

House File 277 - Introduced

HOUSE FILE _____
BY PAULSEN

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

A BILL FOR

1 An Act relating to disaster recovery by providing tax credits for
2 costs incurred in cleanup or redevelopment of certain damaged
3 property and including effective and retroactive applicability
4 date provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
6 TLSB 1035YH 83
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1 1 Section 1. NEW SECTION. 15.231 DISASTER RECOVERY TAX
1 2 CREDITS.
1 3 1. a. A tax credit shall be allowed against the taxes
1 4 imposed in chapter 422, divisions II, III, and V, and in
1 5 chapter 432, and against the moneys and credits tax imposed in
1 6 section 533.329, for a portion of a taxpayer's payment of
1 7 disaster recovery project costs incurred as a result of a
1 8 natural disaster.
1 9 b. To qualify as a disaster recovery project, a property,
1 10 and the activities affecting the property, shall meet all of
1 11 the following conditions:
1 12 (1) The property is owned by a taxpayer who is an
1 13 individual or business subject to taxation under one of the
1 14 taxes described in paragraph "a".
1 15 (2) The taxpayer employs at least one person.
1 16 (3) The property is uninsured or underinsured.
1 17 (4) The property is located in an area declared a disaster
1 18 area by the governor or by a federal official.
1 19 (5) The property has been damaged by the natural disaster
1 20 and is being cleaned up or redeveloped.
1 21 c. An individual may claim a tax credit under this section
1 22 of a partnership, limited liability company, S corporation,
1 23 estate, or trust electing to have income taxed directly to the
1 24 individual. The amount claimed by the individual shall be
1 25 based upon the pro rata share of the individual's earnings
1 26 from the partnership, limited liability company, S
1 27 corporation, estate, or trust.
1 28 d. Any tax credit in excess of the taxpayer's liability
1 29 for the tax year is refundable, or the taxpayer may elect to
1 30 have the excess credited to the tax liability for the
1 31 following five years or until depleted, whichever is earlier.
1 32 A tax credit shall not be carried back to a tax year prior to
1 33 the tax year in which the taxpayer first receives the tax
1 34 credit.
1 35 2. a. To claim a disaster recovery tax credit under this
2 1 section, a taxpayer must attach one or more tax credit
2 2 certificates to the taxpayer's tax return. A tax credit
2 3 certificate attached to the taxpayer's tax return shall be
2 4 issued in the taxpayer's name, expire on or after the last day
2 5 of the taxable year for which the taxpayer is claiming the tax
2 6 credit, and show a tax credit amount equal to or greater than
2 7 the tax credit claimed on the taxpayer's tax return.
2 8 b. After verifying the eligibility of a taxpayer for a tax
2 9 credit pursuant to this section, the department shall issue a
2 10 disaster recovery tax credit certificate to be attached to the
2 11 taxpayer's tax return. The tax credit certificate shall
2 12 contain the taxpayer's name, address, tax identification
2 13 number, the amount of the credit, and any other information
2 14 required by the department of revenue.
2 15 c. The tax credit certificate, unless otherwise void,
2 16 shall be accepted by the department of revenue as payment for
2 17 taxes imposed pursuant to chapter 422, divisions II, III, and
2 18 V, and chapter 432, and for the moneys and credits tax imposed

2 19 pursuant to section 533.329, subject to any conditions or
2 20 restrictions placed by the department upon the face of the tax
2 21 credit certificate and subject to the limitations of this
2 22 section.

2 23 d. Tax credit certificates issued under this section are
2 24 not transferable to any person or entity.

2 25 3. The amount of the tax credit shall be determined as
2 26 follows:

2 27 a. Twenty percent of the first one hundred thousand
2 28 dollars of the costs incurred in a disaster recovery project.

2 29 b. Ten percent of any amount greater than one hundred
2 30 thousand dollars but no greater than one million dollars of
2 31 the costs incurred in a disaster recovery project.

2 32 4. For purposes of the individual and corporate income
2 33 taxes, the insurance premiums tax, the moneys and credits tax,
2 34 and the franchise tax, the increase in the basis of the
2 35 property that would otherwise result from the qualified
3 1 disaster recovery costs shall be reduced by the amount of the
3 2 credit allowed under this part.

3 3 5. The maximum amount of tax credits issued by the
3 4 department under this part shall not exceed thirty million
3 5 dollars.

3 6 6. A payment shall be deemed to have been made on the date
3 7 the qualifying disaster recovery project is completed. A
3 8 payment made prior to July 1, 2008, or after June 30, 2010,
3 9 shall not qualify for a tax credit under this part.

3 10 Sec. 2. NEW SECTION. 15.232 APPROVAL == REQUIREMENTS ==
3 11 REPAYMENT.

3 12 1. A taxpayer seeking to claim a tax credit pursuant to
3 13 section 15.231 shall apply to the department which shall have
3 14 the power to approve the amount of tax credit available for
3 15 each disaster recovery project. The department shall not
3 16 approve a tax credit for a taxpayer unless the taxpayer agrees
3 17 to compensate employees at the same wage and benefit levels
3 18 after completion of the disaster recovery project as the
3 19 taxpayer compensated employees before the natural disaster
3 20 occurs.

3 21 2. A taxpayer applying for a tax credit shall provide the
3 22 department with all of the following:

3 23 a. Information showing the total amount invested in the
3 24 disaster recovery project.

3 25 b. Information about the financing sources of the costs
3 26 that are directly related to the disaster recovery project for
3 27 which the taxpayer is seeking the tax credit.

3 28 c. Information about the compensation of employees,
3 29 including pre-disaster wages and benefits.

3 30 3. If a taxpayer receives a tax credit pursuant to section
3 31 15.231, but fails to comply with any of the requirements, the
3 32 tax credit is void, and the department of revenue shall seek
3 33 recovery of the value of the credit received.

3 34 Sec. 3. NEW SECTION. 422.11X DISASTER RECOVERY PROJECT
3 35 TAX CREDIT.

4 1 The taxes imposed under this division, less the credits
4 2 allowed under section 422.12, shall be reduced by a disaster
4 3 recovery project tax credit allowed under chapter 15, part 3.

4 4 Sec. 4. Section 422.33, Code 2009, is amended by adding
4 5 the following new subsection:

4 6 NEW SUBSECTION. 27. The taxes imposed under this division
4 7 shall be reduced by a disaster recovery project tax credit
4 8 allowed under chapter 15, part 3.

4 9 Sec. 5. Section 422.60, Code 2009, is amended by adding
4 10 the following new subsection:

4 11 NEW SUBSECTION. 15. The taxes imposed under this division
4 12 shall be reduced by a disaster recovery project tax credit
4 13 allowed under chapter 15, part 3.

4 14 Sec. 6. NEW SECTION. 432.12M DISASTER RECOVERY PROJECT
4 15 TAX CREDIT.

4 16 The taxes imposed under this chapter shall be reduced by a
4 17 disaster recovery project tax credit allowed under chapter 15,
4 18 part 3.

4 19 Sec. 7. Section 533.329, subsection 2, Code 2009, is
4 20 amended by adding the following new paragraph:

4 21 NEW PARAGRAPH. n. The moneys and credits tax imposed
4 22 under this section shall be reduced by a disaster recovery
4 23 project tax credit authorized pursuant to chapter 15, part 3.

4 24 Sec. 8. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.
4 25 This Act, being deemed of immediate importance, takes effect
4 26 upon enactment and applies retroactively to January 1, 2008,
4 27 for tax years beginning on or after that date.

4 28 EXPLANATION

4 29 This bill relates to disaster recovery by providing tax

4 30 credits to individuals and businesses for the costs incurred
4 31 in the cleanup and redevelopment of property damaged in a
4 32 natural disaster.

4 33 The bill provides that an individual or business claiming
4 34 the tax credit must be a taxpayer subject to the individual or
4 35 corporate income taxes, the insurance premiums tax, the
5 1 franchise tax, or the moneys and credits tax, employing at
5 2 least one person, whose property is uninsured or underinsured
5 3 property located in an area declared a disaster area by the
5 4 governor or by a federal official, which has been damaged by
5 5 the natural disaster, and which is being cleaned up and
5 6 redeveloped.

5 7 The tax credit is allowed against the individual or
5 8 corporate income taxes, the franchise tax, and the moneys and
5 9 credit tax. The tax credit is refundable or, at the
5 10 taxpayer's election, may be credited until depletion to the
5 11 taxpayer's tax liability for up to five subsequent tax years.
5 12 The tax credits are not transferable. Any increase in a
5 13 property's basis is reduced by the amount of tax credits
5 14 received. Payments of costs are deemed to have been made on
5 15 the date the disaster recovery project is completed. Payments
5 16 made prior to July 1, 2008, or after June 30, 2010, do not
5 17 qualify for the tax credit.

5 18 A taxpayer may receive a credit in an amount equal to 20
5 19 percent of the first \$100,000 and 10 percent of any amount
5 20 over \$100,000 but not over \$1 million spent on a disaster
5 21 recovery project. The maximum amount of tax credits is
5 22 limited to \$30 million.

5 23 The department of economic development would approve the
5 24 tax credits and issue tax credit certificates to taxpayers. A
5 25 taxpayer must agree to pay employees at the same wage and
5 26 benefit levels after the disaster as it did before the
5 27 disaster in order to be approved for the tax credit. A
5 28 taxpayer that does not comply with the requirements loses any
5 29 right to the credit and the department of revenue shall seek
5 30 recovery of the value of the credit received.

5 31 The bill takes effect upon enactment and applies
5 32 retroactively to January 1, 2008, for tax years beginning on
5 33 or after that date.

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