

**Senate Study Bill 1242 - Introduced**

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED DEPARTMENT OF  
REVENUE BILL)

**A BILL FOR**

1 An Act relating to the policy administration of the tax and  
2 related laws and related programs by the department of  
3 revenue, including administration of income taxes, sales  
4 and use taxes, the orderly wind-up and eventual repeal of  
5 the Iowa fund of funds program, the replacement taxes task  
6 force, a study report related to administrative appeals  
7 processes for tax matters, and including effective date and  
8 retroactive applicability provisions.  
9 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I  
INCOME TAXES

Section 1. Section 2.48, subsection 3, paragraph c, subparagraph (4), Code 2013, is amended by striking the subparagraph.

Sec. 2. Section 2.48, subsection 3, paragraph e, subparagraph (5), Code 2013, is amended by striking the subparagraph.

Sec. 3. Section 15.119, subsection 2, paragraph c, Code 2013, is amended by striking the paragraph.

Sec. 4. Section 422.5, subsection 1, paragraph j, subparagraph (2), subparagraph division (a), Code 2013, is amended to read as follows:

(a) The tax imposed upon the taxable income of a resident shareholder in an S corporation or of an estate or trust with a situs in Iowa that is a shareholder in an S corporation, which S corporation has in effect for the tax year an election under subchapter S of the Internal Revenue Code and carries on business within and without the state, may be computed by reducing the amount determined pursuant to paragraphs "a" through "i" by the amounts of nonrefundable credits under this division and by multiplying this resulting amount by a fraction of which the resident's or estate's or trust's net income allocated to Iowa, as determined in section 422.8, subsection 2, paragraph "b", is the numerator and the resident's or estate's or trust's total net income computed under section 422.7 is the denominator. If a resident shareholder, or an estate or trust with a situs in Iowa that is a shareholder, has elected to take advantage of this subparagraph (2), and for the next tax year elects not to take advantage of this subparagraph, the resident or estate or trust shareholder shall not reelect to take advantage of this subparagraph for the three tax years immediately following the first tax year for which the shareholder elected not to take advantage of this subparagraph, unless the director consents to the reelection.

1 This subparagraph also applies to individuals who are residents  
2 of Iowa for less than the entire tax year.

3 Sec. 5. Section 422.8, subsection 2, paragraph b,  
4 unnumbered paragraph 1, Code 2013, is amended to read as  
5 follows:

6 A resident's income, or the income of an estate or trust with  
7 a situs in Iowa, allocable to Iowa is the income determined  
8 under section 422.7 reduced by items of income and expenses  
9 from an S corporation that carries on business within and  
10 without the state when those items of income and expenses pass  
11 directly to the shareholders under provisions of the Internal  
12 Revenue Code. These items of income and expenses are increased  
13 by the greater of the following:

14 Sec. 6. Section 422.15, subsection 2, Code 2013, is amended  
15 to read as follows:

16 2. Every partnership, including limited partnerships  
17 ~~organized under chapter 488, having a place of business in~~  
18 ~~the state, doing business in this state, or deriving income~~  
19 from sources within this state as defined in section 422.33,  
20 subsection 1, shall make a return, stating specifically the net  
21 income and capital gains (or losses) reported on the federal  
22 partnership return, the names and addresses of the partners,  
23 and their respective shares in said amounts.

24 Sec. 7. Section 422.33, subsections 9 and 27, Code 2013, are  
25 amended by striking the subsections.

26 Sec. 8. REPEAL. Sections 16.211, 16.212, and 422.11X, Code  
27 2013, are repealed.

28 Sec. 9. EFFECTIVE UPON ENACTMENT. This division of this  
29 Act, being deemed of immediate importance, takes effect upon  
30 enactment.

31 Sec. 10. RETROACTIVE APPLICABILITY. The following  
32 provision or provisions of this division of this Act apply  
33 retroactively to January 1, 2013, for tax years beginning on  
34 or after that date:

35 1. The section of this division of this Act amending section

1 422.5.

2 2. The section of this division of this Act amending section  
3 422.8.

4 3. The section of this division of this Act amending section  
5 422.15.

6 DIVISION II

7 SALES AND USE TAXES

8 Sec. 11. Section 421.26, Code 2013, is amended to read as  
9 follows:

10 **421.26 Personal liability for tax due.**

11 If a licensee or other person under section 452A.65, a  
12 retailer or purchaser under chapter 423A, 423B, or 423E, or  
13 section 423.31 or 423.33, or a retailer or purchaser under  
14 section 423.32, a user under section 423.34, or a permit holder  
15 or licensee under section 453A.13, 453A.16, or 453A.44 fails  
16 to pay a tax under those sections when due or is subject  
17 to repayment of a sales and use tax refund received under  
18 section 15.331A, an officer of a corporation or association,  
19 notwithstanding section 489.304, a member or manager of a  
20 limited liability company, or a partner of a partnership,  
21 having control or supervision of or the authority for remitting  
22 the tax payments or receiving sales and use tax refunds  
23 and having a substantial legal or equitable interest in the  
24 ownership of the corporation, association, limited liability  
25 company, or partnership, who has intentionally failed to pay  
26 the tax or whose corporation, association, limited liability  
27 company, or partnership is subject to repayment of a sales and  
28 use tax refund received under section 15.331A, is personally  
29 liable for the payment of the tax, interest, and penalty due  
30 and unpaid or repayment of the sales and use tax refund.  
31 However, this section shall not apply to taxes on accounts  
32 receivable. The dissolution of a corporation, association,  
33 limited liability company, or partnership shall not discharge a  
34 person's liability for failure to remit the tax due or repay a  
35 sales and use tax refund.

1     Sec. 12. Section 423.3, subsection 47, paragraph a,  
2 unnumbered paragraph 1, Code 2013, is amended to read as  
3 follows:

4     The sales price from the sale or rental of computers,  
5 machinery, and equipment, including replacement parts and  
6 consumable supplies, and materials used to construct or  
7 self-construct computers, machinery, and equipment if such  
8 items are any of the following:

9     Sec. 13. Section 423.3, subsection 47, paragraph c, Code  
10 2013, is amended by adding the following new subparagraph:

11     NEW SUBPARAGRAPH. (5) Machinery and equipment, including  
12 replacement parts, and materials used to construct or  
13 self-construct computers, machinery, and equipment if such  
14 items are used at a location that is primarily used to conduct  
15 activities that immediately precede the sale of products  
16 directly to the final consumer. This section shall not  
17 apply to activities that are an integrated step in a larger  
18 manufacturing process.

19     Sec. 14. Section 423.3, subsection 47, paragraph d, Code  
20 2013, is amended by adding the following new subparagraph:

21     NEW SUBPARAGRAPH. (02) "*Consumable supplies*" means tangible  
22 personal property, other than computers, machinery, equipment,  
23 or raw materials, that is consumed or expended during the  
24 manufacture of other tangible personal property. The term  
25 "*consumable supplies*" includes but is not limited to oils,  
26 greases, hydraulic fluids, coolants, and lubricants.

27     Sec. 15. Section 423.3, subsection 47, paragraph d,  
28 subparagraph (4), Code 2013, is amended to read as follows:

29     (4) "*Manufacturer*" means ~~as defined in section 428.20 a~~  
30 person who purchases, receives, or holds personal property  
31 of any description for the purpose of adding to its value by  
32 a process of manufacturing, refining, purifying, combining  
33 of different materials, or by the packing of meats, with a  
34 view to selling the property for gain or profit, but also  
35 includes contract manufacturers. A contract manufacturer is

1 a manufacturer that otherwise falls within the definition of  
2 manufacturer ~~under section 428.20~~, except that a contract  
3 manufacturer does not sell the tangible personal property  
4 the contract manufacturer processes on behalf of other  
5 manufacturers. A business engaged in activities subsequent  
6 to the extractive process of quarrying or mining, such as  
7 crushing, washing, sizing, or blending of aggregate materials,  
8 is a manufacturer with respect to these activities. A business  
9 primarily engaged in providing personal or professional  
10 services or primarily engaged in the operation of a retail  
11 outlet, including but not limited to a grocery store, home  
12 improvement store, pharmacy, bakery, or restaurant, is not  
13 considered a manufacturer for purposes of this subsection.

14 Sec. 16. Section 423.3, subsection 47, paragraph d, Code  
15 2013, is amended by adding the following new subparagraph:

16 NEW SUBPARAGRAPH. (7) (a) "*Replacement part*" means  
17 tangible personal property that meets all the following  
18 conditions:

19 (i) The tangible personal property replaces a component of  
20 a computer, machinery, or equipment, which component is capable  
21 of being separated from the computer, machinery, or equipment.

22 (ii) The tangible personal property performs the same or  
23 similar function as the component it replaced.

24 (iii) The tangible personal property restores the computer,  
25 machinery, or equipment to its original operating condition, or  
26 upgrades or improves the efficiency of the computer, machinery,  
27 or equipment.

28 (b) "*Replacement part*" does not include a consumable  
29 supply or a jig, die, tool, or other device that is used in  
30 conjunction with machinery or equipment and that is specially  
31 designed for use in manufacturing specific products and that  
32 may be used interchangeably and intermittently on a particular  
33 machine or piece of equipment.

34 DIVISION III  
35 IOWA FUND OF FUNDS

1     Sec. 17. Section 15E.62, Code 2013, is amended by adding the  
2 following new subsections:

3     NEW SUBSECTION. 03. "*Creditor*" means a person, including  
4 an assignee of or successor to such person, who extends credit  
5 or makes a loan to the Iowa fund of funds or to a designated  
6 investor, and includes any person who refinances such credit  
7 or loan.

8     NEW SUBSECTION. 04. "*Fund documents*" means all agreements  
9 relating to matters under the purview of this division VII  
10 entered into prior to the effective date of this division of  
11 this Act between or among the state, the Iowa fund of funds, a  
12 fund allocation manager or similar manager, the Iowa capital  
13 investment corporation, the board, a creditor, a designated  
14 investor, and a private seed or venture capital partnership,  
15 and includes other documents having the same force and effect  
16 between or among such parties, as any of the foregoing may be  
17 amended, modified, restated, or replaced from time to time.

18     Sec. 18. Section 15E.65, subsection 2, paragraph h, Code  
19 2013, is amended to read as follows:

20     ~~h. Fifty years after the organization of the Iowa fund~~  
21 ~~of funds~~ As soon as practicable after the effective date  
22 of this division of this Act, the Iowa capital investment  
23 corporation, in conjunction with the department of revenue,  
24 the board, and the attorney general, shall wind up the Iowa  
25 fund of funds pursuant to section 15E.72 and shall cause the  
26 Iowa fund of funds to be liquidated with all of its assets  
27 distributed to its owners in accordance with the provisions of  
28 its organizational documents and in accordance with the fund  
29 documents. In liquidating such assets, the capital investment  
30 corporation, the department of revenue, the board, and the  
31 attorney general shall act with prudence and caution in order  
32 to minimize costs and fees and to preserve investment assets to  
33 the extent reasonably possible.

34     Sec. 19. NEW SECTION. 15E.72 **Program wind-up and future**  
35 **repeal.**

1 1. *Findings.* The general assembly finds that the Iowa fund  
2 of funds program established pursuant to this division has  
3 not fulfilled the purposes described in section 15E.61 to the  
4 extent necessary to justify the fifty-year timeframe for the  
5 program that was originally envisioned in this division VII and  
6 that an early and orderly wind-up of the program is desirable.

7 2. *Organization of additional funds prohibited.*

8 Notwithstanding section 15E.65, an Iowa fund of funds shall not  
9 be organized on or after the effective date of this division  
10 of this Act.

11 3. *New investments by the fund of funds prohibited.*

12 Notwithstanding section 15E.65, the Iowa fund of funds shall  
13 not make new investments in private seed and venture capital  
14 partnerships or entities on or after the effective date of this  
15 division of this Act except as required by the fund documents.

16 4. *New investments by designated investors prohibited.*

17 a. Except as provided in paragraph "b", and notwithstanding  
18 any other provision in this division VII, a designated investor  
19 shall not invest in the Iowa fund of funds on or after the  
20 effective date of this division of this Act.

21 b. Notwithstanding the prohibition in paragraph "a", a  
22 designated investor may invest in the Iowa fund of funds on or  
23 after the effective date of this division of this Act to the  
24 extent such investment is required by the fund documents. In  
25 addition, the director of revenue, with the approval of the  
26 attorney general, may authorize additional investment in the  
27 Iowa fund of funds but only if such an investment is necessary  
28 to preserve fund assets, repay creditors, pay taxes, or  
29 otherwise effectuate an orderly wind-up of the program pursuant  
30 to this section.

31 5. *Issuance, verification, and redemption of new certificates*  
32 *prohibited.*

33 a. Except as provided in paragraph "b", and notwithstanding  
34 any other provision in this division VII, the board shall not  
35 issue, verify, or redeem a certificate or a related tax credit

1 on or after the effective date of this division of this Act.

2 *b.* Notwithstanding the prohibition in paragraph "a", the  
3 board may issue, redeem, or verify a certificate or a related  
4 tax credit under any of the following conditions:

5 (1) The board is required to do so under the terms of the  
6 fund documents.

7 (2) The issuance, redemption, or verification is deemed  
8 necessary by the director of revenue and the attorney general  
9 in order to arrange new financing terms with a creditor.

10 (3) The issuance, redemption, or verification is deemed  
11 necessary by the director of revenue and the attorney general  
12 to preserve fund assets, repay creditors, or otherwise  
13 effectuate an orderly wind-up of the program pursuant to this  
14 section.

15 *6. New fund allocation managers prohibited.*

16 *a.* Notwithstanding any other provision in this division  
17 VII, the Iowa capital investment corporation shall not have  
18 authority to solicit, select, terminate, or change a fund  
19 allocation manager or similar manager on or after the effective  
20 date of this division of this Act.

21 *b.* On or after the effective date of this division of this  
22 Act, all decisions pertaining to relationships with a fund  
23 allocation manager or similar manager selected prior to the  
24 effective date of this division of this Act shall be made  
25 by the director of revenue with the approval of the attorney  
26 general. This subsection shall not be construed to impair the  
27 terms of the fund documents.

28 *7. Pledging of certificates prohibited.*

29 *a.* Except as provided in paragraph "b", and notwithstanding  
30 any other provision of law to the contrary, a certificate and  
31 a related tax credit issued by the board shall not be pledged  
32 by a designated investor as security for a loan on or after the  
33 effective date of this division of this Act.

34 *b.* Notwithstanding the prohibition in paragraph "a", a  
35 certificate and related tax credit issued by the board may

1 be pledged by a designated investor as security for a loan  
2 to the extent such pledge is required by the fund documents.  
3 In addition, the board, with the approval of the director of  
4 revenue and the attorney general, may authorize a certificate  
5 and related tax credit to be pledged as security for a loan but  
6 only if such a pledge is necessary to arrange new financing  
7 terms with a creditor or to repay creditors for moneys loaned  
8 to a designated investor.

9     8. *Rural and small business loan guarantees prohibited.*

10 Notwithstanding any other provision in this division VII  
11 to the contrary, the Iowa capital investment corporation  
12 shall not make rural and small business loan guarantees or  
13 otherwise administer a program to provide loan guarantees and  
14 other related credit enhancements on loans to rural and small  
15 business borrowers within the state of Iowa on or after the  
16 effective date of this division of this Act.

17     9. *Iowa capital investment corporation purposes amended.*

18 Notwithstanding section 15E.64, on or after the effective date  
19 of this division of this Act, the purposes of the Iowa capital  
20 investment corporation shall be to comply with its obligations  
21 under the fund documents and to assist the board, the director  
22 of revenue, and the attorney general in effectuating the  
23 orderly wind-up of the Iowa fund of funds. In effectuating  
24 such a wind-up, the Iowa capital investment corporation shall  
25 comply with all reasonable requests by the board, the director  
26 of revenue, the attorney general, or the auditor of state.

27     10. *Use of revolving fund prohibited.*

28     a. Notwithstanding section 15E.65, subsection 2, paragraph  
29 "a", on or after the effective date of this division of this  
30 Act, all investment returns received by the Iowa capital  
31 investment corporation that are in excess of those payable to  
32 designated investors shall be deposited in the general fund of  
33 the state.

34     b. This subsection shall not be construed to impair the  
35 terms of the fund documents. It is the intent of the general

1 assembly that this subsection only applies in the event that  
2 there are investment returns in excess of those necessary to  
3 repay creditors and designated investors under the terms of the  
4 fund documents.

5 11. *Preservation of existing rights.* This section is not  
6 intended to and shall not limit, modify, or otherwise adversely  
7 affect the fund documents, including any certificate or related  
8 tax credit issued before the effective date of this division  
9 of this Act.

10 12. *Future repeal.* This division VII is repealed upon the  
11 occurrence of one of the following, whichever is earlier:

12 a. The expiration or termination of all fund documents. The  
13 director of revenue shall notify the Iowa Code editor upon the  
14 occurrence of this condition.

15 b. December 31, 2027.

16 Sec. 20. EFFECTIVE UPON ENACTMENT. This division of this  
17 Act, being deemed of immediate importance, takes effect upon  
18 enactment.

19 DIVISION IV

20 REPLACEMENT TAXES

21 Sec. 21. Section 437A.15, subsection 7, paragraph b, Code  
22 2013, is amended to read as follows:

23 b. The task force shall study the effects of the replacement  
24 tax on local taxing authorities, local taxing districts,  
25 consumers, and taxpayers through January 1, ~~2013~~ 2016. If the  
26 task force recommends modifications to the replacement tax that  
27 will further the purposes of tax neutrality for local taxing  
28 authorities, local taxing districts, taxpayers, and consumers,  
29 consistent with the stated purposes of this chapter, the  
30 department of management shall transmit those recommendations  
31 to the general assembly.

32 DIVISION V

33 STUDY REPORT

34 Sec. 22. ADMINISTRATIVE APPEALS PROCESS FOR TAX MATTERS  
35 AND NEW TAX APPEAL BOARD — REPORT. The department of

1 revenue, in consultation with the department of management  
2 and other interested stakeholders, shall study the  
3 independence, effectiveness, and fairness of the state's  
4 current administrative appeals processes for tax matters and  
5 shall make recommendations for changes, if necessary, and  
6 shall additionally study the desirability, practicality, and  
7 feasibility of replacing components of these processes with  
8 a new consolidated and independent administrative appeals  
9 board for tax matters within the executive branch to resolve  
10 disputes between the department of revenue and taxpayers. The  
11 department of revenue shall prepare and file a report detailing  
12 its findings and recommendations with the chairpersons and  
13 ranking members of the ways and means committees of the senate  
14 and the house of representatives and with the legislative  
15 services agency by January 8, 2014.

16

EXPLANATION

17 This bill relates to the policy administration of the  
18 tax and related laws of the department of revenue, including  
19 the administration of income taxes, sales and use taxes, the  
20 orderly wind-up and eventual repeal of the Iowa fund of funds  
21 program, a study report related to the current administrative  
22 appeals process for tax matters and the possible creation of  
23 a new tax appeal board.

24 DIVISION I — INCOME TAXES. The division amends the  
25 allocation of income provisions in Code sections 422.5 and  
26 422.8 to provide that an estate or trust with a situs in Iowa  
27 that is a shareholder in an S corporation is eligible to claim  
28 the S corporation apportionment credit.

29 The division amends the income tax return filing  
30 requirements for partnerships in Code section 422.15. Under  
31 current law, partnerships are required to file an Iowa return  
32 if they have a place of business in the state. The division  
33 provides that partnerships are required to file an Iowa return  
34 if they are doing business in the state, or are deriving income  
35 from sources within this state. "Income from sources within

1 this state" means income from real, tangible, or intangible  
2 property located or having a situs in this state.

3 The division repeals the assistive device tax credit  
4 available for the corporate income tax in Code section 422.33  
5 and repeals the disaster recovery housing project tax credit  
6 for the individual and corporate income tax in Code sections  
7 16.211 and 16.212, and makes various conforming amendments to  
8 remove references to these credits throughout the Code.

9 The division takes effect upon enactment and the provisions  
10 amending Code sections 422.5, 422.8, and 422.15 apply  
11 retroactively to January 1, 2013, for tax years beginning on  
12 or after that date.

13 DIVISION II — SALES AND USE TAXES. The division amends Code  
14 section 421.16, which relates to the imposition of personal  
15 liability against officers of corporations or associations,  
16 members or managers of limited liability companies, or partners  
17 of partnerships, for certain taxes if the individual has  
18 control or supervision of or the authority for remitting the  
19 taxes and a substantial equitable interest in the ownership of  
20 the business. The division provides that personal liability  
21 can also be asserted against these individuals for repayment  
22 of a sales and use tax refund received by a business under Code  
23 section 15.331A, which repayment can occur when a business  
24 fails to meet its contractual obligations under the economic  
25 development authority's enterprise zone program or high quality  
26 jobs program.

27 The division makes several amendments to the sales tax  
28 exemption in Code section 423.3(47) for the purchase or rental  
29 of certain items used in processing by a manufacturer. First,  
30 the sales tax exemption is amended to include consumable  
31 supplies. "Consumable supplies" is defined as tangible  
32 personal property that is consumed or expended during the  
33 manufacture of other tangible personal property, and includes  
34 but is not limited to oils, greases, hydraulic fluids,  
35 coolants, and lubricants.

1 Second, the sales tax exemption is amended to exclude  
2 machinery and equipment, including replacement parts, and  
3 materials used to self-construct those items, if such items  
4 are used at a location which is primarily used to conduct  
5 activities that immediately precede the sale of products  
6 directly to the final consumer. However, this exclusion does  
7 not apply to activities that are an integrated step in a  
8 larger manufacturing process. Third, the sales tax exemption  
9 adds the language of the definition of "manufacturer" in  
10 Code section 428.20, and strikes the reference to that Code  
11 section. The definition of "manufacturer" is further amended  
12 to exclude a business primarily engaged in providing personal  
13 or professional services or primarily engaged in the operation  
14 of a retail outlet, including but not limited to a grocery  
15 store, home improvement store, pharmacy, bakery, or restaurant.

16 Finally, "replacement part" is defined for purposes of the  
17 sales tax exemption to mean tangible personal property that  
18 is not a consumable supply, not a jig, die, tool, or other  
19 device that is used in conjunction with machinery or equipment,  
20 and that is specially designed for use in manufacturing  
21 specific products and that may be used interchangeably and  
22 intermittently on a particular machine or piece of equipment,  
23 and which further meets the conditions of being property that  
24 replaces a separate component of a computer, machinery, or  
25 equipment, performs the same function as that component, and  
26 restores or improves the computer, machinery, or equipment.

27 DIVISION III — IOWA FUND OF FUNDS. The division provides  
28 for an orderly wind-up and eventual repeal of the Iowa fund  
29 of funds program in accordance with the provisions of its  
30 organizational documents and with the terms of the fund  
31 documents. "Fund documents" is defined as all the agreements  
32 entered into prior to the effective date of the division  
33 between or among the state, the Iowa fund of funds, a fund  
34 allocation manager or similar manager, the Iowa capital  
35 investment corporation, the board, a creditor (as defined in

1 the division), a designated investor, and a private seed or  
2 venture capital partnership, and includes other documents  
3 having the same force and effect between or among such parties  
4 as any of the foregoing may be amended, modified, restated, or  
5 replaced from time to time. The division creates a new Code  
6 section 15E.72 that will govern the wind-up and repeal.

7 The division prohibits a new Iowa fund of funds from being  
8 organized and prohibits any new investments from being made by  
9 the existing Iowa fund of funds in private seed and venture  
10 capital partnerships or entities except as required by the  
11 fund documents. The division prohibits a new investment by  
12 a designated investor in the Iowa fund of funds unless it is  
13 required by the fund documents or the director of revenue and  
14 attorney general determine such an investment is necessary to  
15 preserve fund assets, repay creditors, pay taxes, or otherwise  
16 effectuate an orderly wind-up of the program. The division  
17 prohibits the Iowa capital investment board from issuing,  
18 redeeming, or verifying a certificate or related tax credit  
19 unless the board is required to do so under the terms of the  
20 fund documents, unless it is deemed necessary by the director  
21 of revenue and the attorney general in order to arrange new  
22 financing with a creditor, or unless it is deemed necessary by  
23 the director of revenue and the attorney general to preserve  
24 fund assets, repay creditors, or otherwise effectuate an  
25 orderly wind-up of the program.

26 The division prohibits the Iowa capital investment  
27 corporation from soliciting, selecting, terminating, or  
28 changing a fund allocation manager or similar manager. All  
29 decisions pertaining to relationships with a fund allocation  
30 manager will now be made by the director of revenue with the  
31 approval of the attorney general.

32 The division prohibits a certificate and related tax credit  
33 from being pledged as security for a loan unless such a pledge  
34 is required by the fund documents or unless the director of  
35 revenue and the attorney general authorize such a pledge to be

1 made because it is necessary to arrange new financing terms  
2 with a creditor or repay creditors for moneys loaned to a  
3 designated investor.

4 The division prohibits the Iowa capital investment  
5 corporation from making rural and small business loan  
6 guarantees or from otherwise administering a program to provide  
7 such loan guarantees or related credit enhancements on loans to  
8 rural and small business borrowers.

9 The division amends the purposes of the Iowa capital  
10 investment corporation to provide that its purpose shall be  
11 to comply with its obligations under the fund documents and  
12 to assist the Iowa capital investment board, the director of  
13 revenue, and the attorney general in effectuating an orderly  
14 wind-up of the Iowa fund of funds and in doing so shall comply  
15 with all reasonable requests of these entities or the auditor  
16 of state.

17 The division prohibits the Iowa capital investment  
18 corporation from depositing returns in excess of those payable  
19 to designated investors in a revolving fund and instead  
20 mandates that those amounts be deposited in the general fund of  
21 the state. This requirement shall not be construed to impair  
22 the terms of the fund documents.

23 The division provides that new Code section 15E.72 is not  
24 intended to and shall not limit, modify, or otherwise adversely  
25 affect the fund documents, including certificates and related  
26 tax credits issued before the effective date of the division.

27 Finally, the division provides that the Iowa fund of funds is  
28 repealed upon the earlier of December 31, 2027, or the date all  
29 fund documents expire.

30 The division takes effect upon enactment.

31 DIVISION IV — REPLACEMENT TAXES. The division extends  
32 through January 1, 2016, the replacement tax task force which  
33 expired on January 1, 2013.

34 DIVISION V — STUDY REPORT. The division establishes a  
35 report to be prepared and filed by the department of revenue.

1 The department of revenue, in consultation with the department  
2 of management and other interested stakeholders, shall study  
3 the current administrative appeals processes for tax matters  
4 and make recommendations for changes if necessary, and also  
5 study the possibility of creating a new consolidated tax  
6 appeal board. The report detailing any recommended changes  
7 or findings shall be filed with the chairperson and ranking  
8 members of the ways and means committees of the senate and the  
9 house of representatives and with the legislative services  
10 agency by January 8, 2014.