

**House File 656 - Introduced**

HOUSE FILE 656

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 555)

(SUCCESSOR TO HSB 98)

**A BILL FOR**

1 An Act relating to the administration of programs by the  
2 economic development authority by creating a renewable  
3 chemical production tax credit, modifying the tax credit for  
4 investments in qualifying businesses and community-based  
5 seed capital funds, modifying the entrepreneur investment  
6 awards program, modifying the workforce housing tax  
7 incentive program, making miscellaneous changes to other  
8 economic development authority programs, and including  
9 effective date and retroactive and other applicability  
10 provisions.

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

DIVISION I

RENEWABLE CHEMICAL PRODUCTION TAX CREDIT

1  
2  
3 Section 1. Section 15.119, subsection 2, Code 2015, is  
4 amended by adding the following new paragraph:

5 NEW PARAGRAPH. *h.* The renewable chemical production tax  
6 credit program administered pursuant to sections 15.315 through  
7 15.320. In allocating tax credits pursuant to this subsection,  
8 the authority shall not allocate more than fifteen million  
9 dollars for purposes of this paragraph.

10 Sec. 2. NEW SECTION. 15.315 **Short title.**

11 This part shall be known and may be cited as the "*Renewable*  
12 *Chemical Production Tax Credit Program*".

13 Sec. 3. NEW SECTION. 15.316 **Definitions.**

14 As used in this part, unless the context otherwise requires:

15 1. "*Biobased content percentage*" means, with respect to any  
16 renewable chemical, the amount, expressed as a percentage, of  
17 renewable organic material present as determined by testing  
18 representative samples using the American society for testing  
19 and materials standard D6866.

20 2. "*Biomass feedstock*" means sugar, polysaccharide,  
21 glycerin, lignin, fat, grease, or oil derived from a plant or  
22 animal, or a protein capable of being converted to a building  
23 block chemical by means of a biological or chemical conversion  
24 process.

25 3. "*Building block chemical*" means a molecule converted  
26 from biomass feedstock as a first product or a secondarily  
27 derived product that can be further refined into a higher-value  
28 chemical, material, or consumer product. "*Building block*  
29 *chemical*" includes but is not limited to glycerol, methanoic  
30 or formic acid, arabonic acid, erythronic acid, glyceric acid,  
31 glycolic acid, lactic acid, 3-hydroxypropionate, propionic  
32 acid, malonic acid, serine, succinic acid, fumaric acid,  
33 malic acid, aspartic acid, 3-hydroxybutyrolactone, acetoin,  
34 threonine, itaconic acid, furfural, levulinic acid, glutamic  
35 acid, xylonic acid, xylaric acid, xylitol, arabitol, citric

1 acid, aconitic acid, 5-hydroxymethylfurfural, lysine, gluconic  
2 acid, glucaric acid, sorbitol, gallic acid, ferulic acid,  
3 nonfuel butanol, nonfuel ethanol, a polymer or gum that can be  
4 produced directly from a protein-based biomass feedstock, or  
5 such additional molecules as may be included by the authority  
6 by rule.

7 4. *"Eligible business"* means a business meeting the  
8 requirements of section 15.317.

9 5. *"Food additive"* means a building block chemical that  
10 is not primarily consumed as food but which, when combined  
11 with other components, improves the taste, appearance, odor,  
12 texture, or nutritional content of food. The authority, in its  
13 discretion, shall determine whether or not a building block  
14 chemical is primarily consumed as food.

15 6. *"Program"* means the renewable chemical production tax  
16 credit program administered pursuant to this part.

17 7. *"Renewable chemical"* means a building block chemical  
18 with a biobased content percentage of at least fifty percent.  
19 *"Renewable chemical"* does not include a chemical sold or used  
20 for the production of food, feed, or fuel. *"Renewable chemical"*  
21 includes cellulosic ethanol, starch ethanol, or other ethanol  
22 derived from biomass feedstock, fatty acid methyl esters,  
23 or butanol, but only to the extent that such molecules are  
24 produced and sold for uses other than food, feed, or fuel.  
25 *"Renewable chemical"* also includes a building block chemical  
26 that can be a food additive as long as the building block  
27 chemical is not primarily consumed as food and is also sold  
28 for uses other than food. *"Renewable chemical"* also includes  
29 supplements, vitamins, nutraceuticals, and pharmaceuticals, but  
30 only to the extent that such molecules do not provide caloric  
31 value so as to be considered sustenance as food or feed.

32 8. *"Sugar"* means the organic compound glucose, fructose,  
33 xylose, arabinose, lactose, sucrose, starch, cellulose, or  
34 hemicellulose.

35 Sec. 4. NEW SECTION. 15.317 Eligibility requirements.

1 To be eligible to receive the renewable chemical production  
2 tax credit pursuant to the program, a business shall meet all  
3 of the following requirements:

4 1. The business is physically located in this state.

5 2. The business is operated for profit and under single  
6 management.

7 3. The business is not an entity providing professional  
8 services, health care services, or medical treatments or an  
9 entity engaged primarily in retail operations.

10 4. The business organized, expanded, or located in the state  
11 on or after the effective date of this division of this Act.

12 5. The business shall not be relocating or reducing  
13 operations as described in section 15.329, subsection 1,  
14 paragraph "b", and as determined under the discretion of the  
15 authority.

16 6. The business is in compliance with all agreements entered  
17 into under this program or other programs administered by the  
18 authority.

19 Sec. 5. NEW SECTION. 15.318 **Eligible business application**  
20 **and agreement — maximum tax credits.**

21 1. *Application.*

22 a. An eligible business that produces a renewable chemical  
23 in this state from biomass feedstock during a calendar year may  
24 apply to the authority for the renewable chemical production  
25 tax credit provided in section 15.319.

26 b. The application shall be made to the authority in the  
27 manner prescribed by the authority.

28 c. The application shall be made during the calendar year  
29 following the calendar year in which the renewable chemicals  
30 are produced.

31 d. The authority may accept applications on a continuous  
32 basis or may establish, by rule, an annual application  
33 deadline.

34 e. The application shall include all of the following  
35 information:

1 (1) The amount of renewable chemicals produced in the state  
2 from biomass feedstock by the eligible business during the  
3 calendar year, measured in pounds.

4 (2) Any other information reasonably required by the  
5 authority in order to establish and verify eligibility under  
6 the program.

7 2. *Agreement and fees.*

8 a. Before being issued a tax credit under section 15.319,  
9 an eligible business shall enter into an agreement with the  
10 authority for the successful completion of all requirements of  
11 the program.

12 b. The compliance cost fees authorized in section 15.330,  
13 subsection 12, shall apply to all agreements entered into  
14 under this program and shall be collected by the authority in  
15 the same manner and to the same extent as described in that  
16 subsection.

17 c. An eligible business shall fulfill all the requirements  
18 of the program and the agreement before receiving a tax credit  
19 or entering into a subsequent agreement under this section.  
20 The authority may decline to enter into a subsequent agreement  
21 under this section or issue a tax credit if an agreement is not  
22 successfully fulfilled.

23 d. Upon establishing that all requirements of the program  
24 and the agreement have been fulfilled, the authority shall  
25 issue a tax credit and related tax credit certificate to the  
26 eligible business stating the amount of renewable chemical  
27 production tax credit under section 15.319 the eligible  
28 business may claim.

29 3. *Maximum tax credit amount.*

30 a. The maximum amount of tax credit that may be issued under  
31 section 15.319 to an eligible business for the production of  
32 renewable chemicals in a calendar year shall not exceed the  
33 following:

34 (1) In the case of an eligible business that has been in  
35 operation in the state for five years or less at the time of the

1 application, one million dollars.

2 (2) In the case of an eligible business that has been in  
3 operation in the state for more than five years at the time of  
4 the application, five hundred thousand dollars.

5 *b.* An eligible business shall not receive a tax credit for  
6 renewable chemicals produced before the date the business first  
7 qualified as an eligible business pursuant to section 15.317.

8 *c.* An eligible business shall not receive more than five tax  
9 credits under the program.

10 *d.* The authority shall issue tax credits under the program  
11 on a first-come, first-served basis until the maximum amount of  
12 tax credits allocated pursuant to section 15.119, subsection  
13 2, paragraph "h", is reached. The authority shall maintain  
14 a list of successful applicants under the program, so that  
15 if the maximum aggregate amount of tax credits is reached in  
16 a given fiscal year, eligible businesses that successfully  
17 applied but for which tax credits were not issued shall be  
18 placed on a wait list in the order the eligible businesses  
19 applied and shall be given priority for receiving tax credits  
20 in succeeding fiscal years. Placement on a wait list pursuant  
21 to this paragraph shall not constitute a promise binding the  
22 state. The availability of a tax credit and issuance of a tax  
23 credit certificate pursuant to this subsection in a future  
24 fiscal year is contingent upon the availability of tax credits  
25 in that particular fiscal year.

26 4. *Termination and repayment.* The failure by an eligible  
27 business in fulfilling any requirement of the program or any of  
28 the terms and obligations of an agreement entered into pursuant  
29 to this section may result in the reduction, termination,  
30 or rescission of the tax credits under section 15.319 and may  
31 subject the eligible business to the repayment or recapture of  
32 tax credits claimed. The repayment or recapture of tax credits  
33 pursuant to this subsection shall be accomplished in the same  
34 manner as provided in section 15.330, subsection 2.

35 5. *Confidentiality.*

1     *a.* Except as provided in paragraph "b", any information  
2 or record in the possession of the authority with respect to  
3 the program shall be presumed by the authority to be a trade  
4 secret protected under chapter 550 or common law and shall be  
5 kept confidential by the authority unless otherwise ordered by  
6 a court.

7     *b.* The identity of a tax credit recipient and the amount  
8 of the tax credit shall be considered public information under  
9 chapter 22.

10     Sec. 6. NEW SECTION.   **15.319 Renewable chemical production**  
11 **tax credit.**

12     1. An eligible business that has entered into an agreement  
13 pursuant to section 15.318 may claim a tax credit equal to  
14 the product of five cents multiplied by the number of pounds  
15 of renewable chemicals produced in this state from biomass  
16 feedstock by the eligible business during the calendar year.  
17 However, an eligible business shall not receive a tax credit  
18 for the production of a secondarily derived building block  
19 chemical if that chemical is also the subject of a credit at  
20 the time of production as a first product. The renewable  
21 chemical production tax credit shall not be available for any  
22 renewable chemical produced after the 2025 calendar year.

23     2. The tax credit shall be allowed against taxes imposed  
24 under chapter 422, division II or III.

25     3. The tax credit shall be claimed for the tax year during  
26 which the eligible business was issued the tax credit.

27     4. An individual may claim a tax credit under this section  
28 of a partnership, limited liability company, S corporation,  
29 cooperative organized under chapter 501 and filing as a  
30 partnership for federal tax purposes, estate, or trust electing  
31 to have income taxed directly to the individual. The amount  
32 claimed by the individual shall be based upon the pro rata  
33 share of the individual's earnings from the partnership,  
34 limited liability company, S corporation, cooperative, estate,  
35 or trust.

1 5. Any tax credit in excess of the tax liability is  
2 refundable. In lieu of claiming a refund, the taxpayer  
3 may elect to have the overpayment shown on the taxpayer's  
4 final, completed return credited to the tax liability for the  
5 following tax year.

6 6. a. To claim a tax credit under this section, a taxpayer  
7 shall include one or more tax credit certificates with the  
8 taxpayer's tax return.

9 b. The tax credit certificate shall contain the taxpayer's  
10 name, address, tax identification number, the amount of the  
11 credit, the name of the eligible business, and any other  
12 information required by the department of revenue.

13 c. The tax credit certificate, unless rescinded by the  
14 authority, shall be accepted by the department of revenue as  
15 payment for taxes imposed pursuant to chapter 422, divisions II  
16 and III, subject to any conditions or restrictions placed by  
17 the authority upon the face of the tax credit certificate and  
18 subject to the limitations of the program.

19 d. Tax credit certificates issued pursuant to this section  
20 shall not be transferred to any other person.

21 Sec. 7. NEW SECTION. 15.320 Rules.

22 The authority and the department of revenue shall each adopt  
23 rules as necessary for the implementation and administration  
24 of this part.

25 Sec. 8. NEW SECTION. 422.10A Renewable chemical production  
26 tax credit.

27 The taxes imposed under this division, less the credits  
28 allowed under section 422.12, shall be reduced by a renewable  
29 chemical production tax credit allowed under section 15.319.

30 Sec. 9. Section 422.33, Code 2015, is amended by adding the  
31 following new subsection:

32 NEW SUBSECTION. 22. The taxes imposed under this division  
33 shall be reduced by a renewable chemical production tax credit  
34 allowed under section 15.319.

35 Sec. 10. TRANSITION. Notwithstanding Code section 15.319,



1 subsection 3, as enacted in this division of this Act, tax  
2 credits issued to an eligible business during the 2016 calendar  
3 year for renewable chemicals produced during the 2015 calendar  
4 year may be claimed by the eligible business for a tax year  
5 beginning on or after January 1, 2015.

6 Sec. 11. EFFECTIVE UPON ENACTMENT. This division of this  
7 Act, being deemed of immediate importance, takes effect upon  
8 enactment.

9 Sec. 12. APPLICABILITY. This division of this Act applies  
10 to renewable chemicals produced in the state from biomass  
11 feedstock on or after the effective date of this division of  
12 this Act.

13 Sec. 13. RETROACTIVE APPLICABILITY. This division of this  
14 Act applies retroactively to January 1, 2015, for tax years  
15 beginning on or after that date.

16 DIVISION II

17 ANGEL INVESTOR TAX CREDITS

18 Sec. 14. Section 2.48, subsection 3, paragraph d,  
19 subparagraph (1), Code 2015, is amended to read as follows:

20 (1) Tax credits for investments in qualifying businesses  
21 ~~and community-based seed capital funds~~ under chapter 15E,  
22 division V.

23 Sec. 15. Section 15.119, subsection 2, paragraph d, Code  
24 2015, is amended to read as follows:

25 *d.* The tax credits for investments in qualifying businesses  
26 ~~and community-based seed capital funds~~ issued pursuant to  
27 section 15E.43. In allocating tax credits pursuant to this  
28 subsection, the authority shall allocate two million dollars  
29 for purposes of this paragraph, unless the authority determines  
30 that the tax credits awarded will be less than that amount.

31 Sec. 16. Section 15E.41, Code 2015, is amended by striking  
32 the section and inserting in lieu thereof the following:

33 **15E.41 Purpose.**

34 The purpose of this division is to stimulate job growth,  
35 create wealth, and accelerate the creation of new ventures by

1 using investment tax credits to incentivize the transfer of  
2 capital from investors to entrepreneurs, particularly during  
3 early-stage growth.

4 Sec. 17. Section 15E.42, Code 2015, is amended by adding the  
5 following new subsection:

6 NEW SUBSECTION. 2A. *“Entrepreneurial assistance*  
7 *program”* includes the entrepreneur investment awards program  
8 administered under section 15E.362, the receipt of services  
9 from a service provider engaged pursuant to section 15.411,  
10 subsection 1, or the program administered under section 15.411,  
11 subsection 2.

12 Sec. 18. Section 15E.42, subsection 3, Code 2015, is amended  
13 to read as follows:

14 3. *“Investor”* means a person making a cash investment in  
15 a qualifying business ~~or in a community-based seed capital~~  
16 ~~fund.~~ *“Investor”* does not include a person that holds at least  
17 a seventy percent ownership interest as an owner, member, or  
18 shareholder in a qualifying business.

19 Sec. 19. Section 15E.42, subsection 4, Code 2015, is amended  
20 by striking the subsection.

21 Sec. 20. Section 15E.43, subsections 1 and 2, Code 2015, are  
22 amended to read as follows:

23 1. *a.* For tax years beginning on or after January 1, ~~2002~~  
24 2015, a tax credit shall be allowed against the taxes imposed  
25 in chapter 422, divisions II, III, and V, and in chapter 432,  
26 and against the moneys and credits tax imposed in section  
27 533.329, for a portion of a taxpayer’s equity investment,  
28 as provided in subsection 2, in a qualifying business ~~or a~~  
29 ~~community-based seed capital fund.~~

30 *b.* An individual may claim a tax credit under this  
31 ~~paragraph~~ section of a partnership, limited liability company,  
32 S corporation, estate, or trust electing to have income  
33 taxed directly to the individual. The amount claimed by the  
34 individual shall be based upon the pro rata share of the  
35 individual’s earnings from the partnership, limited liability

1 company, S corporation, estate, or trust.

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

14 ~~*c.* In the case of a tax credit allowed against the taxes~~  
15 ~~imposed in chapter 422, division II, where the taxpayer died~~  
16 ~~prior to redeeming the entire tax credit, the remaining credit~~  
17 ~~can be redeemed on the decedent's final income tax return.~~

18 *d.* For a tax credit claimed against the taxes imposed in  
19 chapter 422, division II, any tax credit in excess of the  
20 tax liability is refundable. In lieu of claiming a refund,  
21 the taxpayer may elect to have the overpayment shown on  
22 the taxpayer's final, completed return credited to the tax  
23 liability for the following tax year. For a tax credit claimed  
24 against the taxes imposed in chapter 422, divisions III and  
25 V, and in chapter 432, and against the moneys and credits tax  
26 imposed in section 533.329, any tax credit in excess of the  
27 taxpayer's liability for the tax year may be credited to the  
28 tax liability for the following three years or until depleted,  
29 whichever is earlier. A tax credit shall not be carried back  
30 to a tax year prior to the tax year in which the taxpayer  
31 redeems the tax credit.

32 2. *a.* A The amount of the tax credit shall equal twenty  
33 twenty-five percent of the taxpayer's equity investment.

34 ~~*b.* The maximum amount of a tax credit for an investment~~  
35 ~~by an investor in any one qualifying business shall be fifty~~

1 ~~thousand dollars. Each year, an investor and all affiliates~~  
2 ~~of the investor shall not claim tax credits under this section~~  
3 ~~for more than five different investments in five different~~  
4 ~~qualifying businesses that may be issued per calendar year to a~~  
5 ~~natural person and the person's spouse or dependent shall not~~  
6 ~~exceed one hundred thousand dollars combined. For purposes of~~  
7 ~~this paragraph, a tax credit issued to a partnership, limited~~  
8 ~~liability company, S corporation, estate, or trust electing to~~  
9 ~~have income taxed directly to the individual shall be deemed~~  
10 ~~to be issued to the individual owners based upon the pro rata~~  
11 ~~share of the individual's earnings from the entity. For~~  
12 ~~purposes of this paragraph, "dependent" has the same meaning as~~  
13 ~~provided by the Internal Revenue Code.~~

14 c. The maximum amount of tax credits that may be issued  
15 per calendar year for equity investments in any one qualifying  
16 business shall not exceed five hundred thousand dollars.

17 Sec. 21. Section 15E.43, subsections 5 and 7, Code 2015, are  
18 amended to read as follows:

19 5. A tax credit shall not be ~~transferable~~ transferred to any  
20 other ~~taxpayer~~ person.

21 7. The authority shall develop a system for registration  
22 and ~~authorization~~ issuance of tax credits authorized pursuant  
23 to this division and shall control distribution of all tax  
24 ~~credits distributed~~ credit certificates to investors pursuant  
25 to this division. The authority shall develop rules for the  
26 qualification and administration of qualifying businesses  
27 ~~and community-based seed capital funds.~~ The department of  
28 revenue shall adopt ~~these criteria as administrative rules and~~  
29 ~~any other~~ rules pursuant to chapter 17A as necessary for the  
30 administration of this division.

31 Sec. 22. Section 15E.43, subsections 6 and 8, Code 2015, are  
32 amended by striking the subsections.

33 Sec. 23. Section 15E.44, subsection 2, paragraph c, Code  
34 2015, is amended by striking the paragraph and inserting in  
35 lieu thereof the following:

1     *c.* The business is participating in an entrepreneurial  
2 assistance program. The authority may waive this requirement  
3 if a business establishes that its owners, directors, officers,  
4 and employees have an appropriate level of experience such  
5 that participation in an entrepreneurial assistance program  
6 would not materially change the prospects of the business.  
7 The authority may consult with outside service providers in  
8 consideration of such a waiver.

9     Sec. 24. Section 15E.44, subsection 2, paragraphs e and f,  
10 Code 2015, are amended to read as follows:

11     *e.* The business shall not have a net worth that exceeds five  
12 ten million dollars.

13     *f.* The business shall have secured all of the following at  
14 the time of application for tax credits:

15         (1) At least two investors.

16         (2) ~~total~~ Total equity financing, ~~near equity financing,~~  
17 binding investment commitments, or some combination thereof,  
18 equal to at least ~~two hundred fifty~~ five hundred thousand  
19 dollars, from investors. For purposes of this subparagraph,  
20 "investor" includes a person who executes a binding investment  
21 commitment to a business.

22     Sec. 25. Section 15E.46, Code 2015, is amended to read as  
23 follows:

24     **15E.46 ~~Reports Confidentiality~~ — reports.**

25         1. Except as provided in subsection 2, all information or  
26 records in the possession of the authority with respect to  
27 this division shall be presumed by the authority to be a trade  
28 secret protected under chapter 550 or common law and shall be  
29 kept confidential by the authority unless otherwise ordered by  
30 a court.

31         2. All of the following shall be considered public  
32 information under chapter 22:

33             a. The identity of a qualifying business.

34             b. The identity of an investor and the qualifying business  
35 in which the investor made an equity investment.

1 c. The number of tax credit certificates issued by the  
2 authority.

3 d. The total dollar amount of tax credits issued by the  
4 authority.

5 3. The authority shall publish an annual report of the  
6 activities conducted pursuant to this division and shall  
7 submit the report to the governor and the general assembly.  
8 The report shall include a listing of eligible qualifying  
9 businesses and the number of tax credit certificates and the  
10 amount of tax credits issued by the authority.

11 Sec. 26. Section 15E.52, subsection 4, Code 2015, is amended  
12 to read as follows:

13 4. A taxpayer shall not claim a tax credit under this  
14 section if the taxpayer is a venture capital investment fund  
15 allocation manager for the Iowa fund of funds created in  
16 section 15E.65 or an investor that receives a tax credit for  
17 the same investment in a qualifying business as described in  
18 section 15E.44 or in a community-based seed capital fund as  
19 described in section 15E.45, Code 2015.

20 Sec. 27. Section 422.11F, subsection 1, Code 2015, is  
21 amended to read as follows:

22 1. The taxes imposed under this division, less the credits  
23 allowed under section 422.12, shall be reduced by an investment  
24 tax credit authorized pursuant to section 15E.43 for an  
25 investment in a qualifying business ~~or a community-based seed~~  
26 ~~capital fund.~~

27 Sec. 28. Section 422.33, subsection 12, paragraph a, Code  
28 2015, is amended to read as follows:

29 a. The taxes imposed under this division shall be reduced by  
30 an investment tax credit authorized pursuant to section 15E.43  
31 for an investment in a qualifying business ~~or a community-based~~  
32 ~~seed capital fund.~~

33 Sec. 29. Section 422.60, subsection 5, paragraph a, Code  
34 2015, is amended to read as follows:

35 a. The taxes imposed under this division shall be reduced by

1 an investment tax credit authorized pursuant to section 15E.43  
2 for an investment in a qualifying business ~~or a community-based~~  
3 ~~seed capital fund.~~

4 Sec. 30. Section 432.12C, subsection 1, Code 2015, is  
5 amended to read as follows:

6 1. The tax imposed under this chapter shall be reduced by  
7 an investment tax credit authorized pursuant to section 15E.43  
8 for an investment in a qualifying business ~~or a community-based~~  
9 ~~seed capital fund.~~

10 Sec. 31. REPEAL. Section 15E.45, Code 2015, is repealed.

11 Sec. 32. EFFECTIVE UPON ENACTMENT. This division of this  
12 Act, being deemed of immediate importance, takes effect upon  
13 enactment.

14 Sec. 33. APPLICABILITY. Unless otherwise provided in this  
15 division of this Act, this division of this Act applies to  
16 equity investments in a qualifying business made on or after  
17 the effective date of this division of this Act, and equity  
18 investments made in a qualifying business or community-based  
19 seed capital fund prior to the effective date of this division  
20 of this Act shall be governed by sections 15E.41 through  
21 15E.46, 422.11F, 422.33, 422.60, 432.12C, and 533.329, Code  
22 2015.

23 Sec. 34. APPLICABILITY. The sections of this division  
24 of this Act amending section 15E.44, subsection 2, apply  
25 to businesses that submit an application to the economic  
26 development authority to be registered as a qualifying business  
27 on or after the effective date of this division of this Act,  
28 and businesses that submit an application to the economic  
29 development authority to be registered as a qualifying business  
30 before the effective date of this division of this Act shall be  
31 governed by section 15E.44, subsection 2, Code 2015.

32 DIVISION III

33 ENTREPRENEUR INVESTMENT AWARDS PROGRAM

34 Sec. 35. Section 15E.362, Code 2015, is amended by striking  
35 the section and inserting in lieu thereof the following:

1     **15E.362 Entrepreneur investment awards program.**

2     1. For purposes of this division, unless the context  
3 otherwise requires:

4     *a. "Business development services"* includes but is not  
5 limited to corporate development services, business model  
6 development services, business planning services, marketing  
7 services, financial strategies and management services,  
8 mentoring and management coaching, and networking services.

9     *b. "Eligible entrepreneurial assistance provider"* means a  
10 person meeting the requirements of subsection 3.

11     *c. "Financial assistance"* means the same as defined in  
12 section 15.327.

13     *d. "Program"* means the entrepreneur investment awards  
14 program administered pursuant to this division.

15     2. The authority shall establish and administer an  
16 entrepreneur investment awards program for purposes of  
17 providing financial assistance to eligible entrepreneurial  
18 assistance providers that provide technical and financial  
19 assistance to entrepreneurs and start-up companies seeking to  
20 create, locate, or expand a business in the state. Financial  
21 assistance under the program shall be provided from the  
22 entrepreneur investment awards program fund created in section  
23 15E.363.

24     3. In order to be eligible for financial assistance under  
25 the program an entrepreneurial assistance provider must meet  
26 all of the following requirements:

27     *a.* The provider must have its principal place of operations  
28 located in this state.

29     *b.* The provider must offer a comprehensive set of business  
30 development services to emerging and early-stage innovation  
31 companies to assist in the creation, location, growth, and  
32 long-term success of the company in this state.

33     *c.* The business development services may be performed at the  
34 physical location of the provider or the company.

35     *d.* The business development services may be provided in



1 consideration of equity participation in the company, a fee  
2 for services, a membership agreement with the company, or any  
3 combination thereof.

4 4. Entrepreneurial assistance providers may apply for  
5 financial assistance under the program in the manner and form  
6 prescribed by the authority.

7 5. The economic development authority board in its  
8 discretion may approve, deny, or defer each application  
9 for financial assistance under the program from persons  
10 it determines to be an eligible entrepreneurial assistance  
11 provider.

12 6. Subject to subsection 7, the amount of financial  
13 assistance awarded to an eligible entrepreneurial assistance  
14 provider shall be within the discretion of the authority.

15 7. *a.* The maximum amount of financial assistance awarded  
16 to an eligible entrepreneurial assistance provider shall not  
17 exceed two hundred thousand dollars.

18 *b.* The maximum amount of financial assistance provided under  
19 the program shall not exceed one million dollars in a fiscal  
20 year.

21 8. The authority shall award financial assistance on a  
22 competitive basis. In making awards of financial assistance,  
23 the authority may develop scoring criteria and establish  
24 minimum requirements for the receipt of financial assistance  
25 under the program. In making awards of financial assistance,  
26 the authority may consider all of the following:

27 *a.* The business experience of the professional staff  
28 employed or retained by the eligible entrepreneurial assistance  
29 provider.

30 *b.* The business plan review capacity of the professional  
31 staff of the eligible entrepreneurial assistance provider.

32 *c.* The expertise in all aspects of business disciplines  
33 of the professional staff of the eligible entrepreneurial  
34 assistance provider.

35 *d.* The access of the eligible entrepreneurial assistance

1 provider to external service providers, including legal,  
2 accounting, marketing, and financial services.

3 e. The service model and likelihood of success of the  
4 eligible entrepreneurial assistance provider and its similarity  
5 to other successful entrepreneurial assistance providers in the  
6 country.

7 f. The financial need of the eligible entrepreneurial  
8 assistance provider.

9 9. Financial assistance awarded to an eligible  
10 entrepreneurial assistance provider shall only be used for  
11 the purpose of operating costs incurred by the eligible  
12 entrepreneurial assistance provider in providing business  
13 development services to emerging and early-stage innovation  
14 companies in this state. Such financial assistance shall not  
15 be distributed to owners or investors of the company to which  
16 business development services are provided and shall not be  
17 distributed to other persons assisting with the provision of  
18 business development services to the company.

19 10. The authority may contract with outside service  
20 providers for assistance with the program or may delegate  
21 the administration of the program to the Iowa innovation  
22 corporation pursuant to section 15.106B.

23 11. The authority may make client referrals to eligible  
24 entrepreneurial assistance providers.

25 Sec. 36. Section 15E.363, subsection 3, Code 2015, is  
26 amended to read as follows:

27 3. The Moneys credited to the fund are appropriated to  
28 the authority and shall be used to provide grants under the  
29 entrepreneur investment awards program established in section  
30 15E.362 financial assistance under the program.

31 DIVISION IV

32 WORKFORCE HOUSING TAX INCENTIVES PROGRAM

33 Sec. 37. Section 15.354, subsection 3, paragraph e, Code  
34 2015, is amended to read as follows:

35 e. (1) Upon review of the examination and verification of

1 the amount of the qualifying new investment, the authority may  
2 issue a tax credit certificate to the housing business stating  
3 the amount of workforce housing investment tax credits under  
4 section 15.355 the eligible housing business may claim.

5 (2) If upon review of the examination in subparagraph  
6 (1) the authority determines that a housing project has  
7 incurred project costs in excess of the amount submitted in the  
8 application made pursuant to subsection 1, the authority shall  
9 do one of the following:

10 (a) If the project costs do not cause the housing project's  
11 average dwelling unit cost to exceed the applicable maximum  
12 amount authorized in section 15.353, subsection 3, the  
13 authority may consider the agreement fulfilled and may issue a  
14 tax credit certificate.

15 (b) If the project costs cause the housing project's  
16 average dwelling unit cost to exceed the applicable maximum  
17 amount authorized in section 15.353, subsection 3, but does  
18 not cause the average dwelling unit cost to exceed one hundred  
19 ten percent of such applicable maximum amount, the authority  
20 may consider the agreement fulfilled and may issue a tax  
21 credit certificate. In such case, the authority shall reduce  
22 the amount of tax incentives the eligible housing project  
23 may claim under section 15.355, subsections 2 and 3, by the  
24 same percentage that the housing project's average dwelling  
25 unit cost exceeds the applicable maximum amount under section  
26 15.353, subsection 3, and such tax incentive reduction shall  
27 be reflected on the tax credit certificate. If the authority  
28 issues a certificate pursuant to this subparagraph division,  
29 the department of revenue shall accept the certificate  
30 notwithstanding that the housing project's average dwelling  
31 unit costs exceeds the maximum amount specified in section  
32 15.353, subsection 3.

33 (c) If the project costs cause the housing project's average  
34 dwelling unit cost to exceed one hundred ten percent of the  
35 applicable maximum amount authorized in 15.353, subsection 3,

1 the authority shall determine the eligible housing business to  
2 be in default under the agreement and shall not issue a tax  
3 credit certificate.

4 Sec. 38. Section 15.355, subsection 2, Code 2015, is amended  
5 to read as follows:

6 2. A housing business may claim a refund of the sales and  
7 use taxes paid under chapter 423 that are directly related  
8 to a housing project. The refund available pursuant to this  
9 subsection shall be as provided in section 15.331A ~~to the~~  
10 ~~extent applicable for purposes of this program, excluding~~  
11 subsection 2, paragraph "c", of that section. For purposes of  
12 the program, the term "project completion", as used in section  
13 15.331A, shall mean the date on which the authority notifies  
14 the department of revenue that all applicable requirements  
15 of an agreement entered into pursuant to section 15.354 are  
16 satisfied.

17 Sec. 39. EFFECTIVE UPON ENACTMENT. This division of this  
18 Act, being deemed of immediate importance, takes effect upon  
19 enactment.

20 Sec. 40. RETROACTIVE APPLICABILITY. This division of this  
21 Act applies retroactively to May 30, 2014, for all agreements  
22 entered into pursuant to Code section 15.354 on or after that  
23 date.

24 DIVISION V

25 MISCELLANEOUS CHANGES

26 Sec. 41. Section 15.293B, subsection 4, Code 2015, is  
27 amended to read as follows:

28 4. A registered project shall be completed within thirty  
29 months of the date the project was registered unless the  
30 authority, upon recommendation of the council and approval of  
31 the board, provides additional time to complete the project.  
32 ~~A project shall not be provided more than twelve months of~~  
33 ~~additional time.~~ If the registered project is not completed  
34 within the time required, the project is not eligible to claim  
35 a tax credit provided in section 15.293A.



1 meet several requirements. First, the business must be  
2 physically located in Iowa and operated for profit under  
3 single management. Second, the business must not be an  
4 entity providing professional services, health care services,  
5 or medical treatments, or be engaged primarily in retail  
6 operations. Third, the business must have organized, expanded,  
7 or located in Iowa on or after the effective date of the  
8 division. Fourth, the business must not be, in the discretion  
9 of the EDA, ineligible under certain provisions relating to the  
10 relocation or reduction of business operations within Iowa.  
11 Fifth, the business must be in compliance with all agreements  
12 entered into under the program or other programs administered  
13 by the EDA.

14 An eligible business seeking a tax credit is required  
15 to apply to the EDA during the calendar year following the  
16 calendar year in which the renewable chemicals are produced.  
17 The application must include the amount of renewable chemicals  
18 produced in Iowa from biomass feedstock by the eligible  
19 business during the calendar year, measured in pounds, and any  
20 other information reasonably required by the EDA in order to  
21 establish and verify eligibility under the program. The EDA  
22 may accept applications on a continuous basis or may establish  
23 an annual application deadline.

24 Before being issued a tax credit, an eligible business  
25 is required to enter into an agreement with the EDA for the  
26 successful completion of all requirements of the program. The  
27 EDA is authorized to impose two compliance cost fees under the  
28 program. The first fee equals \$500 per agreement. The second  
29 fee equals 0.5 percent of the value of the tax credit claimed  
30 pursuant to the agreement if the agreement has an aggregate tax  
31 credit value of \$100,000 or greater.

32 An eligible business that fails to comply with the  
33 requirements of the program or the terms of an agreement with  
34 the EDA may have its tax credits reduced, terminated, or  
35 rescinded, and may be subject to the repayment or recapture of

1 claimed tax credits.

2 Upon determining that all requirements of an agreement and  
3 the program have been fulfilled, the EDA shall issue a tax  
4 credit and related tax credit certificate to the eligible  
5 business in an amount equal to the product of \$.05 multiplied  
6 by the number of pounds of renewable chemicals produced in Iowa  
7 from biomass feedstock by the eligible business during the  
8 calendar year. Renewable chemicals produced by an eligible  
9 business prior to the effective date of the division, or  
10 prior to the date the business first qualifies as an eligible  
11 business, or after calendar year 2025, shall not qualify for  
12 the tax credit.

13 The tax credit shall be claimed for the tax year during which  
14 the eligible business was issued the tax credit. However,  
15 tax credits issued in 2016 for renewable chemicals produced  
16 in 2015 may be claimed for a tax year beginning on or after  
17 January 1, 2015. The tax credit may be claimed against the  
18 individual income tax and the corporate income tax. The  
19 credit is refundable or may, at the election of the taxpayer,  
20 be carried forward for up to one tax year. The tax credit  
21 shall not be transferred to any person. A tax credit issued  
22 to a partnership, limited liability company, S corporation,  
23 cooperative organized under Code chapter 501 and filing as a  
24 partnership for federal tax purposes, estate, or trust electing  
25 to have the income taxed directly to the individual may be  
26 claimed by the individual based upon the pro rata share of the  
27 individual's earnings from that entity.

28 The division provides that the program is subject to the  
29 EDA's maximum aggregate tax credit cap of \$170 million per  
30 fiscal year in Code section 15.119, and not more than \$15  
31 million per fiscal year may be issued by the EDA under the  
32 program. In addition, the maximum amount of tax credit that  
33 may be issued to an eligible business in any one calendar year  
34 shall not exceed \$1 million or \$500,000, depending on whether  
35 the eligible business has been operating in Iowa at the time of

1 application for five or fewer years, or more than five years,  
2 respectively. An eligible business shall not receive more than  
3 five tax credits under the program. The EDA is required to  
4 issue tax credits on a first-come, first-served basis until the  
5 maximum amount of \$15 million per fiscal year is reached. If  
6 the amount of tax credits exceeds this amount in a fiscal year,  
7 the EDA is required to establish a wait list and give priority  
8 in subsequent years to the eligible businesses on the wait  
9 list.

10 The division provides for the confidentiality of certain  
11 information under the program. The identity of a tax credit  
12 recipient and the amount of the tax credit shall be considered  
13 public information under Code chapter 22 (examination of public  
14 records), but any other information or record in the possession  
15 of the EDA with respect to the program shall be presumed by  
16 the EDA to be a trade secret protected under Code chapter 550  
17 or common law and shall be kept confidential by the EDA unless  
18 otherwise ordered by a court.

19 The division takes effect upon enactment and applies to  
20 renewable chemicals produced in Iowa from biomass feedstock on  
21 or after that date. The division applies retroactively to tax  
22 years beginning on or after January 1, 2015.

23 DIVISION II — ANGEL INVESTOR TAX CREDITS. Division II  
24 makes several changes to the tax credit for investments in  
25 qualifying businesses and community-based seed capital funds,  
26 often referred to as the angel investor tax credits. The  
27 division amends the purpose of the tax credit in Code section  
28 15E.41. The division excludes investments in community-based  
29 seed capital funds from qualifying for the tax credit and  
30 makes several conforming amendments to remove references to  
31 community-based seed capital funds from the Code.

32 The division modifies the amount and dollar limitation of  
33 the tax credit for a taxpayer. The tax credit is increased  
34 from 20 percent to 25 percent of a taxpayer's equity investment  
35 in a qualifying business. Under current law, a taxpayer cannot



1 claim more than \$50,000 of tax credit per investment in a  
2 qualifying business, and for each tax year a taxpayer and the  
3 taxpayer's affiliates cannot claim tax credits for more than  
4 five investments in five different qualifying businesses. The  
5 division amends this dollar limitation to prohibit a natural  
6 person and the person's spouse or dependent from being issued  
7 a combined amount of more than \$100,000 in tax credits per  
8 calendar year. For purposes of this dollar limitation, credits  
9 issued to partnerships and other pass-through entities are  
10 deemed to be issued to the individual owners.

11 The division also provides that no more than \$500,000 in tax  
12 credits may be issued per calendar year for equity investments  
13 in any one qualifying business.

14 The division modifies the procedures for claiming the tax  
15 credit. Under current law, the tax credit is not refundable  
16 but available for carryforward for up to five tax years. The  
17 division makes the tax credit refundable if claimed against  
18 the individual income tax, and for credits claimed against any  
19 other tax, reduces the carryforward period to three years.

20 The division strikes a provision permitting the EDA  
21 to cooperate with small business development centers to  
22 disseminate information regarding the credits and to develop  
23 standard application forms, and requiring the EDA to distribute  
24 copies of the application forms to all community-based seed  
25 capital funds and potential individual investors.

26 The division modifies the eligibility requirements for  
27 qualifying businesses. The division strikes the requirement  
28 that a business have an owner that meets at least one of  
29 four qualifications relating to business education or  
30 business experience. The division requires that a business  
31 be participating in an entrepreneurial assistance program,  
32 as defined in the division, but allows the EDA to waive this  
33 requirement if the business establishes that its owners,  
34 directors, officers, and employees have an appropriate level  
35 of experience such that an entrepreneurial assistance program

1 would not materially change the prospects of the business.  
2 The EDA is allowed to consult with outside service providers  
3 in considering such a waiver. The division increases from \$5  
4 million to \$10 million the maximum amount of net worth that  
5 a business may have to be considered a qualifying business.  
6 The division increases from \$250,000 to \$500,000 the amount of  
7 financing that a business must have in order to be considered a  
8 qualifying business, removes "near equity" from the types of  
9 financing that will be considered in that calculation, requires  
10 that the financing be secured at the time of application for  
11 the tax credits, and requires that the business have at least  
12 two investors at the time of application for the tax credits.  
13 These modified eligibility requirements apply to businesses  
14 that submit an application to the EDA to be registered as a  
15 qualifying business on or after the effective date of this  
16 division of the bill, and businesses that submitted such an  
17 application to the EDA before the effective date of this  
18 division of the bill shall be governed by current law.

19 The division provides for the confidentiality of certain  
20 information with regard to the tax credit. The identity of  
21 a qualifying business, the identity of an investor and the  
22 qualifying business in which the investor made an equity  
23 investment, and the total number and amount of tax credits  
24 issued shall be considered public information under Code  
25 chapter 22 (examination of public records), but any other  
26 information or record in the possession of the EDA with respect  
27 to the program shall be presumed by the EDA to be a trade secret  
28 protected under Code chapter 550 or common law and shall be  
29 kept confidential by the EDA unless otherwise ordered by a  
30 court.

31 The division takes effect upon enactment and applies to  
32 equity investments in a qualifying business made on or after  
33 that date. Equity investments in a qualifying business or  
34 community-based seed capital fund made prior to the effective  
35 date of the division shall be governed by current law.

1 DIVISION III — ENTREPRENEUR INVESTMENT AWARDS PROGRAM.

2 Division III amends the entrepreneur investment awards program  
3 administered by the EDA. The division strikes provisions that  
4 prohibited the EDA from making awards under the program since  
5 July 1, 2014, and that required the EDA by December 31, 2014,  
6 to conduct a comprehensive review of the program and submit  
7 a report with specified information to the governor and the  
8 general assembly.

9 The division modifies the purpose of the program to be  
10 to provide financial assistance to eligible entrepreneurial  
11 assistance providers (provider) that provide technical and  
12 financial assistance to entrepreneurs and start-up companies  
13 seeking to create, locate, or expand a business in Iowa.  
14 "Financial assistance" is defined in the division.

15 The division changes the requirements for receiving an  
16 award. To be eligible to receive an award under current  
17 law, an entrepreneurial assistance program must have been  
18 an Iowa-based business, expended at least \$500,000 during  
19 the previous fiscal year to provide technical and financial  
20 assistance services that meet the broad-based needs of  
21 entrepreneurs seeking to create, locate, or expand a business  
22 in Iowa that intends to derive more than 10 percent of its  
23 gross sales from markets outside Iowa; and must have engaged  
24 and communicated with certain other programs, funding sources,  
25 and entities for its entrepreneur clients. The division  
26 amends the eligibility for receiving financial assistance to  
27 require that a provider have its principal place of operations  
28 in Iowa and that the provider offer a comprehensive set of  
29 business development services to emerging and early-stage  
30 innovation companies to assist in the creation, location,  
31 growth, and long-term success of the company in Iowa.  
32 "Business development services" is defined in the division.  
33 Business development services may be performed at the physical  
34 location of the provider or the company and may be provided in  
35 consideration of equity participation in the company, a fee for

1 services, or a membership agreement with the company.

2 Under current law, the EDA board could approve, deny, or  
3 defer each application for a grant, and was required to award  
4 grants on a first-come, first-served basis. The division  
5 specifies that the EDA board has the discretion to approve,  
6 deny, or defer each application for financial assistance and  
7 that the amount of financial assistance awarded to a provider  
8 is within the discretion of the EDA. The division requires  
9 the EDA to award financial assistance on a competitive basis  
10 and allows the EDA to develop scoring criteria and establish  
11 minimum requirements for the receipt of a financial assistance  
12 award.

13 In addition to the four factors relating to the provider's  
14 professional staff that the EDA may consider under current  
15 law in deciding whether to award financial assistance, the  
16 division provides that the EDA may also consider the service  
17 model and likelihood of success of the provider, the provider's  
18 similarity to other successful providers in the country, and  
19 the provider's financial need.

20 The division modifies the maximum award amount for a  
21 recipient. Under current law, a grant to an entrepreneur  
22 assistance program cannot exceed the lesser of 25 percent of  
23 the funds expended by the program during the previous fiscal  
24 year, 100 percent of the funds raised from certain persons  
25 by the program during the previous fiscal year, or \$200,000.  
26 The division provides that the amount of financial assistance  
27 awarded to any one provider shall not exceed \$200,000.

28 The division modifies the permitted use of funds received  
29 under the program. Under current law, grants are only  
30 permitted to be used for the purpose of operating costs  
31 incurred by the program. The division specifies that financial  
32 assistance awarded to a provider shall only be used for  
33 the purpose of operating costs incurred by the provider in  
34 the provision of business development services to emerging  
35 and early-stage innovation companies in Iowa. The division

1 further requires that such financial assistance shall not be  
2 distributed to owners or investors of the company to which the  
3 business development services are being provided and shall not  
4 be provided to other persons assisting with the provision of  
5 the services.

6 Under current law, an entrepreneurial assistance provider is  
7 required to accept client referrals from the EDA as a condition  
8 of receiving a grant. The division provides that the EDA may  
9 make client referrals to eligible providers.

10 DIVISION IV — WORKFORCE HOUSING TAX INCENTIVES PROGRAM.

11 Under current law, a housing project is not eligible for  
12 workforce housing tax incentives if the project's average  
13 dwelling unit cost exceeds \$200,000, or \$250,000 if the project  
14 involves certain historic property. The division permits EDA  
15 to issue tax credit certificates to housing projects with an  
16 average dwelling unit cost in excess of that amount, provided  
17 the excess is not greater than 10 percent. In such cases, EDA  
18 is required to reduce the housing project's tax incentives  
19 by the same percentage that its average dwelling unit cost  
20 exceeds the applicable maximum amount. The division provides  
21 that housing projects with an average dwelling unit cost that  
22 exceeds 110 percent of the applicable maximum amount shall not  
23 be eligible for workforce housing tax incentives.

24 The division also amends the sales and use tax refund  
25 available under the workforce housing tax incentive program.  
26 That refund is available for sales and use tax paid prior  
27 to project completion, which is currently defined to mean  
28 the first date upon which the average annualized production  
29 of finished product for the preceding 90-day period at the  
30 manufacturing facility operated by the eligible business is  
31 at least 50 percent of the initial design capacity of the  
32 facility. The division amends the definition of "project  
33 completion" to mean the date on which the EDA notifies the  
34 department of revenue that all applicable requirements of  
35 a workforce housing tax incentive program agreement are

1 satisfied.

2 Division IV takes effect upon enactment and applies  
3 retroactively to May 30, 2014, for all workforce housing tax  
4 incentive agreements entered into on or after that date.

5 DIVISION V — MISCELLANEOUS CHANGES. Division V makes  
6 miscellaneous changes to other EDA programs. The division  
7 amends the amount of time required to complete a project  
8 under the redevelopment tax credit program. Under current  
9 law, projects must be completed within 30 months, but EDA is  
10 allowed to grant extensions of up to 12 months. The division  
11 amends this provision to allow EDA, upon recommendation of the  
12 brownfield redevelopment advisory council and approval of the  
13 economic development authority board, to grant extensions of  
14 any amount of time. This provision applies retroactively to  
15 qualifying redevelopment project agreements entered into on or  
16 after July 1, 2010, for which a request for project extension  
17 is submitted to EDA on or after January 1, 2015.

18 The division also allows the EDA to extend the project  
19 completion date for a project awarded tax incentives under the  
20 redevelopment tax credit program and the housing enterprise  
21 zone tax incentives program if the property that is the subject  
22 of the project suffered a catastrophic fire during the 2014  
23 calendar year.

24 Division V takes effect upon enactment.