

House File 2228 - Introduced

HOUSE FILE 2228

BY MAXWELL

A BILL FOR

1 An Act creating a tax credit against the individual and
2 corporate income taxes, the franchise tax, insurance
3 premiums tax, and the moneys and credits tax for a
4 charitable contribution to certain institutions engaged in
5 regenerative medicine research and including applicability
6 provisions.

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

1 Section 1. LEGISLATIVE FINDINGS AND PURPOSE. The general
2 assembly finds that research on regenerative medicine has the
3 potential to produce valuable advances in the field of medicine
4 and that an increase in such research in this state could
5 result in a substantial benefit to the state and its citizens.
6 The purpose of the regenerative medicine research tax credit
7 enacted in this Act is to induce taxpayers to make monetary
8 contributions to regenerative medicine research institutions
9 above amounts that would have been contributed absent state
10 support, thereby increasing the overall level of funding
11 available for regenerative medicine research in this state.

12 Sec. 2. Section 2.48, subsection 3, Code 2018, is amended by
13 adding the following new paragraph:

14 NEW PARAGRAPH. *Oh.* In 2021, the regenerative medicine
15 research tax credit available under section 422.10C.

16 Sec. 3. NEW SECTION. **422.10C Regenerative medicine research**
17 **tax credit.**

18 1. *Definitions.* For purposes of this section, "*certified*
19 *regenerative medicine research institution*" means an organization
20 meeting the requirements of subsection 2 and certified by the
21 department pursuant to that subsection.

22 2. *Regenerative medicine research institution certification.*

23 a. An organization may apply to the department in the manner
24 prescribed by the department to be certified as a regenerative
25 medicine research institution.

26 b. In order to be certified as a regenerative medicine
27 research institution, an organization shall meet all of the
28 following requirements:

29 (1) The organization is organized under chapter 504 and
30 qualifying under section 501(c)(3) of the Internal Revenue Code
31 as an organization exempt from federal income tax under section
32 501(a) of the Internal Revenue Code.

33 (2) The organization has a principal place of business in
34 this state.

35 (3) The organization is directly engaged in research in

1 this state solely using adult stem cells, which research is
2 designed to improve patient care through the development and
3 dissemination of novel clinical therapies for the functional
4 repair and replacement of diseased tissues and organs,
5 including research for the treatment of cancer.

6 (4) The organization spends at least fifty-one percent of
7 its annual budget on laboratory or clinical research that is
8 conducted by the organization and that meets the requirements
9 of subparagraph (3).

10 (5) The organization does not operate as a conduit
11 for research by another organization by redistributing a
12 contribution it receives to that other organization.

13 (6) The organization is not a postsecondary institution or
14 an entity receiving twenty-five percent or more of its annual
15 budget from a postsecondary institution.

16 (7) The organization agrees to provide to the department all
17 of the following information:

18 (a) Information to verify that the organization meets the
19 requirements of subparagraphs (1) through (6), including but
20 not limited to information relating to funding received by the
21 organization and expenditures made on research and other items
22 by the organization.

23 (b) Information to verify the receipt, donor identity,
24 value, and tax credit eligibility of contributions received by
25 the organization.

26 (c) Information regarding the amount of charitable
27 contributions received by the organization prior to
28 certification under this section, and the amount of charitable
29 contributions received for each fiscal year the organization is
30 a certified regenerative medicine research institution.

31 (d) Any other information reasonably required by the
32 department in order to properly administer this section.

33 *c.* Unless certification is revoked pursuant to paragraph
34 "d", a certification received pursuant to this subsection shall
35 be valid for one year, at which time the organization may apply

1 to the department in the manner prescribed by the department to
2 become recertified pursuant to this subsection.

3 *d.* An organization shall notify the department in a timely
4 manner of any changes that affect the organization's ability
5 to qualify as a certified regenerative medicine research
6 institution. The department shall revoke the certification of
7 an organization certified pursuant to this subsection if that
8 organization subsequently fails to meet the requirements of
9 paragraph "b". The revocation of a certification under this
10 paragraph shall not prohibit an organization from subsequently
11 applying to be certified under this subsection.

12 *3. Application.*

13 *a.* To receive a tax credit under this section, a taxpayer
14 must submit an application to the department in the manner and
15 form prescribed by the department on or after the date of the
16 charitable contribution to the certified regenerative medicine
17 research institution for which the tax credit is sought.

18 *b.* The department shall issue tax credits and related
19 tax credit certificates on a first-come, first-served basis
20 in the order the applications are received until the maximum
21 amount of tax credits authorized pursuant to subsection 4
22 is reached. If for a fiscal year the maximum amount of tax
23 credits applied for exceeds the amount specified in subsection
24 4, the department shall establish a wait list for tax credits.
25 Valid applications received but not approved by the department
26 shall be placed on a wait list in the order the applications
27 were received and those applicants shall be given priority for
28 receiving tax credits in succeeding fiscal years. Placement
29 on a wait list pursuant to this paragraph shall not constitute
30 a promise binding the state. The availability of a tax
31 credit and approval of a tax credit application pursuant to
32 this section in a future fiscal year is contingent upon the
33 availability of tax credits in that particular year.

34 *4. Maximum tax credit amounts.* The maximum aggregate amount
35 of tax credits issued in a fiscal year pursuant to this section

1 shall not exceed ten million dollars.

2 5. *Regenerative medicine research tax credit.*

3 a. The taxes imposed under this division, less the credits
4 allowed under section 422.12, or the taxes imposed in division
5 III or V of this chapter, or the taxes imposed in chapter 432,
6 or the moneys and credits tax imposed in section 533.329, shall
7 be reduced by a regenerative medicine research tax credit equal
8 to sixty percent of a taxpayer's charitable contribution to a
9 certified regenerative medicine research institution.

10 b. An individual may claim the tax credit allowed a
11 partnership, limited liability company, S corporation, estate,
12 or trust electing to have the income taxed directly to the
13 individual. The amount claimed by the individual shall be
14 based upon the pro rata share of the individual's earnings of
15 the partnership, limited liability company, S corporation,
16 estate, or trust.

17 c. For tax credit certificates issued by the department in
18 the fiscal year during which the charitable contribution is
19 made, the tax credit shall be claimed for the applicant's tax
20 year during which the charitable contribution is made. For tax
21 credit certificates issued in any fiscal year following the
22 fiscal year during which the charitable contribution is made,
23 the tax credit shall be claimed for the applicant's tax year
24 during which the tax credit is issued by the department. For
25 an individual claiming the tax credit allowed another entity
26 pursuant to paragraph "b", the tax credit shall be claimed for
27 the individual's tax year beginning on or after the first day
28 of the tax year for which the other entity was allowed to claim
29 the tax credit.

30 d. Any tax credit in excess of the taxpayer's tax liability
31 is not refundable but the excess for the tax year may be
32 credited to the tax liability for the following four years or
33 until depleted, whichever is earlier. A tax credit shall not
34 be carried back to a prior tax year.

35 e. (1) To claim a tax credit under this section, a taxpayer

1 shall include one or more tax credit certificates with the
2 taxpayer's tax return.

3 (2) The tax credit certificate shall contain the taxpayer's
4 name, address, tax identification number, the amount of the
5 credit, and any other information required by the department.

6 (3) The tax credit certificate, unless rescinded by the
7 department, shall be accepted by the department as payment
8 for the taxes imposed under this division, division III or V
9 of this chapter, chapter 432, and section 533.329, subject
10 to any conditions or restrictions placed by the department
11 upon the face of the tax credit certificate and subject to the
12 limitations of this section.

13 *f.* The amount of the charitable contribution for which the
14 tax credit is claimed shall not be deductible in determining
15 taxable income for state tax purposes.

16 Sec. 4. Section 422.33, Code 2018, is amended by adding the
17 following new subsection:

18 NEW SUBSECTION. 27. The taxes imposed under this division
19 shall be reduced by a regenerative medicine research tax credit
20 in the same manner, for the same amount, and under the same
21 conditions as provided in section 422.10C.

22 Sec. 5. Section 422.60, Code 2018, is amended by adding the
23 following new subsection:

24 NEW SUBSECTION. 14. The taxes imposed under this division
25 shall be reduced by a regenerative medicine research tax credit
26 in the same manner, for the same amount, and under the same
27 conditions as provided in section 422.10C.

28 Sec. 6. NEW SECTION. 432.12N **Regenerative medicine research**
29 **tax credit.**

30 The taxes imposed under this chapter shall be reduced by a
31 regenerative medicine research tax credit in the same manner,
32 for the same amount, and under the same conditions as provided
33 in section 422.10C.

34 Sec. 7. Section 533.329, subsection 2, Code 2018, is amended
35 by adding the following new paragraph:

1 conduit for research by another organization, and must not be
2 a postsecondary institution or an entity receiving 25 percent
3 or more of its annual budget from a postsecondary institution.
4 Certification by the department is valid for one year, at which
5 time regenerative medicine research institutions may apply for
6 recertification.

7 In order to claim the tax credit, a taxpayer must submit an
8 application to the department as described in the bill on or
9 after the date of the charitable contribution and receive a tax
10 credit certificate. No more than \$10 million in tax credit
11 certificates may be issued per fiscal year. If applications
12 for the tax credit exceed that amount in a fiscal year, the
13 department is required to establish a wait list in the order
14 the applications were received and those applications will
15 receive priority for receiving tax credits in succeeding years.

16 The bill provides procedures for when a tax credit shall be
17 claimed by a taxpayer. The tax credit is nonrefundable, but
18 any amount in excess of the taxpayer's tax liability may be
19 carried forward for up to four years. The tax credit cannot
20 be carried back to a prior tax year. The bill prohibits
21 contributions receiving a tax credit from also being deducted
22 as a charitable contribution.

23 Finally, the bill includes legislative findings and a
24 legislative purpose for the tax credit, and adds the tax
25 credit to the list of tax expenditures to be reviewed by the
26 legislative tax expenditure committee beginning in 2021.

27 The bill applies to charitable contributions to a certified
28 regenerative medicine research institution made on or after
29 January 1, 2019. However, the bill provides that tax credit
30 certificates shall not be issued by the department prior to
31 July 1, 2019.