amount of community development tax credits
25 that may be approved pursuant to this part shall not exceed
26 two million dollars in any fiscal year.

27 Sec. 5. Section 15E.193B, subsection 8, Code 2003, is
28 amended to read as follows:

29 8. The amount of the tax credits determined pursuant to
30 subsection 6, paragraph "a", for each project shall be
31 approved by the department of economic development. The
32 department shall utilize the financial information required to
33 be provided under subsection 5, paragraph "e", to determine
34 the tax credits allowed for each project. In determining the
35 amount of tax credits to be allowed for a project, the

1 department shall not include the portion of the project cost
2 financed through federal, state, and local government tax
3 credits, grants, and forgivable loans. Upon approving the
4 amount of the tax credit, the department of economic
5 development shall issue a tax credit certificate to the
6 eligible housing business. An eligible housing business or
7 transferee shall not claim the tax credit unless a tax credit
8 certificate issued by the department of economic development
9 is attached to the taxpayer's return for the tax year for
10 which the tax credit is claimed. The tax credit certificate
11 shall contain the taxpayer's name, address, tax identification
12 number, the amount of the tax credit, and other information
13 required by the department of revenue and finance. The tax
14 credit certificate shall be transferable if low-income housing
15 tax credits authorized under section 42 of the Internal
16 Revenue Code are used to assist in the financing of the
17 housing development. The department of economic development
18 and the department of revenue and finance shall adopt
19 procedures relating to the issuance of the certificates, the
20 transfer of a certificate and related tax credit by an
21 eligible housing business, and for the redemption of a
22 certificate and related tax credit by an eligible housing
23 business or transferee.

24 Sec. 6. NEW SECTION. 15E.221 SHORT TITLE.

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

27 Sec. 7. NEW SECTION. 15E.222 PURPOSE.

28 The purpose of this division is to enhance the quality of
29 life for citizens of this state through increased
30 philanthropic activity by providing seed capital to citizen
31 groups of this state organized to establish endowment funds
32 that will address community needs. The purpose of this
33 division is also to encourage individuals, businesses, and
34 organizations to invest in community foundations.

35 Sec. 8. NEW SECTION. 15E.223 DEFINITIONS.

1 As used in this division, unless the context otherwise
2 requires:

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

6 2. "Business" means a business operating within the state
7 and includes individuals operating a sole proprietorship or
8 having rental, royalty, or farm income in this state and
9 includes a consortium of businesses.

10 3. "Community affiliate organization" means a group of
11 five or more community leaders or advocates organized for the
12 purpose of increasing philanthropic activity in an identified
13 community or geographic area in this state with the intention
14 of establishing a community affiliate endowment fund.

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

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

19 6. "Qualified community foundation" means a community
20 foundation organized or operating in this state that meets or
21 exceeds the national standards established by the national
22 council on foundations.

23 Sec. 9. NEW SECTION. 15E.224 ENDOW IOWA SEED GRANTS.

24 1. The department shall identify a lead philanthropic
25 entity for purposes of encouraging the development of
26 qualified community foundations in this state. A lead
27 philanthropic entity shall meet all of the following
28 qualifications:

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

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

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

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

7 a. Provide the board with all information required by the
8 board.

9 b. Demonstrate a dollar-for-dollar funding match in a form
10 approved by the board.

11 c. Identify a qualified community foundation to hold all
12 funds.

13 d. Provide a plan to the board demonstrating the method
14 for distributing grant moneys received from the board to
15 charities within the community or geographic area as defined
16 by the community affiliate organization.

17 3. To be eligible to be awarded endow Iowa seed grants
18 under subsection 2, a community affiliate organization must
19 establish that it has built leadership in the community or
20 geographic area and created a cohesive and focused
21 organization with a shared vision of a desired future and
22 strategic plan to promote the community or geographic region.

23 4. Endow Iowa seed grants shall not exceed twenty-five
24 thousand dollars per community affiliate organization unless a
25 community affiliate organization demonstrates a multiple
26 county or regional approach. Endow Iowa seed grants may be
27 awarded on an annual basis with not more than three grants
28 going to one county in a fiscal year.

29 5. In ranking applications for grants, the board shall
30 consider a variety of factors including the following:

31 a. The demonstrated need for financial assistance to
32 create a community affiliate endowment fund.

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

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

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

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

5 f. The geographic diversity of awards.

6 6. Of any moneys received by a lead philanthropic entity
7 from the state, not more than five percent of such moneys
8 shall be used by the entity for administrative purposes.

9 Sec. 10. NEW SECTION. 15E.225 ENDOW IOWA TAX CREDIT.

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

30 2. The aggregate amount of tax credits authorized pursuant
31 to this section shall not exceed a total of twenty-five
32 million dollars. The maximum amount of tax credits granted to
33 a taxpayer shall not exceed five percent of the aggregate
34 amount of tax credits authorized.

35 3. A tax credit shall not be transferable to any other

1 taxpayer.

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

4 5. The department shall develop a system for registration
5 and authorization of tax credits under this section and shall
6 control the distribution of all tax credits to taxpayers
7 providing an endowment gift subject to this section. The
8 department shall adopt administrative rules pursuant to
9 chapter 17A for the qualification and administration of
10 endowment gifts.

11 Sec. 11. NEW SECTION. 15E.226 REPORTS -- AUDITS.

12 By January 31 of each year, the lead philanthropic entity,
13 in cooperation with the department, shall publish an annual
14 report of the activities conducted pursuant to this division
15 during the previous calendar year and shall submit the report
16 to the governor and the general assembly. The annual report
17 shall include a listing of endowment funds and the amount of
18 tax credits authorized by the department.

19 Sec. 12. Section 404A.2, Code 2003, is amended by adding
20 the following new unnumbered paragraph after unnumbered
21 paragraph 3:

22 NEW UNNUMBERED PARAGRAPH. A person receiving a tax credit
23 under this chapter may transfer all or a portion of the unused
24 tax credit to any other person. The transferee may use the
25 amount of the tax credit transferred against taxes imposed
26 under chapter 422, division II, III, or V, or chapter 432 for
27 any tax year the transferor could have claimed the credit.
28 Any consideration received for the transfer of the tax credit
29 shall not be included as income under chapter 422, division
30 II, III, or V, or chapter 432. Any consideration paid for the
31 transfer of the tax credit shall not be deducted under chapter
32 422, division II, III, or V, or chapter 432.

33 Sec. 13. Section 404A.4, subsection 2, Code 2003, is
34 amended to read as follows:

35 2. After verifying the eligibility for the tax credit, the

1 state historic preservation office, in consultation with the
2 department of economic development, shall issue a property
3 rehabilitation tax credit certificate to be attached to the
4 person's tax return. The tax credit certificate shall contain
5 the taxpayer's name, address, tax identification number, the
6 date of project completion, the amount of credit, and other
7 information required by the department of revenue and finance,
8 and a place for the name and tax identification number of a
9 transferee and the amount of the tax credit being transferred.

10 Sec. 14. NEW SECTION. 422.11H ENDOW IOWA TAX CREDIT.

11 The tax imposed under this division, less the credits
12 allowed under sections 422.12 and 422.12B, shall be reduced by
13 an endow Iowa tax credit authorized pursuant to section
14 15E.225.

15 Sec. 15. NEW SECTION. 422.11I COMMUNITY DEVELOPMENT TAX
16 CREDIT.

17 The taxes imposed under this division, less the credits
18 allowed under sections 422.12 and 422.12B, shall be reduced by
19 a community development tax credit received pursuant to
20 sections 15.380 through 15.383.

21 An individual may claim the tax credit allowed a
22 partnership, limited liability company, S corporation, or
23 estate or trust electing to have the income taxed directly to
24 the individual. The amount claimed by the individual shall be
25 based upon the pro rata share of the individual's earnings of
26 the partnership, limited liability company, S corporation, or
27 estate or trust.

28 Any credit in excess of the tax liability for the tax year
29 may be credited to the tax liability for the following five
30 tax years or until depleted, whichever is earlier.

31 If the community development tax credit is taken on the tax
32 return, a deduction shall not be allowed for Iowa tax purposes
33 for contributions made to a community development project
34 which are deductible for federal tax purposes.

35 Sec. 16. NEW SECTION. 422.11J QUALIFIED ENDOWMENT

1 CREDIT.

2 1. The taxes imposed under this division, less the credits
3 allowed under sections 422.12 and 422.12B, shall be reduced by
4 a qualified endowment credit for making contributions to a
5 qualified endowment. The amount of the credit equals forty
6 percent of the present value of the aggregate amount of the
7 charitable gift portion of a planned gift made by the taxpayer
8 during the tax year to any qualified endowment. The maximum
9 credit claimed by a taxpayer for contributions made from all
10 sources in the tax year is ten thousand dollars. Any credit
11 in excess of the taxpayer's tax liability is nonrefundable and
12 shall not be carried forward or backward to other tax years.

13 2. For purposes of this section:

14 a. Subject to paragraph "c", "planned gift" means an
15 irrevocable contribution to a permanent endowment held by a
16 tax-exempt organization, or for a tax-exempt organization,
17 when the contribution uses any of the following techniques
18 that are authorized under the Internal Revenue Code:

19 (1) Charitable remainder unitrusts or annuity trusts, as
20 defined in section 664 of the Internal Revenue Code.

21 (2) Pooled income fund trusts, as defined in section
22 642(c)(5) of the Internal Revenue Code.

23 (3) Charitable lead unitrusts or annuity trusts qualifying
24 under section 170(f)(2)(B) of the Internal Revenue Code.

25 (4) Charitable gift annuities or deferred charitable gift
26 annuities undertaken pursuant to section 1011(b) of the
27 Internal Revenue Code.

28 (5) Charitable life estate agreements qualifying under
29 section 170(f)(3)(B) of the Internal Revenue Code.

30 (6) Paid-up life insurance policies meeting the
31 requirements of section 170 of the Internal Revenue Code.

32 b. "Qualified endowment" means a permanent, irrevocable
33 fund that is held by an Iowa incorporated or established
34 organization that is one of the following:

35 (1) A tax-exempt organization under section 501(c)(3) of

1 the Internal Revenue Code.

2 (2) A bank or trust company that is holding the fund on
3 behalf of a tax-exempt organization.

4 c. (1) A contribution using a technique described in
5 paragraph "a", subparagraph (1), is not a planned gift unless
6 the trust agreement provides that the trust may not terminate
7 and the beneficiaries' interest in the trust may not be
8 assigned or contributed to the qualified endowment sooner than
9 the earlier of the following:

10 (a) The date of death of the beneficiaries.

11 (b) Five years from the date of the contribution.

12 (2) A contribution using the technique described in
13 paragraph "a", subparagraph (4), as a deferred charitable gift
14 annuity is not a planned gift unless the payment of the
15 annuity is required to begin within the life expectancy of the
16 annuitant or of the joint life expectancies of the annuitants,
17 if more than one annuitant, as determined using the actuarial
18 tables adopted by rule by the department in effect on the date
19 of the contribution.

20 (3) A contribution using a technique described in
21 paragraph "a", subparagraph (4), is not a planned gift unless
22 the annuity agreement provides that the interest of the
23 annuitant or annuitants in the gift annuity may not be
24 assigned to the qualified endowment sooner than the earlier of
25 the following:

26 (a) The date of death of the annuitant or annuitants.

27 (b) Five years after the date of the contribution.

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

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

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

35 NEW SUBSECTION. 15. The taxes imposed under this division

1 shall be reduced by a community development tax credit
2 received pursuant to sections 15.380 through 15.383.

3 Any credit in excess of the tax liability for the tax year
4 may be credited to the tax liability for the following five
5 tax years or until depleted, whichever is earlier.

6 If the community development tax credit is taken on the tax
7 return, a deduction shall not be allowed for Iowa tax purposes
8 for contributions made to a community development project
9 which are deductible for federal tax purposes.

10 Sec. 19. Section 422.60, Code 2003, is amended by adding
11 the following new subsection:

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

15 Sec. 20. Section 422.60, Code 2003, is amended by adding
16 the following new subsection:

17 NEW SUBSECTION. 8. The taxes imposed under this division
18 shall be reduced by a community development tax credit
19 received pursuant to sections 15.380 through 15.383.

20 Any credit in excess of the tax liability for the tax year
21 may be credited to the tax liability for the following five
22 tax years or until depleted, whichever is earlier.

23 If the community development tax credit is taken on the tax
24 return, a deduction shall not be allowed for Iowa tax purposes
25 for contributions made to a community development project
26 which are deductible for federal tax purposes.

27 Sec. 21. NEW SECTION. 432.12D ENDOW IOWA TAX CREDIT.

28 The taxes imposed under this chapter shall be reduced by an
29 endow Iowa tax credit authorized pursuant to section 15E.225.

30 Sec. 22. NEW SECTION. 432.12E COMMUNITY DEVELOPMENT TAX
31 CREDIT.

32 The tax imposed under this chapter shall be reduced by a
33 community development tax credit received pursuant to sections
34 15.380 through 15.383.

35 Any credit in excess of the tax liability for the calendar

1 year may be credited to the tax liability for the following
2 five calendar years or until depleted, whichever is earlier.

3 Sec. 23. Section 533.24, Code 2003, is amended by adding
4 the following new unnumbered paragraph:

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

8 Sec. 24. Section 533.24, Code 2003, is amended by adding
9 the following new unnumbered paragraph:

10 NEW UNNUMBERED PARAGRAPH. The tax imposed on moneys and
11 credits under this section shall be reduced by a community
12 development tax credit received pursuant to sections 15.380
13 through 15.383. Any credit in excess of the tax liability for
14 the tax year may be credited to the tax liability for the
15 following five tax years or until depleted, whichever is
16 earlier.

17 Sec. 25. EFFECTIVE AND APPLICABILITY DATE.

18 1. This Act, being deemed of immediate importance, takes
19 effect upon enactment.

20 2. Sections 15, 16, 18, 20, 22, and 24 of this Act apply
21 to tax years beginning on or after January 1, 2004.

22 3. Sections 14, 17, 19, 21, and 23 of this Act apply
23 retroactively to January 1, 2003, for tax years beginning on
24 or after that date.

25

EXPLANATION

26 **COMMUNITY DEVELOPMENT PROGRAM AND TAX CREDITS.** This bill
27 establishes a community development program administered by
28 the department of economic development. The program is to
29 provide tax incentives to businesses which make contributions
30 to projects in communities or neighborhoods that would benefit
31 by these projects. The projects involve the providing of
32 physical revitalization, economic development, job training or
33 education for individuals, community services, and crime
34 prevention. Community services projects include projects
35 providing for group and family counseling, parent and early

1 childhood mental health services and centers, child and adult
2 care, senior citizen centers, recreation programs, sheltered
3 workshops, and substance abuse counseling.

4 The tax incentives are provided in the form of tax credits
5 which may be used to offset the tax liability under the
6 individual and corporate income taxes, financial institution
7 franchise tax, the insurance gross premiums tax, and the
8 credit union moneys and credits tax. The amount of the
9 community development tax credit, subject to limitation,
10 equals 50 percent of the contributions made by the business to
11 the project. Not more than \$150,000 in tax credits may be
12 allowed for any one project. The maximum amount of credit a
13 business may receive for a project is \$100,000. Projects and
14 tax credits associated with the projects must be approved by
15 the department of economic development. The total amount of
16 tax credits that may be approved in a fiscal year shall not
17 exceed \$2 million.

18 **QUALIFIED ENDOWMENT CONTRIBUTIONS AND TAX CREDITS.** The
19 bill also provides an individual income tax credit for
20 contributions made by an individual to a qualified endowment.
21 A qualified endowment is a permanent, irrevocable fund that is
22 held by an Iowa-established organization that is exempt from
23 federal income tax, e.g., religious, charitable, educational,
24 scientific, or literary organizations or is a bank or trust
25 company that holds the funds for these organizations. The
26 amount of the credit equals 40 percent of the present value of
27 the gift not to exceed in the aggregate for the tax year
28 \$10,000. The credit is nonrefundable.

29 **ENTERPRISE ZONE HOUSING BUSINESS TAX CREDITS.** The bill
30 amends the tax credit provisions for eligible housing
31 businesses under the enterprise zone program. Under the
32 enterprise zone program, an eligible housing business may
33 claim a tax credit up to a maximum of 10 percent of the new
34 investment which is directly related to the eligible housing
35 project. The new investment that may be used to compute the

1 tax credit shall not exceed the new investment used for the
2 first \$140,000 of value for each single-family home or for
3 each unit of a multiple dwelling unit building containing
4 three or more units.

5 The bill provides that, upon approving the amount of the
6 tax credit, the department of economic development shall issue
7 a tax credit certificate to the eligible housing business.
8 The bill provides that an eligible housing business or
9 transferee shall not claim the tax credit unless a tax credit
10 certificate issued by the department of economic development
11 is attached to the taxpayer's return for the tax year for
12 which the tax credit is claimed. The bill provides that the
13 tax credit certificate shall be transferable if low-income
14 housing tax credits authorized under section 42 of the
15 Internal Revenue Code are used to assist in the financing of
16 the housing development. The bill provides that the
17 department of economic development and the department of
18 revenue and finance shall adopt procedures relating to the
19 issuance of the certificates, the transfer of a certificate
20 and related tax credit by an eligible housing business, and
21 the redemption of a certificate and related tax credit by an
22 eligible housing business or transferee.

23 HISTORIC PROPERTY REHABILITATION TAX CREDIT TRANSFERS. The
24 bill provides that a person receiving a historic property
25 rehabilitation tax credit may transfer all or a portion of the
26 unused tax credit to any other person. For any tax year the
27 transferor could have claimed the tax credit, the bill
28 provides that the transferee may use the amount of the tax
29 credit against personal or corporate income tax liability,
30 franchise tax liability, or insurance premium tax liability.
31 The bill provides that consideration received for the transfer
32 of a tax credit shall not be included as income for state tax
33 purposes and any consideration paid for the transfer of a tax
34 credit shall not be deducted from income for state tax
35 purposes.

1 ENDOW IOWA SEED GRANTS AND TAX CREDITS. The bill also
2 relates to endow Iowa seed grants made by a lead philanthropic
3 entity identified by the department of economic development
4 and corresponding tax credits.

5 The bill requires the department to identify a lead
6 philanthropic entity for purposes of encouraging the
7 development of qualified community foundations in the state.
8 The bill provides that a lead philanthropic entity shall be a
9 nonprofit entity which is exempt from federal income taxation
10 pursuant to section 501(c)(3) of the Internal Revenue Code; be
11 a statewide organization with membership consisting of
12 organizations, such as community, corporate, and private
13 foundations, whose principal function is the making of grants
14 within the state; and have a minimum of 40 members with that
15 membership including Iowa community foundations meeting the
16 standards established by the national council on foundations.

17 The bill provides that a lead philanthropic entity may
18 receive a grant from the department which shall be used to
19 award endow Iowa seed grants to community affiliate
20 organizations meeting certain criteria. The bill defines
21 "community affiliate organizations" as a group of five or more
22 community leaders or advocates organized for the purpose of
23 increasing philanthropic activity in an identified community
24 or geographic area in this state with the intention of
25 establishing a community affiliate endowment fund. To be
26 eligible for grants, the organization must build leadership in
27 the community or geographic area and must create a cohesive
28 and focused organization with a shared vision of the future
29 for the area and a strategic plan to accomplish it. The bill
30 provides that endow Iowa seed grants shall not exceed \$25,000
31 per community affiliate organization unless a community
32 affiliate organization demonstrates a multiple county or
33 regional approach. The bill provides that endow Iowa seed
34 grants may be awarded on an annual basis with not more than
35 three grants going to one county in a fiscal year. The bill

1 limits a lead philanthropic entity to using not more than 5
2 percent of moneys received from the state for administrative
3 purposes.

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

30 The bill provides that, by January 31 of each year, the
31 lead philanthropic entity, in cooperation with the department,
32 shall publish an annual report of the activities conducted
33 pursuant to this division during the previous calendar year
34 and shall submit the report to the governor and the general
35 assembly.

1 The bill takes effect upon enactment, the community
2 development program tax credits apply to tax years beginning
3 on or after January 1, 2004, and the endow Iowa seed grants
4 program tax credits apply to tax years beginning on or after
5 January 1, 2003.

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Angelo
McKibben
Stewart

Ways + Means

SSB 1198

Succeeded By

HF 450

SENATE FILE

BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON MCKIBBEN)

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

A BILL FOR

1 An Act relating to charitable contributions and historical
2 rehabilitation by establishing a community development program
3 to provide tax credits for businesses contributing to
4 community development projects to aid certain neighborhoods
5 and communities; by establishing an endow Iowa seeds grants
6 program to aid local philanthropic entities and providing tax
7 credits; by allowing the transfer of certain historical
8 rehabilitation and housing tax credits; and by establishing an
9 individual income tax credit for contributions to certain
10 qualified endowments; and including effective and retroactive
11 applicability date provisions.

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

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1 Section 1. NEW SECTION. 15.380 SHORT TITLE.

2 This part shall be known as and may be cited as the
3 "Community Development Program Act".

4 Sec. 2. NEW SECTION. 15.381 DEFINITIONS.

5 As used in this part, unless the context otherwise
6 requires:

7 1. "Business" means all businesses operating within the
8 state and includes individuals operating a sole proprietorship
9 or having rental, royalty, or farm income in this state and
10 includes a consortium of businesses.

11 2. "Community services" means, but is not limited to,
12 individual, group, and family counseling; parent and early
13 childhood education; mental health services; primary care and
14 community medical health centers; child and adult care
15 services; senior citizen service centers; recreation programs;
16 nutrition programs; emergency shelters for persons suffering
17 from physical abuse or rape; services for the handicapped;
18 sheltered workshops; vocational counseling; substance abuse
19 counseling; and referral services.

20 3. "Contribution" includes cash, material or supplies,
21 real estate, labor, professional services, technical
22 assistance, or equipment. "Contribution" does not include
23 investments made by a financial institution or insurance
24 company in the normal course of its business.

25 4. "Crime prevention" means activities which include but
26 are not limited to services to ex-offenders, local civilian
27 organizations that help prevent crime or provide aid to
28 victims of crime, mediation services aimed at resolving
29 disputes and conflicts before they become criminal incidents,
30 or services to juveniles who have had contact with the court
31 or police.

32 5. "Distressed or blighted area" means an area designated
33 or that qualifies under section 15E.194 to be designated an
34 enterprise zone pursuant to chapter 15E, division XVIII,
35 designated as a slum or blighted area pursuant to chapter 403,

1 or designated as a revitalization area pursuant to chapter
2 404.

3 6. "Economic development" means the acquisition,
4 renovation, improvement, or the furnishing or equipping of
5 existing buildings and real estate in distressed or blighted
6 areas of the state when this acquisition, renovation,
7 improvement, or the furnishing or equipping of the existing
8 buildings and real estate will result in the creation or
9 retention of jobs within the state.

10 7. "Education" includes literacy programs, adult basic
11 education and general educational development certificate
12 programs, training for the physically or mentally challenged,
13 and other educational programs deemed beneficial to the
14 participants.

15 8. "Job training" means those activities which provide
16 specific vocational skills including special apprenticeship or
17 on-the-job training programs not otherwise available.

18 9. "Neighborhood or community area" means a specific
19 geographic area certified by the department as having a
20 readily identifiable residential population and which may
21 include, but is not limited to, any of the following factors:
22 a. A sense of belonging or identity that ties residents to
23 a given area.
24 b. Social, cultural, political, or economic activities
25 around which people organize themselves.
26 c. The existence of cohesive organizations formed by
27 residents.
28 d. A city with a population of less than ten thousand or a
29 region within a rural area may be certified as a neighborhood
30 or community area.
31 e. A history of acting or being treated as a distinct or
32 cohesive unit.
33 f. The area is designated as a community empowerment area
34 in accordance with chapter 28.

35 10. "Physical revitalization" means activities designed

1 for the physical improvement of any part or all of a
2 neighborhood or community area. These activities may include,
3 but are not limited to, such programs as commercial area
4 revitalization; housing construction or rehabilitation;
5 improvements to or acquisition or construction of facilities
6 used by nonprofit organizations for community purposes or
7 related planning and promotional activities designed to aid in
8 those programs.

9 11. a. "Qualifying organization" means an organization
10 performing community services or economic development
11 activities in the state and is any of the following:

12 (1) A person or organization that is exempt from federal
13 income taxation under the Internal Revenue Code as defined in
14 section 422.3.

15 (2) A nonprofit corporation organized under the laws of
16 this state.

17 (3) Designated as a community development corporation by
18 the federal government pursuant to Title VII of the Economic
19 Opportunity Act of 1964, Pub. L. No. 88-452.

20 (4) A community empowerment area board created in
21 accordance with chapter 28.

22 b. "Qualifying organization" does not include any of the
23 following:

24 (1) A unit or agency of the state, local government, or
25 educational institution. This subparagraph shall not be
26 interpreted to prevent a community empowerment area board from
27 being considered a qualifying organization.

28 (2) A foundation or trust of a postsecondary educational
29 institution.

30 (3) A church-affiliated religious organization unless all
31 of the contributions to the organization are used for
32 performing community services.

33 Sec. 3. NEW SECTION. 15.382 COMMUNITY DEVELOPMENT TAX
34 CREDIT -- APPROVAL OF PROJECTS AND PROPOSALS.

35 1. TAX CREDIT. A business which engages in the activities

1 of providing physical revitalization, economic development,
2 job training or education for individuals, community services,
3 or crime prevention in the state shall receive a community
4 development tax credit as provided in section 15.383 if the
5 director annually approves the proposal of the business.
6 However, a proposal for a community development tax credit
7 shall not be approved unless the local government for the area
8 in which the business is engaging in such activities endorses
9 the proposal as consistent with the strategic plan adopted by
10 an organization representative of the area or if such plan
11 does not exist, as consistent with the overall neighborhood or
12 community development plan adopted by that local government.

13 2. ECONOMIC DEVELOPMENT PROJECTS. For economic
14 development projects in distressed or blighted areas for which
15 community development tax credits under this part may be
16 approved, the following guidelines apply:

17 a. Applications shall be accepted from any locally based
18 qualifying organization wishing to conduct an economic
19 development project in a distressed or blighted area.

20 b. Applicants may not administer more than one economic
21 development project at a time. A project may include more
22 than one building, provided that the proposal meets all other
23 eligibility requirements as set forth in this subsection and
24 rules of the department.

25 c. Applications will be accepted by the department at any
26 time of the year and will be approved on a case-by-case basis
27 as all the necessary requirements are met and as credits
28 become available.

29 d. A maximum authorization of one hundred fifty thousand
30 dollars in community development tax credits will be permitted
31 per project and no more than five percent of the credits
32 authorized for the project shall normally be allowed for
33 administrative and operating expenses. In unusual
34 circumstances, a higher percentage may be allowed at the
35 discretion of the department.

1 3. COMMUNITY DEVELOPMENT PROJECTS. For community
2 development projects, other than economic development
3 projects, for which community development tax credits under
4 this part may be approved, the following procedures, criteria,
5 and priorities apply:

6 a. A proposal for a proposed program shall be submitted by
7 a qualifying organization for carrying out a specific project
8 consistent with the purposes of this part.

9 b. All proposals shall be made on the forms supplied by
10 the department. Each proposal shall contain a project budget
11 and shall identify, if possible, the items and amounts of the
12 budget which will be provided for from contributions from any
13 business. A project budget shall be approved by the
14 department. The department may request any additional
15 information it determines necessary to evaluate a proposal or
16 plan.

17 c. Community development projects and the budgets for them
18 may be approved for a period of up to three years at the
19 discretion of the director.

20 d. An annual application deadline shall be determined by
21 the department and application materials shall be distributed
22 upon request no less than sixty days prior to the actual
23 application deadline.

24 e. All proposals must address at least one of the
25 following priorities in order to qualify for approval:

26 (1) The project substantially contributes to self-help
27 efforts by residents of the neighborhood or community area to
28 be served in addressing locally defined objectives.

29 (2) The project will result in the provision of essential
30 services to low-income and moderate-income families which
31 would not otherwise be provided in the affected neighborhood
32 or community area and for which there are not other resources.
33 "Low-income and moderate-income families" means those
34 families, including single-person households, earning no more
35 than eighty percent of the higher of the median family income

1 of the county or the statewide nonmetropolitan area as
2 determined by the latest United States department of housing
3 and urban development, section 8 income guidelines.

4 (3) The project tangibly contributes to the development of
5 lasting cooperation and partnership efforts of neighborhood
6 organizations and businesses.

7 f. Approval or disapproval of proposals shall be based on
8 the following criteria:

9 (1) The director must certify an area as experiencing
10 problems endangering the area's existence as a viable and
11 stable neighborhood or community to be eligible for
12 assistance.

13 (2) The qualifying organization submitting the proposal
14 must demonstrate its capacity to adequately administer the
15 project.

16 (3) There must be a demonstrated need for the program in
17 the neighborhood or community area within which the project is
18 to be carried out.

19 (4) The proposal must demonstrate that efforts have been
20 made to include residents of the affected neighborhood or
21 community area in the planning of the proposed project and
22 describe the extent to which they will be involved in its
23 implementation.

24 (5) The proposal must be consistent with all locally
25 approved neighborhood or community development plans for the
26 area.

27 (6) Proposals submitted subsequent to the first year will
28 be evaluated on performance of the first-year project, other
29 resources developed, continued need, and potential for
30 eventual self-sufficiency.

31 g. In no case shall a project be approved that does not
32 have a written endorsement of the appropriate local public
33 authority with notification given to the community empowerment
34 board.

35 h. The maximum amount of community development tax credits

1 allowed per project is one hundred fifty thousand dollars.

2 i. For purposes of the criterion in paragraph "f",
3 subparagraph (1), an area is experiencing problems endangering
4 its existence as a viable and stable neighborhood or community
5 if some of the following factors are present: declining
6 population, high percentage of people dependent on public
7 assistance, persistent or substantial unemployment or
8 underemployment, lower than average family incomes, financial
9 disinvestment, insurance and financial redlining, general
10 weakened market conditions on the neighborhood or community
11 commercial strip as indicated by declining rents or vacant
12 stores, excessive abandonment of properties, a significant
13 percentage of neighborhood or community residents on fixed
14 incomes, unsanitary or inadequate housing, overcrowding,
15 significant proportion of the property is rental property,
16 property speculation, high rates of crime and delinquency,
17 high degree of drug or alcohol abuse, increasing cases of
18 mental health problems, significant numbers of single-parent
19 households, high degree of infant mortality and disease,
20 disabilities, general unsanitary conditions in the area, or
21 poor city and public utility services.

22 4. TAX CREDIT APPLICATION.

23 a. The department shall approve or disapprove applications
24 for community development tax credits to businesses which have
25 invested in approved economic development projects or other
26 community development projects. The director, upon approval
27 of an application, shall notify the director of revenue and
28 finance and the governor of those businesses entitled to a tax
29 credit.

30 If the business meets the criteria for eligibility, the
31 department of economic development shall issue to the business
32 a certification of entitlement for the community development
33 tax credit. The certification shall contain the name of the
34 business, address, tax identification number, the amount of
35 the credit, the tax year for which the certificate applies,

1 and any other information required by the department of
2 revenue and finance.

3 b. The procedures and requirements for filing a tax credit
4 application are as follows:

5 (1) Businesses wanting to donate to a particular community
6 development project, but first wishing to verify the
7 eligibility of the donation for a tax credit, may submit a tax
8 credit eligibility confirmation form to the department. The
9 department will confirm in writing whether or not the donation
10 qualifies for credit and how the value of the credit will be
11 determined. This confirmation will not constitute credit
12 approval.

13 (2) In order to qualify for credit, donations must occur
14 during the approved project period with the exception of
15 donated audit services, which may occur anytime during the
16 six-month period following the project period, and must be
17 directly related to the approved project.

18 (3) Businesses wishing to apply for credit must complete a
19 community development tax credit application.

20 (4) Tax credit applications are to be signed by the
21 qualifying organization and submitted directly to the
22 department not later than one year following the date of
23 donation.

24 (5) The order in which completed credit applications are
25 received by the department will determine the order in which
26 credits are approved. Facsimile copies will not be considered
27 completed applications.

28 (6) Every transmittal of community development tax credit
29 applications to the department must be accompanied by a
30 project report prepared by the qualifying organization.

31 (7) The department shall examine all submitted
32 applications and determine which donations meet the
33 eligibility criteria.

34 c. The department shall establish by rule the methods to
35 be used in determining the value of contributions of a

1 business.

2 Sec. 4. NEW SECTION. 15.383 TAX CREDIT -- DOCUMENTATION.

3 1. For a tax credit application approved pursuant to
4 section 15.382, the community development tax credit available
5 under this part may be used to reduce the tax liability
6 imposed under chapter 422, division II, III, or V, or chapter
7 432 or 533.

8 2. Subject to subsections 3 and 4, the amount of the
9 community development tax credit shall be fifty percent of the
10 contribution made by the business during the tax year.

11 3. a. The tax credit shall not exceed one hundred
12 thousand dollars annually.

13 b. Any tax credit in excess of the business's tax
14 liability for a tax year may be credited to the tax liability
15 for the following five tax years or until depleted, whichever
16 is the earlier.

17 c. A financial institution or insurance company shall not
18 receive a tax credit for activities that are part of its
19 normal course of business.

20 d. To be eligible to receive the tax credit, a business
21 shall provide documentation of the contributions on which the
22 credit is based. The documentation shall be as specified by
23 rules of the department.

24 4. The total amount of community development tax credits
25 that may be approved pursuant to this part shall not exceed
26 two million dollars in any fiscal year.

27 Sec. 5. Section 15E.193B, subsection 8, Code 2003, is
28 amended to read as follows:

29 8. The amount of the tax credits determined pursuant to
30 subsection 6, paragraph "a", for each project shall be
31 approved by the department of economic development. The
32 department shall utilize the financial information required to
33 be provided under subsection 5, paragraph "e", to determine
34 the tax credits allowed for each project. In determining the
35 amount of tax credits to be allowed for a project, the

1 department shall not include the portion of the project cost
2 financed through federal, state, and local government tax
3 credits, grants, and forgivable loans. Upon approving the
4 amount of the tax credit, the department of economic
5 development shall issue a tax credit certificate to the
6 eligible housing business. An eligible housing business or
7 transferee shall not claim the tax credit unless a tax credit
8 certificate issued by the department of economic development
9 is attached to the taxpayer's return for the tax year for
10 which the tax credit is claimed. The tax credit certificate
11 shall contain the taxpayer's name, address, tax identification
12 number, the amount of the tax credit, and other information
13 required by the department of revenue and finance. The tax
14 credit certificate shall be transferable if low-income housing
15 tax credits authorized under section 42 of the Internal
16 Revenue Code are used to assist in the financing of the
17 housing development. The department of economic development
18 and the department of revenue and finance shall adopt
19 procedures relating to the issuance of the certificates, the
20 transfer of a certificate and related tax credit by an
21 eligible housing business, and for the redemption of a
22 certificate and related tax credit by an eligible housing
23 business or transferee.

24 Sec. 6. NEW SECTION. 15E.221 SHORT TITLE.

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

27 Sec. 7. NEW SECTION. 15E.222 PURPOSE.

28 The purpose of this division is to enhance the quality of
29 life for citizens of this state through increased
30 philanthropic activity by providing seed capital to citizen
31 groups of this state organized to establish endowment funds
32 that will address community needs. The purpose of this
33 division is also to encourage individuals, businesses, and
34 organizations to invest in community foundations.

35 Sec. 8. NEW SECTION. 15E.223 DEFINITIONS.

1 As used in this division, unless the context otherwise
2 requires:

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

6 2. "Business" means a business operating within the state
7 and includes individuals operating a sole proprietorship or
8 having rental, royalty, or farm income in this state and
9 includes a consortium of businesses.

10 3. "Community affiliate organization" means a group of
11 five or more community leaders or advocates organized for the
12 purpose of increasing philanthropic activity in an identified
13 community or geographic area in this state with the intention
14 of establishing a community affiliate endowment fund.

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

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

19 6. "Qualified community foundation" means a community
20 foundation organized or operating in this state that meets or
21 exceeds the national standards established by the national
22 council on foundations.

23 Sec. 9. NEW SECTION. 15E.224 ENDOW IOWA SEED GRANTS.

24 1. The department shall identify a lead philanthropic
25 entity for purposes of encouraging the development of
26 qualified community foundations in this state. A lead
27 philanthropic entity shall meet all of the following
28 qualifications:

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

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

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

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

7 a. Provide the board with all information required by the
8 board.

9 b. Demonstrate a dollar-for-dollar funding match in a form
10 approved by the board.

11 c. Identify a qualified community foundation to hold all
12 funds.

13 d. Provide a plan to the board demonstrating the method
14 for distributing grant moneys received from the board to
15 charities within the community or geographic area as defined
16 by the community affiliate organization.

17 3. To be eligible to be awarded endow Iowa seed grants
18 under subsection 2, a community affiliate organization must
19 establish that it has built leadership in the community or
20 geographic area and created a cohesive and focused
21 organization with a shared vision of a desired future and
22 strategic plan to promote the community or geographic region.

23 4. Endow Iowa seed grants shall not exceed twenty-five
24 thousand dollars per community affiliate organization unless a
25 community affiliate organization demonstrates a multiple
26 county or regional approach. Endow Iowa seed grants may be
27 awarded on an annual basis with not more than three grants
28 going to one county in a fiscal year.

29 5. In ranking applications for grants, the board shall
30 consider a variety of factors including the following:

31 a. The demonstrated need for financial assistance to
32 create a community affiliate endowment fund.

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

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

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

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

5 f. The geographic diversity of awards.

6 6. Of any moneys received by a lead philanthropic entity
7 from the state, not more than five percent of such moneys
8 shall be used by the entity for administrative purposes.

9 Sec. 10. NEW SECTION. 15E.225 ENDOW IOWA TAX CREDIT.

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

30 2. The aggregate amount of tax credits authorized pursuant
31 to this section shall not exceed a total of twenty-five
32 million dollars. The maximum amount of tax credits granted to
33 a taxpayer shall not exceed five percent of the aggregate
34 amount of tax credits authorized.

35 3. A tax credit shall not be transferable to any other

1 taxpayer.

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

4 5. The department shall develop a system for registration
5 and authorization of tax credits under this section and shall
6 control the distribution of all tax credits to taxpayers
7 providing an endowment gift subject to this section. The
8 department shall adopt administrative rules pursuant to
9 chapter 17A for the qualification and administration of
10 endowment gifts.

11 Sec. 11. NEW SECTION. 15E.226 REPORTS -- AUDITS.

12 By January 31 of each year, the lead philanthropic entity,
13 in cooperation with the department, shall publish an annual
14 report of the activities conducted pursuant to this division
15 during the previous calendar year and shall submit the report
16 to the governor and the general assembly. The annual report
17 shall include a listing of endowment funds and the amount of
18 tax credits authorized by the department.

19 Sec. 12. Section 404A.2, Code 2003, is amended by adding
20 the following new unnumbered paragraph after unnumbered
21 paragraph 3:

22 NEW UNNUMBERED PARAGRAPH. A person receiving a tax credit
23 under this chapter may transfer all or a portion of the unused
24 tax credit to any other person. The transferee may use the
25 amount of the tax credit transferred against taxes imposed
26 under chapter 422, division II, III, or V, or chapter 432 for
27 any tax year the transferor could have claimed the credit.
28 Any consideration received for the transfer of the tax credit
29 shall not be included as income under chapter 422, division
30 II, III, or V, or chapter 432. Any consideration paid for the
31 transfer of the tax credit shall not be deducted under chapter
32 422, division II, III, or V, or chapter 432.

33 Sec. 13. Section 404A.4, subsection 2, Code 2003, is
34 amended to read as follows:

35 2. After verifying the eligibility for the tax credit, the

1 state historic preservation office, in consultation with the
2 department of economic development, shall issue a property
3 rehabilitation tax credit certificate to be attached to the
4 person's tax return. The tax credit certificate shall contain
5 the taxpayer's name, address, tax identification number, the
6 date of project completion, the amount of credit, and other
7 information required by the department of revenue and finance,
8 and a place for the name and tax identification number of a
9 transferee and the amount of the tax credit being transferred.

10 Sec. 14. NEW SECTION. 422.11H ENDOW IOWA TAX CREDIT.

11 The tax imposed under this division, less the credits
12 allowed under sections 422.12 and 422.12B, shall be reduced by
13 an endow Iowa tax credit authorized pursuant to section
14 15E.225.

15 Sec. 15. NEW SECTION. 422.11I COMMUNITY DEVELOPMENT TAX
16 CREDIT.

17 The taxes imposed under this division, less the credits
18 allowed under sections 422.12 and 422.12B, shall be reduced by
19 a community development tax credit received pursuant to
20 sections 15.380 through 15.383.

21 An individual may claim the tax credit allowed a
22 partnership, limited liability company, S corporation, or
23 estate or trust electing to have the income taxed directly to
24 the individual. The amount claimed by the individual shall be
25 based upon the pro rata share of the individual's earnings of
26 the partnership, limited liability company, S corporation, or
27 estate or trust.

28 Any credit in excess of the tax liability for the tax year
29 may be credited to the tax liability for the following five
30 tax years or until depleted, whichever is earlier.

31 If the community development tax credit is taken on the tax
32 return, a deduction shall not be allowed for Iowa tax purposes
33 for contributions made to a community development project
34 which are deductible for federal tax purposes.

35 Sec. 16. NEW SECTION. 422.11J QUALIFIED ENDOWMENT

1 CREDIT.

2 1. The taxes imposed under this division, less the credits
3 allowed under sections 422.12 and 422.12B, shall be reduced by
4 a qualified endowment credit for making contributions to a
5 qualified endowment. The amount of the credit equals forty
6 percent of the present value of the aggregate amount of the
7 charitable gift portion of a planned gift made by the taxpayer
8 during the tax year to any qualified endowment. The maximum
9 credit claimed by a taxpayer for contributions made from all
10 sources in the tax year is ten thousand dollars. Any credit
11 in excess of the taxpayer's tax liability is nonrefundable and
12 shall not be carried forward or backward to other tax years.

13 2. For purposes of this section:

14 a. Subject to paragraph "c", "planned gift" means an
15 irrevocable contribution to a permanent endowment held by a
16 tax-exempt organization, or for a tax-exempt organization,
17 when the contribution uses any of the following techniques
18 that are authorized under the Internal Revenue Code:

19 (1) Charitable remainder unitrusts or annuity trusts, as
20 defined in section 664 of the Internal Revenue Code.

21 (2) Pooled income fund trusts, as defined in section
22 642(c)(5) of the Internal Revenue Code.

23 (3) Charitable lead unitrusts or annuity trusts qualifying
24 under section 170(f)(2)(B) of the Internal Revenue Code.

25 (4) Charitable gift annuities or deferred charitable gift
26 annuities undertaken pursuant to section 1011(b) of the
27 Internal Revenue Code.

28 (5) Charitable life estate agreements qualifying under
29 section 170(f)(3)(B) of the Internal Revenue Code.

30 (6) Paid-up life insurance policies meeting the
31 requirements of section 170 of the Internal Revenue Code.

32 b. "Qualified endowment" means a permanent, irrevocable
33 fund that is held by an Iowa incorporated or established
34 organization that is one of the following:

35 (1) A tax-exempt organization under section 501(c)(3) of

1 the Internal Revenue Code.

2 (2) A bank or trust company that is holding the fund on
3 behalf of a tax-exempt organization.

4 c. (1) A contribution using a technique described in
5 paragraph "a", subparagraph (1), is not a planned gift unless
6 the trust agreement provides that the trust may not terminate
7 and the beneficiaries' interest in the trust may not be
8 assigned or contributed to the qualified endowment sooner than
9 the earlier of the following:

10 (a) The date of death of the beneficiaries.

11 (b) Five years from the date of the contribution.

12 (2) A contribution using the technique described in
13 paragraph "a", subparagraph (4), as a deferred charitable gift
14 annuity is not a planned gift unless the payment of the
15 annuity is required to begin within the life expectancy of the
16 annuitant or of the joint life expectancies of the annuitants,
17 if more than one annuitant, as determined using the actuarial
18 tables adopted by rule by the department in effect on the date
19 of the contribution.

20 (3) A contribution using a technique described in
21 paragraph "a", subparagraph (4), is not a planned gift unless
22 the annuity agreement provides that the interest of the
23 annuitant or annuitants in the gift annuity may not be
24 assigned to the qualified endowment sooner than the earlier of
25 the following:

26 (a) The date of death of the annuitant or annuitants.

27 (b) Five years after the date of the contribution.

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

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

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

35 NEW SUBSECTION. 15. The taxes imposed under this division

1 shall be reduced by a community development tax credit
2 received pursuant to sections 15.380 through 15.383.

3 Any credit in excess of the tax liability for the tax year
4 may be credited to the tax liability for the following five
5 tax years or until depleted, whichever is earlier.

6 If the community development tax credit is taken on the tax
7 return, a deduction shall not be allowed for Iowa tax purposes
8 for contributions made to a community development project
9 which are deductible for federal tax purposes.

10 Sec. 19. Section 422.60, Code 2003, is amended by adding
11 the following new subsection:

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

15 Sec. 20. Section 422.60, Code 2003, is amended by adding
16 the following new subsection:

17 NEW SUBSECTION. 8. The taxes imposed under this division
18 shall be reduced by a community development tax credit
19 received pursuant to sections 15.380 through 15.383.

20 Any credit in excess of the tax liability for the tax year
21 may be credited to the tax liability for the following five
22 tax years or until depleted, whichever is earlier.

23 If the community development tax credit is taken on the tax
24 return, a deduction shall not be allowed for Iowa tax purposes
25 for contributions made to a community development project
26 which are deductible for federal tax purposes.

27 Sec. 21. NEW SECTION. 432.12D ENDOW IOWA TAX CREDIT.

28 The taxes imposed under this chapter shall be reduced by an
29 endow Iowa tax credit authorized pursuant to section 15E.225.

30 Sec. 22. NEW SECTION. 432.12E COMMUNITY DEVELOPMENT TAX
31 CREDIT.

32 The tax imposed under this chapter shall be reduced by a
33 community development tax credit received pursuant to sections
34 15.380 through 15.383.

35 Any credit in excess of the tax liability for the calendar

1 childhood mental health services and centers, child and adult
2 care, senior citizen centers, recreation programs, sheltered
3 workshops, and substance abuse counseling.

4 The tax incentives are provided in the form of tax credits
5 which may be used to offset the tax liability under the
6 individual and corporate income taxes, financial institution
7 franchise tax, the insurance gross premiums tax, and the
8 credit union moneys and credits tax. The amount of the
9 community development tax credit, subject to limitation,
10 equals 50 percent of the contributions made by the business to
11 the project. Not more than \$150,000 in tax credits may be
12 allowed for any one project. The maximum amount of credit a
13 business may receive for a project is \$100,000. Projects and
14 tax credits associated with the projects must be approved by
15 the department of economic development. The total amount of
16 tax credits that may be approved in a fiscal year shall not
17 exceed \$2 million.

18 **QUALIFIED ENDOWMENT CONTRIBUTIONS AND TAX CREDITS.** The
19 bill also provides an individual income tax credit for
20 contributions made by an individual to a qualified endowment.
21 A qualified endowment is a permanent, irrevocable fund that is
22 held by an Iowa-established organization that is exempt from
23 federal income tax, e.g., religious, charitable, educational,
24 scientific, or literary organizations or is a bank or trust
25 company that holds the funds for these organizations. The
26 amount of the credit equals 40 percent of the present value of
27 the gift not to exceed in the aggregate for the tax year
28 \$10,000. The credit is nonrefundable.

29 **ENTERPRISE ZONE HOUSING BUSINESS TAX CREDITS.** The bill
30 amends the tax credit provisions for eligible housing
31 businesses under the enterprise zone program. Under the
32 enterprise zone program, an eligible housing business may
33 claim a tax credit up to a maximum of 10 percent of the new
34 investment which is directly related to the eligible housing
35 project. The new investment that may be used to compute the

1 tax credit shall not exceed the new investment used for the
2 first \$140,000 of value for each single-family home or for
3 each unit of a multiple dwelling unit building containing
4 three or more units.

5 The bill provides that, upon approving the amount of the
6 tax credit, the department of economic development shall issue
7 a tax credit certificate to the eligible housing business.
8 The bill provides that an eligible housing business or
9 transferee shall not claim the tax credit unless a tax credit
10 certificate issued by the department of economic development
11 is attached to the taxpayer's return for the tax year for
12 which the tax credit is claimed. The bill provides that the
13 tax credit certificate shall be transferable if low-income
14 housing tax credits authorized under section 42 of the
15 Internal Revenue Code are used to assist in the financing of
16 the housing development. The bill provides that the
17 department of economic development and the department of
18 revenue and finance shall adopt procedures relating to the
19 issuance of the certificates, the transfer of a certificate
20 and related tax credit by an eligible housing business, and
21 the redemption of a certificate and related tax credit by an
22 eligible housing business or transferee.

23 HISTORIC PROPERTY REHABILITATION TAX CREDIT TRANSFERS. The
24 bill provides that a person receiving a historic property
25 rehabilitation tax credit may transfer all or a portion of the
26 unused tax credit to any other person. For any tax year the
27 transferor could have claimed the tax credit, the bill
28 provides that the transferee may use the amount of the tax
29 credit against personal or corporate income tax liability,
30 franchise tax liability, or insurance premium tax liability.
31 The bill provides that consideration received for the transfer
32 of a tax credit shall not be included as income for state tax
33 purposes and any consideration paid for the transfer of a tax
34 credit shall not be deducted from income for state tax
35 purposes.

1 ENDOW IOWA SEED GRANTS AND TAX CREDITS. The bill also
2 relates to endow Iowa seed grants made by a lead philanthropic
3 entity identified by the department of economic development
4 and corresponding tax credits.

5 The bill requires the department to identify a lead
6 philanthropic entity for purposes of encouraging the
7 development of qualified community foundations in the state.
8 The bill provides that a lead philanthropic entity shall be a
9 nonprofit entity which is exempt from federal income taxation
10 pursuant to section 501(c)(3) of the Internal Revenue Code; be
11 a statewide organization with membership consisting of
12 organizations, such as community, corporate, and private
13 foundations, whose principal function is the making of grants
14 within the state; and have a minimum of 40 members with that
15 membership including Iowa community foundations meeting the
16 standards established by the national council on foundations.

17 The bill provides that a lead philanthropic entity may
18 receive a grant from the department which shall be used to
19 award endow Iowa seed grants to community affiliate
20 organizations meeting certain criteria. The bill defines
21 "community affiliate organizations" as a group of five or more
22 community leaders or advocates organized for the purpose of
23 increasing philanthropic activity in an identified community
24 or geographic area in this state with the intention of
25 establishing a community affiliate endowment fund. To be
26 eligible for grants, the organization must build leadership in
27 the community or geographic area and must create a cohesive
28 and focused organization with a shared vision of the future
29 for the area and a strategic plan to accomplish it. The bill
30 provides that endow Iowa seed grants shall not exceed \$25,000
31 per community affiliate organization unless a community
32 affiliate organization demonstrates a multiple county or
33 regional approach. The bill provides that endow Iowa seed
34 grants may be awarded on an annual basis with not more than
35 three grants going to one county in a fiscal year. The bill

1 limits a lead philanthropic entity to using not more than 5
2 percent of moneys received from the state for administrative
3 purposes.

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

30 The bill provides that, by January 31 of each year, the
31 lead philanthropic entity, in cooperation with the department,
32 shall publish an annual report of the activities conducted
33 pursuant to this division during the previous calendar year
34 and shall submit the report to the governor and the general
35 assembly.

1 The bill takes effect upon enactment, the community
2 development program tax credits apply to tax years beginning
3 on or after January 1, 2004, and the endow Iowa seed grants
4 program tax credits apply to tax years beginning on or after
5 January 1, 2003.

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