

Senate File 2231 - Introduced

SENATE FILE _____
BY COMMITTEE ON ECONOMIC GROWTH
(SUCCESSOR TO SSB 3129)

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

A BILL FOR

1 An Act increasing the total aggregate amount of tax credits
2 issued for business investment and contributions to seed
3 capital funds and coinvestment funds and repealing a venture
4 capital fund investment tax credit.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
6 TLSB 5786SV 82
7 tw/rj/8

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1 1 Section 1. Section 15E.43, subsection 4, Code Supplement
1 2 2007, is amended to read as follows:
1 3 4. The aggregate amount of tax credits issued pursuant to
1 4 this division shall not exceed a total of ~~ten~~ twelve million
1 5 five hundred thousand dollars. The total amount of tax
1 6 credits issued during the fiscal year beginning July 1, 2002,
1 7 shall not exceed three million dollars. The total amount of
1 8 tax credits issued during the fiscal year beginning July 1,
1 9 2003, shall not exceed three million dollars. The total
1 10 amount of tax credits issued during the fiscal year beginning
1 11 July 1, 2004, shall not exceed four million dollars. The
1 12 total amount of tax credits issued during the fiscal year
1 13 beginning July 1, 2008, shall not exceed two million five
1 14 hundred thousand dollars. Any amount of the maximum aggregate
1 15 limit of tax credits that have not been issued by June 30,
1 16 ~~2005~~ 2009, may be issued in any subsequent fiscal year. Not
1 17 more than three million dollars of tax credits may be issued
1 18 in any one subsequent fiscal year.
1 19 Sec. 2. Section 15E.44, subsection 2, paragraph e, Code
1 20 Supplement 2007, is amended to read as follows:
1 21 e. The business shall not have a net worth that exceeds
1 22 ~~ten~~ five million dollars.
1 23 Sec. 3. Section 15E.45, subsection 2, paragraph b, Code
1 24 Supplement 2007, is amended to read as follows:
1 25 b. The fund has, on or after January 1, 2002, a total of
1 26 both capital commitments from investors and investments in
1 27 qualifying businesses of at least one hundred twenty-five
1 28 thousand dollars, but not more than three million dollars.
1 29 However, if a fund is either a rural business investment
1 30 company under the rural business investment program of the
1 31 federal Farm Security and Rural Investment Act of 2002, Pub.
1 32 L. No. 107=171, or an Iowa-based seed capital coinvestment
1 33 fund with at least forty five percent of its committed capital
1 34 subscribed by committed to investments in community-based seed
1 35 capital funds, the fund may qualify notwithstanding having
2 1 capital in excess of the limits set forth in this paragraph as
2 2 long as the fund otherwise meets the requirements of this
2 3 subsection.
2 4 Sec. 4. Section 15E.45, subsections 7 and 8, Code
2 5 Supplement 2007, are amended to read as follows:
2 6 7. An investor in a community-based seed capital fund
2 7 shall receive a tax credit pursuant to this division only for
2 8 the investor's investment in the community-based seed capital
2 9 fund and shall not receive any additional tax credit for the
2 10 investor's share of investments made by the community-based
2 11 seed capital fund in a qualifying business ~~or in an Iowa-based~~
2 12 ~~seed capital fund with at least forty percent of its committed~~
2 13 ~~capital subscribed by community-based seed capital funds.~~
2 14 However, an investor in a community-based seed capital fund
2 15 may receive a tax credit under this division with respect to a
2 16 separate direct investment made by the investor in the same

2 17 qualifying business in which the community-based seed capital
2 18 fund invests.
2 19 8. A community-based seed capital fund shall not invest in
2 20 the Iowa fund of funds, if organized pursuant to section
2 21 15E.65, but may invest up to ~~sixty ten~~ percent of its
2 22 committed capital in an Iowa-based seed capital coinvestment
2 23 fund with at least ~~forty five~~ percent of its committed capital
2 24 subscribed by committed to investments in community-based seed
2 25 capital funds.

2 26 Sec. 5. Section 15E.231, subsection 1, Code 2007, is
2 27 amended to read as follows:

2 28 1. In order for an economic development region to receive
2 29 moneys from the grow Iowa values fund created in section
2 30 15G.108, an economic development region's regional development
2 31 plan must be approved by the department. An economic
2 32 development region shall consist of not less than three
2 33 counties, unless two contiguous counties have a combined
2 34 population of at least three hundred thousand based on the
2 35 most recent federal decennial census. A statewide seed

3 1 capital coinvestment fund, established to invest in Iowa-based
3 2 community seed capital funds established under section 15E.45
3 3 and in businesses receiving investments from such

3 4 community-based seed capital funds, shall constitute an
3 5 economic development region. An economic development region

3 6 shall establish a focused economic development effort that
3 7 shall include a regional development plan relating to one or
3 8 more of the following areas:

3 9 a. Regional marketing strategies.

3 10 b. Development of the information solutions sector.

3 11 c. Development of the advanced manufacturing sector.

3 12 d. Development of the life sciences and biotechnology

3 13 sector.

3 14 e. Development of the insurance or financial services

3 15 sector.

3 16 f. Physical infrastructure including, but not limited to,
3 17 horizontal infrastructure, water and sewer infrastructure, and
3 18 telecommunications infrastructure.

3 19 g. Entrepreneurship.

3 20 h. Development of the alternative and renewable energy

3 21 sector.

3 22 i. Development of statewide and community angel and seed

3 23 capital investment programs.

3 24 Sec. 6. Section 15E.232, subsection 2, paragraph c, Code
3 25 Supplement 2007, is amended to read as follows:

3 26 c. The total amount of tax credits and payments to
3 27 contributors, referred to as the credit amount, authorized
3 28 during a fiscal year shall not exceed two million dollars plus
3 29 any unused credit amount carried over from previous years. A
3 30 tax credit shall not be authorized pursuant to this section

3 31 after June 30, 2013. Any credit amount which remains unused
3 32 for a fiscal year may be carried forward to the succeeding
3 33 fiscal year. The maximum credit amount that may be authorized
3 34 in a fiscal year for contributions made to a specific economic
3 35 development region revolving fund is equal to two million
4 1 dollars plus any unused credit amount carried over from
4 2 previous years divided by the number of economic development
4 3 region revolving funds existing in the state.

4 4 Sec. 7. Section 422.33, subsection 13, Code Supplement
4 5 2007, is amended by striking the subsection.

4 6 Sec. 8. Section 422.60, subsection 6, Code Supplement
4 7 2007, is amended by striking the subsection.

4 8 Sec. 9. Section 533.329, subsection 2, paragraph i, Code
4 9 Supplement 2007, is amended by striking the paragraph.

4 10 Sec. 10. Section 15E.51, Code Supplement 2007, is
4 11 repealed.

4 12 Sec. 11. Section 422.11G, Code Supplement 2007, is
4 13 repealed.

4 14 Sec. 12. Section 432.12B, Code 2007, is repealed.

4 15 EXPLANATION

4 16 This bill relates to tax credits for business investment
4 17 and seed capital contributions.

4 18 The bill increases the current limitation on the total
4 19 aggregate amount of investment tax credits for seed capital
4 20 and business investments from \$10 million to \$12.5 million and
4 21 limits the total amount of tax credits for the fiscal year
4 22 beginning July 1, 2008, to \$2.5 million.

4 23 The bill changes the eligibility requirements for
4 24 qualifying businesses. Currently, a business's net worth
4 25 cannot be more than \$10 million. The bill limits a business's
4 26 net worth to \$5 million.

4 27 The bill makes changes to community-based seed capital

4 28 funds by providing for a seed capital coinvestment fund which
4 29 must have at least 5 percent of its committed capital
4 30 committed to community-based seed capital funds. Previously,
4 31 an Iowa-based seed capital fund had to commit 40 percent of
4 32 its committed assets to community-based seed capital funds.
4 33 The bill provides that a community-based seed capital fund
4 34 may not invest in the Iowa fund of funds, but it may invest up
4 35 to 10 percent of its committed capital in an Iowa-based seed
5 1 capital coinvestment fund that has at least 5 percent of its
5 2 committed capital committed to investments in community-based
5 3 seed capital funds.
5 4 The bill provides that a statewide coinvestment fund
5 5 constitutes an economic development region for the development
5 6 of statewide and community angel and seed capital investment.
5 7 The bill provides that tax credits issued pursuant to Code
5 8 section 15E.232, subsection 2, paragraph "c", may not be
5 9 authorized after June 30, 2013.
5 10 Finally, the bill repeals the venture capital investment
5 11 funds tax credit and makes conforming changes.
5 12 LSB 5786SV 82
5 13 tw/rj/8