

Senate File 2359 - Introduced

SENATE FILE 2359

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 2354)

(SUCCESSOR TO SF 2180)

(SUCCESSOR TO SSB 3121)

A BILL FOR

1 An Act relating to the administration of certain economic
2 development programs by the economic development authority
3 and including effective date and retroactive applicability
4 provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

INVESTMENT TAX CREDITS

1
2
3 Section 1. Section 15E.43, subsection 1, paragraph b, Code
4 2014, is amended to read as follows:

5 b. A tax credit shall be allowed only for an investment made
6 in the form of cash to purchase equity in a qualifying business
7 or in a community-based seed capital fund. A taxpayer that has
8 received a tax credit for an investment in a community-based
9 seed capital fund shall not claim the tax credit prior to the
10 third tax year following the tax year in which the investment
11 is made. Any tax credit in excess of the taxpayer's liability
12 for the tax year may be credited to the tax liability for the
13 following five years or until depleted, whichever is earlier.
14 A tax credit shall not be carried back to a tax year prior to
15 the tax year in which the taxpayer redeems the tax credit.

16 Sec. 2. Section 15E.43, subsections 3 and 5, Code 2014, are
17 amended to read as follows:

18 3. An investment shall be deemed to have been made on the
19 same date as the date of acquisition of the equity interest as
20 determined by the Internal Revenue Code. ~~An investment made~~
21 ~~prior to January 1, 2002, shall not qualify for a tax credit~~
22 ~~under this division.~~

23 5. ~~A tax credit shall not be redeemed during any tax year~~
24 ~~beginning prior to January 1, 2005.~~ A tax credit shall not be
25 transferable to any other taxpayer.

26 Sec. 3. Section 15E.43, Code 2014, is amended by adding the
27 following new subsection:

28 NEW SUBSECTION. 5A. A tax credit issued pursuant to this
29 division for an equity investment in a qualifying business, as
30 described in section 15E.44, which is made on or after January
31 1, 2014, shall not be redeemed by a taxpayer prior to January
32 1, 2016.

33 Sec. 4. Section 15E.44, subsection 1, Code 2014, is amended
34 to read as follows:

35 1. In order for an equity investment to qualify for a

1 tax credit, the business in which the equity investment is
2 made shall, within one hundred twenty days of the date of
3 the first investment, notify the authority of the names,
4 addresses, shares issued, consideration paid for the shares,
5 and the amount of any tax credits, of all shareholders who
6 may initially qualify for the tax credits, ~~and the earliest~~
7 ~~year in which the tax credits may be redeemed.~~ The list
8 of shareholders who may qualify for the tax credits shall
9 be amended as new equity investments are sold or as any
10 information on the list shall change.

11 Sec. 5. Section 15E.44, subsection 2, paragraph f, Code
12 2014, is amended to read as follows:

13 f. The business shall have secured, ~~within twenty-four~~
14 ~~months following the first date on which the equity investments~~
15 ~~qualifying for tax credits have been made,~~ total equity
16 ~~or~~ financing, near equity financing, binding investment
17 commitments, or some combination thereof, equal to at least two
18 hundred fifty thousand dollars.

19 Sec. 6. Section 15E.45, subsection 3, paragraph a,
20 subparagraph (3), Code 2014, is amended by striking the
21 subparagraph and inserting in lieu thereof the following:

22 (3) Any other information required by the authority.

23 Sec. 7. Section 15E.45, subsection 6, Code 2014, is amended
24 to read as follows:

25 6. In the event that a community-based seed capital
26 fund fails to meet or maintain any requirement set forth in
27 this section, or in the event that at least thirty-three
28 percent of the invested capital of the community-based seed
29 capital fund has not been invested in one or more separate
30 qualifying businesses, measured at the end of the ~~forty-eighth~~
31 thirty-sixth month after commencing the fund's investing
32 activities, the authority shall rescind any tax credit
33 certificates issued to limited partners or members and shall
34 notify the department of revenue that it has done so, and the
35 tax credit certificates shall be null and void. ~~However, a A~~

1 community-based seed capital fund may apply to the authority
2 for a one-year waiver of the requirements of this subsection.

3 Sec. 8. RETROACTIVE APPLICABILITY. Except as otherwise
4 provided in this division of this Act, this division of this
5 Act applies retroactively to January 1, 2014, for tax years
6 beginning and investments made on or after that date.

7 DIVISION II

8 TARGETED SMALL BUSINESS ASSISTANCE

9 Sec. 9. 2013 Iowa Acts, chapter 13, section 10, subsections
10 1 and 2, are amended to read as follows:

11 1. Upon repeal of the targeted small business financial
12 assistance program established in section 15.247, the authority
13 shall transfer all unencumbered and unobligated moneys accruing
14 to the authority pursuant to existing agreements to a fund
15 established by the authority in the state treasury under
16 the control of the authority pursuant to section 15.106A,
17 subsection 1, paragraph "o", to be used for the purposes of
18 providing assistance to targeted small businesses pursuant to
19 ~~subsection~~ subsections 3 and 4 of this section of this Act.

20 2. Loan payments or repayments and recaptures of principal,
21 interest, or other moneys accruing to the authority on or after
22 June 30, 2013, pursuant to an agreement under section 15.247,
23 shall be transferred to a fund established by the authority in
24 the state treasury under the control of the authority pursuant
25 to section 15.106A, subsection 1, paragraph "o", to be used
26 for the purposes of providing assistance to targeted small
27 businesses pursuant to ~~subsection~~ subsections 3 and 4 of this
28 section of this Act.

29 Sec. 10. 2013 Iowa Acts, chapter 13, section 10, subsection
30 3, paragraph c, is amended to read as follows:

31 c. The authority shall, upon completion of the initial
32 performance period and the other applicable terms of the
33 agreement with the microloan service provider, submit a report
34 to the general assembly and the governor's office describing
35 the results achieved by the service provider and shall make

1 recommendations as to whether the state should continue to
2 provide funds for future fiscal years for the purpose of
3 providing financial and technical assistance to targeted
4 small businesses through the services of a microloan service
5 provider. The report shall also include the results achieved
6 by the program established to assist entities in developing a
7 statewide initiative designed to increase the number of female
8 entrepreneurs in the state pursuant to subsection 4.

9 Sec. 11. 2013 Iowa Acts, chapter 13, section 10, is amended
10 by adding the following new subsection:

11 NEW SUBSECTION. 4. a. From the moneys transferred pursuant
12 to subsections 1 and 2, the authority may use amounts not
13 allocated for purposes of subsection 3 for purposes of this
14 subsection.

15 b. The authority may establish a program to assist one
16 or more private sector entities in implementing a multiyear
17 statewide initiative designed to increase the number of female
18 entrepreneurs in the state. Such an initiative shall target
19 at least ten communities around the state, both urban and
20 rural, for training and discussion on the personal, legal,
21 and financial aspects of starting and operating a small
22 business. The initiative shall also provide for individual
23 mentoring, access to matched savings accounts intended to be
24 used for the start or expansion of a small business by a female
25 entrepreneur, and specialized topical workshops useful to
26 female entrepreneurs.

27 c. A targeted small business owned, operated, and actively
28 managed by one or more women that is receiving assistance under
29 subsection 3 is also eligible to receive assistance under this
30 subsection.

31 d. The program established pursuant to this subsection
32 shall be implemented, to the extent practicable, in a manner
33 that complements the program established pursuant to subsection
34 3. Results achieved by the program established pursuant to
35 this subsection shall be included in the report prepared

1 pursuant to subsection 3.

2 Sec. 12. EFFECTIVE UPON ENACTMENT. This division of this
3 Act, being deemed of immediate importance, takes effect upon
4 enactment.

5 DIVISION III

6 STRATEGIC INFRASTRUCTURE PROGRAM

7 Sec. 13. Section 15.117A, subsection 6, Code 2014, is
8 amended by adding the following new paragraph:

9 NEW PARAGRAPH. *f.* Review and make recommendations on all
10 applications received by the authority for financial assistance
11 under the Iowa strategic infrastructure program pursuant to
12 section 15.313.

13 Sec. 14. Section 15.311, Code 2014, is amended to read as
14 follows:

15 **15.311 Title.**

16 This part shall be known as the "*Iowa Strategic Investment*
17 ~~*Fund*~~" *Infrastructure*" program.

18 Sec. 15. Section 15.313, subsection 1, Code 2014, is amended
19 to read as follows:

20 1. *a.* ~~An Iowa strategic investment fund is created~~ The
21 authority shall establish a fund pursuant to section 15.106A,
22 subsection 1, paragraph "o", for purposes of financing
23 strategic infrastructure projects as described in this
24 section. A fund established for purposes of this section may
25 be administered as a revolving fund consisting and may consist
26 of any money moneys appropriated by the general assembly for
27 that purpose purposes of this section and any other moneys
28 that are lawfully available to and obtained or accepted by
29 the authority, from the federal government or private sources
30 for placement in the fund including moneys transferred or
31 deposited from other funds created pursuant to section 15.106A,
32 subsection 1, paragraph "o". Any moneys appropriated to a fund
33 for purposes of this section shall be used for purposes of the
34 strategic infrastructure program.

35 *b.* Notwithstanding section 8.33, moneys in ~~the strategic~~

1 ~~investment~~ a fund established for purposes of this section at
2 the end of each fiscal year shall not revert to any other fund
3 but shall remain in the strategic ~~investment~~ infrastructure
4 fund for expenditure for subsequent fiscal years.

5 c. Moneys in a fund established for purposes of this
6 section, except for moneys appropriated to a fund for purposes
7 of this section, may be transferred to other funds created
8 pursuant to section 15.106A, subsection 1, paragraph "o".

9 Sec. 16. Section 15.313, subsection 2, unnumbered paragraph
10 1, Code 2014, is amended to read as follows:

11 ~~The assets of the fund program~~ shall be used by the authority
12 to ~~assist in~~ provide financial assistance for strategic
13 infrastructure projects that are intended to lead to relocation
14 or expansion projects for existing businesses as well as
15 ~~entrepreneurial start-up and expansion projects~~ financial
16 assistance for new businesses. Moneys in the fund shall
17 ~~be used for projects designed to meet any of the following~~
18 ~~purposes:~~

19 Sec. 17. Section 15.313, subsection 2, paragraphs a, b, c,
20 d, e, and f, Code 2014, are amended by striking the paragraphs.

21 Sec. 18. Section 15.313, Code 2014, is amended by adding the
22 following new subsection:

23 NEW SUBSECTION. 2A. The Iowa innovation council shall
24 review each application received by the economic development
25 authority for financial assistance under the program and
26 shall make recommendations to the board regarding all of the
27 following:

28 a. The completeness of the application.

29 b. Whether the board should approve an application for
30 financial assistance, and if so, the amount of such financial
31 assistance.

32 Sec. 19. Section 15.313, subsection 3, Code 2014, is amended
33 by striking the subsection and inserting in lieu thereof the
34 following:

35 3. For purposes of this section, unless the context

1 otherwise requires:

2 *a. "Financial assistance"* means the same as defined in
3 section 15.102.

4 *b. "Strategic infrastructure"* means projects that develop
5 commonly utilized assets that provide an advantage to one
6 or more private sector entities or that create necessary
7 physical infrastructure in the state, and such projects are
8 not adequately provided by the public or private sectors.
9 Such projects may include vertical improvement developments,
10 facilities and equipment upgrades, or the redevelopment or
11 repurposing of underutilized property or other assets, provided
12 that each project is intended to attract additional public or
13 private sector investment and result in broad-based prosperity
14 in this state.

15 *c. "Vertical improvement"* means the same as defined in
16 section 15J.2.

17 Sec. 20. Section 15.313, Code 2014, is amended by adding the
18 following new subsection:

19 NEW SUBSECTION. 4. The authority shall adopt rules to
20 implement and administer this section. In adopting such rules,
21 the authority shall narrowly construe the provisions of this
22 section.

23 Sec. 21. Section 15.335B, subsection 2, paragraph a, Code
24 2014, is amended by adding the following new subparagraph:

25 NEW SUBPARAGRAPH. (7) For deposit in a fund created for
26 purposes of the strategic infrastructure program established
27 pursuant to section 15.313.

28 Sec. 22. Section 384.4, subsection 1, paragraph b, Code
29 2014, is amended to read as follows:

30 *b.* Interest as it becomes due and the amount necessary
31 to pay, or to create a sinking fund to pay, the principal at
32 maturity of all general obligation bonds issued by the city ~~or~~
33 ~~to pay, or to create a sinking fund to pay, amounts as due on~~
34 ~~loans received through the former Iowa community development~~
35 ~~loan program pursuant to section 15E.120.~~

1 Sec. 23. 2011 Iowa Acts, chapter 133, section 13A, as
2 enacted by 2013 Iowa Acts, chapter 142, section 7, is amended
3 to read as follows:

4 SEC. 13A. TRANSITION UPON REPEAL.

5 1. Any moneys in the economic development fund created
6 pursuant to section 15G.111, Code Supplement 2011, that
7 remain unobligated on July 1, 2013, shall be transferred to
8 the rebuild Iowa infrastructure fund. The authority shall
9 provide notification to the department of management and to the
10 legislative services agency at the time of the transfer.

11 2. Loan payments or repayments and recaptures of principal,
12 interest, or other moneys accruing to the authority on or after
13 July 1, 2013, pursuant to an agreement under chapter 15G,
14 subchapter I, shall be transferred by the authority to a fund
15 established by the authority in the state treasury pursuant to
16 section 15.106A, subsection 1, paragraph "o".

17 3. The authority may use any moneys accruing pursuant to
18 subsection 2 for purposes of section 15.313.

19 Sec. 24. REPEAL. Section 15E.120, Code 2014, is repealed.

20 Sec. 25. EFFECTIVE UPON ENACTMENT. This division of this
21 Act, being deemed of immediate importance, takes effect upon
22 enactment.

23 Sec. 26. RETROACTIVE APPLICABILITY. The section of this
24 division of this Act amending 2011 Iowa Acts, chapter 133,
25 section 13A, as enacted by 2013 Iowa Acts, chapter 142, section
26 7, applies retroactively to July 1, 2013.

27 DIVISION IV

28 ENDOW IOWA PROGRAM

29 Sec. 27. Section 15E.303, subsection 4, Code 2014, is
30 amended to read as follows:

31 4. *"Endow Iowa qualified community foundation"* means a
32 community foundation organized or operating in this state that
33 ~~substantially complies with~~ attains the national standards
34 established by the national council on foundations as
35 determined by the authority in collaboration with the Iowa

1 council of foundations.

2 DIVISION V

3 ECONOMIC DEVELOPMENT REGIONS

4 Sec. 28. Section 15E.231, unnumbered paragraph 1, Code
5 2014, is amended to read as follows:

6 In order for an economic development region to receive
7 assistance pursuant to section 15.335B, an economic development
8 region's regional development plan must be approved by the
9 authority. An economic development region shall consist of
10 ~~not less than three counties, unless two contiguous counties~~
11 ~~have a combined population of at least three hundred thousand~~
12 ~~based on the most recent federal decennial census~~ three or more
13 contiguous counties or two or more contiguous counties and one
14 or more public or private, nonprofit entities that have entered
15 into an agreement to pursue mutual economic development goals
16 with a regional focus. An economic development region shall
17 establish a focused economic development effort that shall
18 include a regional development plan relating to one or more of
19 the following areas:

20 Sec. 29. EFFECTIVE UPON ENACTMENT. This division of this
21 Act, being deemed of immediate importance, takes effect upon
22 enactment.

23 EXPLANATION

24 The inclusion of this explanation does not constitute agreement with
25 the explanation's substance by the members of the general assembly.

26 This bill relates to economic development programs by
27 modifying the administration of investment tax credits for
28 investments in community-based seed capital funds or qualifying
29 businesses, targeted small business assistance, the strategic
30 investment fund program, the endow Iowa program, economic
31 development regions, and properly related matters.

32 Division I of the bill eliminates the prohibition on a
33 taxpayer claiming the investment tax credit for an equity
34 investment in a qualifying business earlier than the third
35 tax year following the tax year in which the investment was

1 made. The bill eliminates the 24-month requirement for a
2 qualifying business under the investment tax credits program
3 to secure total equity or near equity financing and adds
4 that a qualifying business may also use binding investment
5 commitments, or a combination of the equity and investment
6 commitments to demonstrate that it has met the requirement
7 in current Code to secure at least \$250,000. The bill also
8 changes the date by which a community-based seed capital fund
9 must invest in a separate qualifying business from 48 months
10 after commencing the fund's investing activities to 36 months
11 after commencing the fund's investing activities.

12 The bill eliminates outdated language relating to
13 investments made prior to January 2002 and January 2005.

14 A taxpayer receiving a tax credit issued for the taxpayer's
15 equity investment in a qualifying business which is made on or
16 after January 1, 2014, may not redeem that tax credit prior to
17 January 1, 2016.

18 Division I applies retroactively to January 1, 2014, for tax
19 years beginning on or after that date and investments made on
20 or after that date.

21 Division II of the bill allows moneys transferred from the
22 targeted small business financial assistance program, which
23 was repealed in the 2013 legislative session, that are not
24 allocated for the procurement of a microloan service provider
25 to assist targeted small businesses to be used to establish a
26 program to assist one or more private entities in implementing
27 an initiative to increase the number of female entrepreneurs in
28 the state. A program created for this purpose must complement
29 the current microloan service provider program which provides
30 financial and technical assistance to targeted small businesses
31 at a discounted rate. A targeted small business that is owned,
32 operated, and managed by a woman and that is receiving the
33 services of a microloan service provider may also receive
34 assistance from the statewide initiative.

35 Division II takes effect upon enactment.

1 Division III of the bill makes changes to the strategic
2 investment fund program. The bill changes the name of the
3 program from the Iowa strategic investment fund program to the
4 Iowa strategic infrastructure program, and allows the authority
5 to establish a fund under its general authority for the purpose
6 of financing strategic infrastructure projects.

7 Under current law, a strategic investment fund is created
8 and the fund's assets are required to be used for relocation or
9 expansion projects for existing businesses and entrepreneurial
10 start-up and expansion projects that meet purposes specified in
11 statute. The bill eliminates these provisions and requires the
12 fund created by the authority to be used to provide financial
13 assistance for relocation or expansion projects for existing
14 businesses as well as financial assistance for new businesses.
15 The bill requires moneys appropriated to the fund to be used
16 for the purpose of the strategic infrastructure program, but
17 allows other moneys in the fund to be transferred to other
18 funds created by the authority. The bill provides definitions
19 for "financial assistance", "strategic infrastructure", and
20 "vertical improvement".

21 The bill requires the Iowa innovation council to review
22 each application for financial assistance under the strategic
23 infrastructure program and make a recommendation to the
24 economic development authority board on whether the application
25 is complete, whether the board should approve an application,
26 and the amount of the financial assistance to be awarded, if
27 any.

28 The bill repeals a provision relating to loan repayments
29 under the former Iowa community development loan program that
30 included a reference to the strategic investment fund.

31 The bill requires the authority to transfer loan payments
32 or repayments and recaptures of principal, interest, or other
33 moneys accruing to the authority as a result of an agreement
34 made pursuant to Code chapter 15G, subchapter I, the grow
35 Iowa financial assistance program, to a fund created by the

1 authority. This provision of the bill applies retroactively to
2 July 1, 2013. The bill allows the authority to use any moneys
3 transferred pursuant to this provision of the bill for purposes
4 of the strategic infrastructure program.

5 Division III of the bill takes effect upon enactment.

6 Division IV of the bill makes changes to the endow Iowa
7 program. The bill requires an endow Iowa qualified community
8 foundation to attain national standards established by the
9 national council on foundations rather than substantially
10 comply with those standards.

11 Division V of the bill modifies the definition of an economic
12 development region to be three or more contiguous counties
13 or two or more contiguous counties and one or more public or
14 private, nonprofit entities that have entered into an agreement
15 to pursue regional economic development goals. Under current
16 law, an economic development region is defined as three or more
17 counties or two contiguous counties with a population of at
18 least 300,000 people.

19 Division V of the bill takes effect upon enactment.