

**House Study Bill 604 - Introduced**

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED ECONOMIC  
DEVELOPMENT AUTHORITY BILL)

**A BILL FOR**

1 An Act relating to economic development by providing an  
2 adjustment to net income for certified suppliers of anchor  
3 manufacturers for purposes of state taxation and including  
4 retroactive applicability provisions.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 15.226 Definitions.

2 For purposes of this part:

3 1. "*Anchor manufacturer*" means a business that meets all of  
4 the following:

5 a. Manufactures tangible personal property at a facility in  
6 Iowa.

7 b. Exports at least fifty percent of the tangible personal  
8 property produced at the facility to markets outside of the  
9 state.

10 2. "*Certified supplier*" means a business certified pursuant  
11 to section 15.227.

12 3. "*Facility*" means a building or buildings located in the  
13 state at which tangible personal property is manufactured for  
14 sale within or without the state of Iowa.

15 4. "*Manufactured*" or "*Manufactures*" means adding value to  
16 personal property through a process of manufacturing, refining,  
17 purifying, combining of different materials, the packaging of  
18 meats, extracting and recovering natural resources, and all  
19 processes of fabricating and curing, with a view to selling the  
20 property for gain or profit.

21 5. "*Tangible personal property*" means the same as defined in  
22 section 422.33, subsection 2, unnumbered paragraph 2.

23 Sec. 2. NEW SECTION. 15.227 Certification of suppliers.

24 1. A business meeting the requirements of subsection 2 may  
25 apply to the authority, no later than ninety days after the  
26 end of a tax year of the business, for certification under  
27 this section. If a business applying to the authority meets  
28 the requirements of subsection 2, the authority shall issue  
29 a certificate to the business stating that the business is a  
30 certified supplier.

31 2. To receive certification as a certified supplier, a  
32 business must meet all of the following for the tax year  
33 immediately preceding the tax year for which the requested  
34 certificate will be valid:

35 a. The business manufactures tangible personal property at a

1 facility in Iowa.

2 *b.* The business derives more than ten percent of its gross  
3 sales from sales to anchor manufacturers.

4 *c.* The business provides a statement from an anchor  
5 manufacturer, signed by an officer or authorized representative  
6 of the anchor manufacturer, attesting that the anchor  
7 manufacturer meets the definition of anchor manufacturer under  
8 section 15.226, and provides supporting documentation in a form  
9 prescribed by the authority.

10 *d.* The business meets one of the following criteria:

11 (1) At least ten percent of the total payroll of the  
12 business is located in the state.

13 (2) The business employs at least one hundred employees at a  
14 facility in the state.

15 *e.* The business agrees to annually provide to the authority  
16 information and data on jobs created and capital investments  
17 made in the state by the business. The information and data  
18 shall be in a form prescribed by the authority.

19 3. A certificate is valid for one tax year and shall include  
20 an expiration date. Reapplication may be made each year for  
21 certification under this part. The department of revenue shall  
22 accept a validly issued, unexpired certificate issued under  
23 this section.

24 **Sec. 3. NEW SECTION. 15.228 Eligibility for adjustment to**  
25 **net income of certified suppliers.**

26 A certified supplier shall be eligible to make the  
27 adjustment to net income in section 422.35, subsection 26, for  
28 a tax year if all the following apply:

29 1. The certified supplier's net business income for the tax  
30 year, allocated and apportioned to this state under section  
31 422.33, subsection 2, paragraph "b", computed without regard  
32 to section 422.35, subsection 26, increased by more than ten  
33 percent over the certified supplier's net business income in  
34 the prior year, allocated and apportioned to this state under  
35 section 422.33, subsection 2, paragraph "b".

1 2. The certified supplier attaches a copy of a valid,  
2 unexpired certificate issued under section 15.227 to the  
3 certified supplier's tax return required under chapter 422.

4 Sec. 4. NEW SECTION. 15.229 Rules.

5 The authority and the department of revenue may adopt rules  
6 for the implementation of this part.

7 Sec. 5. Section 422.35, Code Supplement 2011, is amended by  
8 adding the following new subsection:

9 NEW SUBSECTION. 26. If the taxpayer is a certified supplier  
10 that meets the requirements in section 15.228, subtract an  
11 amount equal to the difference between the taxpayer's net  
12 business income for the tax year, allocated and apportioned  
13 under section 422.33, subsection 2, paragraph "b", computed  
14 without regard to this subsection, and one hundred ten percent  
15 of the taxpayer's net business income for the prior tax year,  
16 allocated and apportioned under section 422.33, subsection 2,  
17 paragraph "b".

18 Sec. 6. RETROACTIVE APPLICABILITY. This Act applies  
19 retroactively to January 1, 2012, for tax years beginning on  
20 or after that date.

21 EXPLANATION

22 This bill creates an economic development program that  
23 allows a certified supplier to make an adjustment to net income  
24 for state corporate tax purposes.

25 To qualify as a certified supplier under the bill, a business  
26 must manufacture tangible personal property in Iowa, derive  
27 more than 10 percent of its gross sales from sales to anchor  
28 manufacturers, supply the authority with a signed statement  
29 from the anchor manufacturer attesting that the anchor  
30 manufacturer qualifies as an anchor manufacturer, and must  
31 either maintain at least 10 percent of its payroll in Iowa or  
32 employ at least 100 employees in Iowa. "Anchor manufacturer"  
33 is defined as a business that manufactures tangible personal  
34 property in Iowa and exports at least 50 percent of the  
35 tangible personal property produced in Iowa outside of the

1 state.

2 A business that meets all of the qualifications of a  
3 certified supplier may annually apply to the authority to  
4 receive a certificate labeling the business as a certified  
5 supplier. A business must apply for a certificate no later  
6 than 90 days after the end of its tax year. The certificate is  
7 valid for one year and shall include an expiration date.

8 The certified supplier will be entitled to make an  
9 adjustment to its net income if it attaches the valid,  
10 unexpired certificate to its tax return, and if its net  
11 business income allocated and apportioned to this state,  
12 computed without regard to the adjustment to net income  
13 provided in the bill, increased by more than 10 percent over  
14 its prior year net business income allocated and apportioned  
15 to this state.

16 If both requirements are met, the certified supplier is  
17 entitled to subtract from its net income an amount equal to  
18 the difference between its current year net business income  
19 allocated and apportioned to this state, computed without  
20 regard to the adjustment to net income provided in the bill,  
21 and 110 percent of its prior year net business income allocated  
22 and apportioned to this state.

23 The bill provides the authority and department of revenue  
24 with rulemaking authority.

25 The bill applies retroactively to January 1, 2012, for tax  
26 years beginning on or after that date.