

# Senate Study Bill 1177

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CO=CHAIRPERSONS BOLKCOM  
AND ZIEMAN)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act providing individual and corporate income tax credits for  
2 soy-based cutting tool oil and including an applicability date  
3 provision.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
5 TLSB 2023SC 81  
6 mg/cf/24

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1 1 Section 1. NEW SECTION. 422.11K SOY=BASED CUTTING TOOL  
1 2 OIL TAX CREDIT.  
1 3 1. The taxes imposed under this division, less the credits  
1 4 allowed under sections 422.12 and 422.12B, shall be reduced by  
1 5 a soy-based cutting tool oil tax credit. A manufacturer, as  
1 6 defined in section 428.20, is eligible to receive a soy-based  
1 7 cutting tool oil tax credit which is equal to the costs  
1 8 incurred by the manufacturer during the tax year for the  
1 9 purchase and replacement costs relating to the transition from  
1 10 using nonsoy-based cutting tool oil to using soy-based cutting  
1 11 tool oil. The costs eligible for the credit are limited to  
1 12 those costs meeting all of the following requirements:  
1 13 a. The costs were incurred after June 30, 2005, and before  
1 14 January 1, 2007.  
1 15 b. The costs were incurred in the first twelve months of  
1 16 the transition from using nonsoy-based cutting tool oil to  
1 17 using soy-based cutting tool oil.  
1 18 c. The costs of the purchase and replacement do not exceed  
1 19 two dollars per gallon of soy-based cutting tool oil used in  
1 20 the transition. The total number of gallons used in the  
1 21 transition under this paragraph shall not exceed two thousand  
1 22 gallons.  
1 23 If the manufacturer elects to take the soy-based cutting  
1 24 tool oil tax credit, the manufacturer shall not deduct for  
1 25 Iowa tax purposes any amount of the costs incurred in the  
1 26 transition to using soy-based cutting tool oil which is  
1 27 deductible for federal tax purposes.  
1 28 2. Any credit in excess of the tax liability shall be  
1 29 refunded with interest computed under section 422.25. In lieu  
1 30 of claiming a refund, a taxpayer may elect to have the  
1 31 overpayment shown on the taxpayer's final, completed return  
1 32 credited to the tax liability for the following tax year.  
1 33 3. An individual may claim the tax credit allowed a  
1 34 partnership, limited liability company, S corporation, estate,  
1 35 or trust electing to have the income taxed directly to the  
2 1 individual. The amount claimed by the individual shall be  
2 2 based upon the pro rata share of the individual's earnings of  
2 3 the partnership, limited liability company, S corporation,  
2 4 estate, or trust.  
2 5 4. For purposes of this section, "soy-based cutting tool  
2 6 oil" means cutting tool oil that contains ninety percent soy=  
2 7 based products.  
2 8 5. This section is repealed December 31, 2007.  
2 9 Sec. 2. Section 422.33, Code 2005, is amended by adding  
2 10 the following new subsection:  
2 11 NEW SUBSECTION. 17. a. The taxes imposed under this  
2 12 division shall be reduced by a soy-based cutting tool oil tax  
2 13 credit. A manufacturer, as defined in section 428.20, is  
2 14 eligible to receive a soy-based cutting tool oil tax credit

2 15 which is equal to the costs incurred by the manufacturer  
2 16 during the tax year for the purchase and replacement costs  
2 17 relating to the transition from using nonsoy-based cutting  
2 18 tool oil to using soy-based cutting tool oil. The costs  
2 19 eligible for the credit are limited to those costs meeting all  
2 20 of the following requirements:

2 21 (1) The costs were incurred after June 30, 2005, and  
2 22 before January 1, 2007.

2 23 (2) The costs were incurred in the first twelve months of  
2 24 the transition to using soy-based cutting tool oil.

2 25 (3) The costs of the purchase and replacement do not  
2 26 exceed two dollars per gallon of soy-based cutting tool oil  
2 27 used in the transition. The total number of gallons used in  
2 28 the transition under this subparagraph shall not exceed two  
2 29 thousand gallons.

2 30 If the manufacturer elects to take the soy-based cutting  
2 31 tool oil tax credit, the manufacturer shall not deduct for  
2 32 Iowa tax purposes any amount of the costs incurred in the  
2 33 transition to using soy-based cutting tool oil which is  
2 34 deductible for federal tax purposes.

2 35 b. Any credit in excess of the tax liability shall be  
3 1 refunded with interest computed under section 422.25. In lieu  
3 2 of claiming a refund, a taxpayer may elect to have the  
3 3 overpayment shown on the taxpayer's final, completed return  
3 4 credited to the tax liability for the following tax year.

3 5 c. For purposes of this subsection, "soy-based cutting  
3 6 tool oil" means cutting tool oil that contains ninety percent  
3 7 soy-based products.

3 8 d. This subsection is repealed December 31, 2007.

3 9 Sec. 3. APPLICABILITY DATES. This Act applies to tax  
3 10 years ending after June 30, 2005, and beginning before January  
3 11 1, 2007.

#### 3 12 EXPLANATION

3 13 This bill provides a soy-based cutting tool oil tax credit  
3 14 under the individual and corporate income taxes. The tax  
3 15 credit equals the costs incurred for the purchase and  
3 16 replacement costs related to the transition from using nonsoy=  
3 17 based cutting tool oil to using soy-based cutting tool oil in  
3 18 the manufacturing process. The costs must meet three other  
3 19 requirements: They were incurred after June 30, 2005, and  
3 20 before January 1, 2007, they were incurred in the first 12  
3 21 months of the transition to using soy-based cutting tool oil,  
3 22 and they do not exceed \$2 per gallon of the soy-based cutting  
3 23 tool oil used in the transition, up to 2,000 gallons. Any  
3 24 excess credit is refundable. The credit applies to tax years  
3 25 ending after June 30, 2005, and beginning before January 1,  
3 26 2007. The credit is repealed December 31, 2007.

3 27 LSB 2023SC 81

3 28 mg:nh/cf/24