

House File 270 - Introduced

HOUSE FILE 270

BY KELLEY

A BILL FOR

1 An Act relating to rural microbusinesses by establishing a
2 rural microbusiness investment loan program and fund.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 15E.152 Rural microbusiness
2 investment loan program.

3 1. The authority shall establish and administer a rural
4 microbusiness investment loan program. The rural microbusiness
5 investment loan program is established to provide financial
6 assistance for a qualified investment in an eligible rural
7 microbusiness meeting the criteria in subsection 3. Financial
8 assistance provided under this section shall be in the form of
9 a loan provided from the rural microbusiness investment fund
10 created in section 15E.153.

11 2. For purposes of this section, unless the context
12 otherwise requires:

13 a. "*Distressed rural area*" means an area that has lost
14 at least five percent of its population over the last ten
15 years, has lost ten percent of its population over the last
16 twenty years, has a median family income below eighty-five
17 percent of the national median family income, has a poverty
18 rate that exceeds twelve and one-half percent of the area's
19 total population, or the average unemployment in the preceding
20 year exceeds one hundred twenty-five percent of the national
21 average. A distressed rural area does not include a city
22 with a population above fifty thousand or an urbanized area
23 contiguous and adjacent to a city with a population above fifty
24 thousand.

25 b. "*Qualified expenditure*" means an amount paid to a rural
26 microbusiness and includes but is not limited to costs for
27 capital plant and equipment, inventory expenses, and wages, but
28 does not include interest or the cost of any vehicle or costs
29 associated with purchasing a vehicle.

30 c. "*Qualified investment*" means the excess of the qualified
31 expenditures paid for the taxable year less the qualified
32 expenditures paid for the preceding taxable year or the average
33 annual qualified expenditures paid over the preceding three
34 taxable years, whichever is greater.

35 3. To be eligible for the program, a rural microbusiness

1 must meet all of the following criteria:

2 *a.* The trade or business is carried on as a proprietorship,
3 partnership, trust if the trust is an entity in which the
4 distributions flow through to the beneficiaries in accordance
5 with their pro rata share of the principal or income of the
6 trust, S corporation, or any other entity in which the income
7 flows through to the partners, shareholders, or members in
8 accordance with their pro rata share of the income of the
9 entity.

10 *b.* The trade or business is carried on in a distressed rural
11 area.

12 *c.* The trade or business has a three-year average annual
13 gross revenue that does not exceed one million dollars for the
14 period ending with the taxable year in which the application
15 for the loan is received.

16 *d.* The trade or business employs not more than five
17 full-time equivalent employees.

18 *e.* If the majority of the activity of the trade or business
19 is agricultural production, each individual who is an owner,
20 shareholder, or holds a capital interest, profits interests, or
21 beneficial interests in such trade or business is a first-time
22 farmer.

23 4. The authority may accept, evaluate, and approve
24 applications for financial assistance from rural
25 microbusinesses pursuant to the requirements of this section
26 and may monitor the compliance of the qualifying businesses
27 with the terms of an agreement entered into with the authority.

28 5. Upon approval of the application for financial
29 assistance by the authority, the eligible rural microbusiness
30 shall enter into an agreement with the authority specifying the
31 terms of the loan.

32 6. *a.* The amount of a loan awarded to an eligible rural
33 microbusiness shall not exceed an amount equal to thirty-five
34 percent of the qualified investments in the eligible rural
35 microbusiness in the previous fiscal year or seven thousand

1 five hundred dollars, whichever is less.

2 *b.* Interest on a loan, for purposes of this program, shall
3 not exceed three and nine-tenths percent per annum.

4 7. *a.* An eligible rural microbusiness shall not receive
5 more than one award of financial assistance under this section.

6 *b.* An eligible rural microbusiness that receives financial
7 assistance under this section may subsequently apply for
8 financial assistance under other programs administered by the
9 authority.

10 8. The maximum amount of the total loans awarded by the
11 authority through the rural microbusiness investment loan
12 program shall not exceed one hundred thousand dollars in
13 a fiscal year. The authority shall award the loans on a
14 first-come, first-served basis.

15 9. The authority shall adopt rules pursuant to chapter 17A
16 as necessary to administer the program.

17 Sec. 2. NEW SECTION. 15E.153 Rural microbusiness investment
18 fund.

19 1. A rural microbusiness investment fund is created in
20 the state treasury under the control of the authority and
21 consisting of any moneys appropriated by the general assembly
22 and any other moneys available to and obtained or accepted by
23 the authority for placement in the fund.

24 2. Payments of interest, repayments of moneys loaned, and
25 recaptures of loans shall be deposited in the fund.

26 3. The fund shall be used to provide financial assistance in
27 the form of low-interest loans under the rural microbusiness
28 investment loan program established in section 15E.152.

29 4. Moneys in the fund are not subject to section 8.33.
30 Notwithstanding section 12C.7, interest or earnings on moneys
31 in the fund shall be credited to the fund.

32 EXPLANATION

33 This bill relates to rural microbusinesses by establishing
34 a rural microbusiness investment loan program and fund. The
35 bill provides that the economic development authority shall

1 establish and administer a rural microbusiness investment loan
2 program to provide low-interest loans for qualified investments
3 in an eligible rural microbusiness.

4 The bill defines a "qualified investment" as the excess of
5 the qualified expenditures paid for the taxable year minus the
6 qualified expenditures paid for the preceding taxable year or
7 the average annual qualified expenditures paid in the previous
8 three taxable years, whichever is greater. A "qualified
9 expenditure" is an amount paid to a rural microbusiness and
10 does not include interest or the cost of any vehicle or the
11 cost of purchasing a vehicle.

12 The bill defines a "distressed rural area" as an area that
13 has lost at least 5 percent of its population in the last 10
14 years, 10 percent of its population in the last 20 years, has a
15 median family income below 85 percent of the national median
16 family income, has a poverty rate that exceeds 12.5 percent
17 of the area's population, or the average unemployment in the
18 preceding year exceeds 125 percent of the national average. A
19 "distressed rural area" does not include a city or urbanized
20 area contiguous and adjacent to a city with a population over
21 50,000.

22 The bill provides that to qualify for a loan under the rural
23 microbusiness investment loan program, a rural microbusiness
24 must be: a trade or business carried on as a proprietorship,
25 partnership, trust if the trust is an entity in which
26 distributions flow through to beneficiaries based on the
27 beneficiaries' pro rata share of the principal or income of the
28 trust, S corporation, or any other entity in which the income
29 flows through to partners, shareholders, or members based on
30 their pro rata share of the income in the entity; a trade or
31 business carried on in a distressed rural area; a trade or
32 business with a three-year average annual gross revenue that
33 does not exceed \$1 million for the period ending with the
34 taxable year in which the business applied for the loan; a
35 trade or business which employs not more than five full-time

1 equivalent employees; and if the majority of the activity
2 of the trade or business is agricultural production, each
3 individual who is an owner, shareholder, or holds a capital
4 interest, profits interests, or beneficial interests in the
5 trade or business is a first-time farmer.

6 The bill provides that the economic development authority
7 may accept, evaluate, and approve applications for financial
8 assistance from rural microbusinesses. Upon approval of an
9 application for financial assistance, the eligible rural
10 microbusiness and the authority shall enter into an agreement
11 discussing the terms of the loan.

12 The bill requires that the amount of a loan awarded pursuant
13 to the rural microbusiness investment loan program shall not
14 exceed 35 percent of the funds invested in the eligible rural
15 microbusiness in the previous fiscal year or \$7,500, whichever
16 is less. The interest on a loan under the rural microbusiness
17 investment loan program shall not exceed 3.9 percent per annum.

18 The bill provides that an eligible rural microbusiness
19 shall not receive more than one award of financial assistance
20 under the program; however, an eligible rural microbusiness
21 may subsequently apply for financial assistance under other
22 programs after receiving financial assistance pursuant to the
23 rural microbusiness investment loan program.

24 The bill states that the maximum amount of loans awarded by
25 the economic development authority for the rural microbusiness
26 investment loan program shall not exceed \$100,000 in a
27 fiscal year, and the loans shall be awarded on a first-come,
28 first-served basis.

29 The bill requires the authority to adopt rules to administer
30 the program.

31 The bill establishes a rural microbusiness investment fund
32 to provide low-interest loans for the rural microbusiness
33 investment loan program. The fund consists of moneys
34 appropriated by the general assembly or any other moneys
35 available to and obtained or accepted by the economic

H.F. 270

1 development authority for placement in the fund. Payments of
2 interest, repayments of moneys provided, and recaptures of
3 moneys provided shall be deposited in the fund. The moneys in
4 the fund are not subject to reversion of funds to the fund from
5 which appropriated or crediting of interest to the general fund
6 of the state.