

House File 652 - Introduced

HOUSE FILE 652

BY COMMITTEE ON APPROPRIATIONS

(SUCCESSOR TO HSB 187)

A BILL FOR

1 An Act relating to state revenue and finance by modifying
2 certain tax credits and tax credit programs and providing
3 for transfers to the cash reserve fund and the taxpayers
4 trust fund, and including effective date and retroactive and
5 other applicability provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

BEGINNING FARMER TAX CREDITS

1
2
3 Section 1. Section 16.80, subsection 5, paragraph a,
4 subparagraphs (1) and (2), Code 2017, are amended to read as
5 follows:

6 (1) If the qualified beginning farmer is not a veteran, the
7 taxpayer may claim a tax credit equal to ~~seven~~ six percent of
8 the gross amount paid to the taxpayer under the agreement for
9 each tax year that the tax credit is allowed.

10 (2) If the qualified beginning farmer is a veteran, the
11 taxpayer may claim eight percent of the gross amount paid to
12 the taxpayer under the agreement for the first year that the
13 tax credit is allowed and ~~seven~~ six percent of the gross amount
14 paid to the taxpayer for each subsequent tax year that the tax
15 credit is allowed. However, the taxpayer may only claim ~~seven~~
16 six percent of the gross amount paid to the taxpayer under
17 a renewed agreement or a new agreement executed by the same
18 parties.

19 Sec. 2. Section 16.80, subsection 5, paragraph b,
20 subparagraph (1), Code 2017, is amended to read as follows:

21 (1) (a) If the qualified beginning farmer is not a
22 veteran, the taxpayer may claim a tax credit equal to ~~seventeen~~
23 sixteen percent of the amount paid to the taxpayer from crops
24 or animals sold under the agreement in which the payment is
25 exclusively made from the sale of crops or animals.

26 (b) If the qualified beginning farmer is a veteran, the
27 taxpayer may claim a tax credit equal to eighteen percent of
28 the amount paid to the taxpayer from crops or animals sold
29 under the agreement for the first tax year that the taxpayer
30 is allowed the tax credit and ~~seventeen~~ sixteen percent of the
31 amount paid to the taxpayer for each subsequent tax year that
32 the taxpayer is allowed the tax credit. However, the taxpayer
33 may only claim ~~seventeen~~ sixteen percent of the amount paid to
34 the taxpayer from crops or animals sold for any tax year under
35 a renewed agreement or a new agreement executed by the same

1 parties.

2 Sec. 3. Section 16.80, subsection 5, paragraphs a and b,
3 as enacted in 2014 Iowa Acts, chapter 1080, section 122, are
4 amended to read as follows:

5 a. Except as provided in paragraph "b", the tax credit shall
6 equal ~~five~~ four and one-half percent of the amount paid to the
7 taxpayer under the agreement.

8 b. The tax credit shall equal ~~fifteen~~ fourteen percent of
9 the amount paid to the taxpayer from crops or animals sold
10 under an agreement in which the payment is exclusively made
11 from the sale of crops or animals.

12 Sec. 4. Section 16.81, subsection 8, paragraphs a and b,
13 Code 2017, are amended to read as follows:

14 a. If the qualified beginning farmer is not a veteran, the
15 taxpayer may claim a tax credit equal to ~~seven~~ six percent of
16 the gross amount paid to the qualified beginning farmer under
17 the contract for each tax year that the tax credit is allowed.

18 b. If the qualified beginning farmer is a veteran, the
19 taxpayer may claim a tax credit equal to eight percent of the
20 gross amount paid to the qualified beginning farmer under the
21 contract for the first year that the tax credit is allowed and
22 ~~seven~~ six percent of the gross amount paid to the qualified
23 beginning farmer under the contract for each subsequent tax
24 year that the tax credit is allowed. However, the taxpayer may
25 only claim ~~seven~~ six percent of the gross amount paid to the
26 qualified beginning farmer under a renewed contract or a new
27 contract executed by the same parties.

28 Sec. 5. EFFECTIVE DATE.

29 1. Except as provided in subsection 2, this division of this
30 Act, being deemed of immediate importance, takes effect upon
31 enactment.

32 2. The section of this division of this Act amending section
33 16.80, subsection 5, paragraphs "a" and "b", as enacted in 2014
34 Iowa Acts, chapter 1080, section 122, takes effect January 1,
35 2018.

1 Sec. 6. RETROACTIVE AND OTHER APPLICABILITY.

2 1. Except as provided in subsection 2, this division of this
3 Act applies retroactively to January 1, 2017, for tax years
4 beginning on or after that date.

5 2. The section of this division of this Act amending section
6 16.80, subsection 5, paragraphs "a" and "b", as enacted in 2014
7 Iowa Acts, chapter 1080, section 122, applies to tax years
8 beginning on or after January 1, 2018.

9

DIVISION II

10

BIODIESEL BLENDED FUEL TAX CREDIT

11 Sec. 7. Section 422.11P, subsection 3, paragraph a,
12 subparagraph (1), Code 2017, is amended to read as follows:

13 (1) The taxpayer is a retail dealer who sells and dispenses
14 qualifying biodiesel blended fuel through a motor fuel pump
15 located at the retail dealer's retail motor fuel site during
16 the calendar year ~~or parts of the calendar years~~ for which the
17 tax credit is claimed as provided in [this section](#).

18 Sec. 8. Section 422.11P, subsection 4, unnumbered paragraph
19 1, Code 2017, is amended to read as follows:

20 ~~For a retail dealer whose tax year is on a calendar year~~
21 ~~basis, the~~ A retail dealer shall calculate the amount of the
22 tax credit by multiplying a designated rate by the retail
23 dealer's total biodiesel blended fuel gallonage for the
24 calendar year as provided in [section 452A.31](#) which qualifies
25 under [this subsection](#).

26 Sec. 9. Section 422.11P, subsection 5, Code 2017, is amended
27 by striking the subsection and inserting in lieu thereof the
28 following:

29 5. *a.* To receive a tax credit under this section, a retail
30 dealer must submit an application in the manner and form
31 prescribed by the department. The department may establish an
32 application deadline or require a retail dealer to apply for
33 the credit on or in conjunction with the retail dealer's annual
34 report required under section 452A.33.

35 *b.* The department shall issue tax credits and related tax

1 credit certificates to qualifying retail dealers on a calendar
2 year basis, which tax credits shall not exceed an aggregate
3 amount of sixteen million dollars per calendar year. In the
4 event the aggregate amount of tax credit claims for a calendar
5 year exceeds sixteen million dollars, the department shall
6 reduce in a prorated fashion all tax credit claims until the
7 aggregate credit claims equal sixteen million dollars.

8 *c.* The tax credit may be claimed for the tax year ending
9 on or after January 1 of the calendar year for which the tax
10 credit is calculated as provided in subsection 4. For an
11 individual claiming the tax credit allowed another entity
12 pursuant to subsection 7, the tax credit may be claimed for the
13 individual's tax year beginning on or after the first day of
14 the tax year for which the other entity was allowed to claim
15 the tax credit.

16 *d.* (1) To claim a tax credit under this section, a taxpayer
17 shall include one or more tax credit certificates with the
18 taxpayer's tax return.

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

22 (3) The tax credit certificate, unless rescinded by the
23 department, shall be accepted by the department as payment
24 for the taxes under this division or division III, subject
25 to any conditions or restrictions placed by the department
26 upon the face of the tax credit certificate and subject to the
27 limitations of this section.

28 Sec. 10. EFFECTIVE UPON ENACTMENT. This division of this
29 Act, being deemed of immediate importance, takes effect upon
30 enactment.

31 Sec. 11. RETROACTIVE APPLICABILITY. This division of this
32 Act applies retroactively to January 1, 2017, for tax years
33 beginning on or after that date and for biodiesel blended fuel
34 sold on or after that date.

35 Sec. 12. TRANSITION PROVISIONS. For a retail dealer whose

1 tax year is not on a calendar year basis, the retailer shall
2 calculate tax credits for the tax year beginning in calendar
3 year 2016, and ending in calendar year 2017 as follows:

4 1. For the period beginning on the first day of the retail
5 dealer's tax year until December 31, the retail dealer shall
6 calculate a tax credit in the same manner as a retail dealer
7 who calculates the tax credit on that same December 31 as
8 provided in section 422.11P, subsection 4, Code 2017.

9 2. For any period beginning on or after January 1, 2017,
10 the retail dealer shall calculate a tax credit as provided in
11 section 422.11P, as amended in this division of this Act.

12 DIVISION III

13 E-15 PLUS GASOLINE PROMOTION TAX CREDIT

14 Sec. 13. Section 422.11Y, subsection 3, paragraph a,
15 subparagraph (1), Code 2017, is amended to read as follows:

16 (1) The taxpayer is a retail dealer who sells and dispenses
17 qualifying ethanol blended gasoline through a motor fuel pump
18 located at the retail dealer's retail motor fuel site during
19 the calendar year ~~or parts of the calendar years~~ for which the
20 tax credit is claimed as provided in [this section](#).

21 Sec. 14. Section 422.11Y, subsection 4, unnumbered
22 paragraph 1, Code 2017, is amended to read as follows:

23 ~~For a retail dealer whose tax year is on a calendar year~~
24 ~~basis, the~~ A retail dealer shall calculate the amount of the
25 tax credit by multiplying a designated rate by the retail
26 dealer's total ethanol blended gasoline gallonage for the
27 calendar year as provided in [section 452A.31](#) which qualifies
28 under [this subsection](#).

29 Sec. 15. Section 422.11Y, subsection 5, Code 2017, is
30 amended by striking the subsection and inserting in lieu
31 thereof the following:

32 5. a. To receive a tax credit under this section, a retail
33 dealer must submit an application in the manner and form
34 prescribed by the department. The department may establish an
35 application deadline or require a retail dealer to apply for

1 the credit on or in conjunction with the retail dealer's annual
2 report required under section 452A.33.

3 *b.* The department shall issue tax credits and related tax
4 credit certificates to qualifying retail dealers on a calendar
5 year basis, which tax credits shall not exceed an aggregate
6 amount of four hundred thirty thousand two hundred dollars per
7 calendar year. In the event the aggregate amount of tax credit
8 claims for a calendar year exceeds four hundred thirty thousand
9 two hundred dollars, the department shall reduce in a prorated
10 fashion all tax credit claims until the aggregate credit claims
11 equal four hundred thirty thousand two hundred dollars.

12 *c.* The tax credit may be claimed for the tax year ending
13 on or after January 1 of the calendar year for which the tax
14 credit is calculated as provided in subsection 4. For an
15 individual claiming the tax credit allowed another entity
16 pursuant to subsection 8, the tax credit may be claimed for the
17 individual's tax year beginning on or after the first day of
18 the tax year for which the other entity was allowed to claim
19 the tax credit.

20 *d.* (1) To claim a tax credit under this section, a taxpayer
21 shall include one or more tax credit certificates with the
22 taxpayer's tax return.

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

26 (3) The tax credit certificate, unless rescinded by the
27 department, shall be accepted by the department as payment
28 for the taxes under this division or division III, subject
29 to any conditions or restrictions placed by the department
30 upon the face of the tax credit certificate and subject to the
31 limitations of this section.

32 Sec. 16. EFFECTIVE UPON ENACTMENT. This division of this
33 Act, being deemed of immediate importance, takes effect upon
34 enactment.

35 Sec. 17. RETROACTIVE APPLICABILITY. This division of this

1 Act applies retroactively to January 1, 2017, for tax years
2 beginning on or after that date and for qualifying ethanol
3 blended gasoline sold on or after that date.

4 Sec. 18. TRANSITION PROVISIONS. For a retail dealer whose
5 tax year is not on a calendar year basis, the retailer shall
6 calculate tax credits for the tax year beginning in calendar
7 year 2016, and ending in calendar year 2017 as follows:

8 1. For the period beginning on the first day of the retail
9 dealer's tax year until December 31, the retail dealer shall
10 calculate a tax credit in the same manner as a retail dealer
11 who calculates the tax credit on that same December 31 as
12 provided in section 422.11Y, subsection 4, Code 2017.

13 2. For any period beginning on or after January 1, 2017,
14 the retail dealer shall calculate a tax credit as provided in
15 section 422.11Y, as amended in this division of this Act.

16 DIVISION IV

17 E-85 GASOLINE PROMOTION TAX CREDIT

18 Sec. 19. Section 422.110, subsection 2, paragraph a,
19 subparagraph (1), Code 2017, is amended to read as follows:

20 (1) The taxpayer is a retail dealer who sells and dispenses
21 E-85 gasoline through a motor fuel pump located at the retail
22 dealer's retail motor fuel site during the calendar year ~~or~~
23 ~~parts of the calendar year~~ for which the tax credit is claimed
24 as provided in [this section](#).

25 Sec. 20. Section 422.110, subsection 3, Code 2017, is
26 amended to read as follows:

27 ~~3. For a retail dealer whose tax year is on a calendar year~~
28 ~~basis, the~~ A retail dealer shall calculate the amount of the
29 tax credit by multiplying a designated rate of sixteen cents
30 by the retail dealer's total E-85 gasoline gallonage for the
31 calendar year as provided in [sections 452A.31](#) and [452A.32](#).

32 Sec. 21. Section 422.110, subsection 4, Code 2017, is
33 amended by striking the subsection and inserting in lieu
34 thereof the following:

35 4. a. To receive a tax credit under this section, a retail

1 dealer must submit an application in the manner and form
2 prescribed by the department. The department may establish an
3 application deadline or require a retail dealer to apply for
4 the credit on or in conjunction with the retail dealer's annual
5 report required under section 452A.33.

6 *b.* The department shall issue tax credits and related tax
7 credit certificates to qualifying retail dealers on a calendar
8 year basis, which tax credits shall not exceed an aggregate
9 amount of two million five hundred eleven thousand one
10 hundred dollars per calendar year. In the event the aggregate
11 amount of tax credit claims for a calendar year exceeds two
12 million five hundred eleven thousand one hundred dollars, the
13 department shall reduce in a prorated fashion all tax credit
14 claims until the aggregate credit claims equal two million five
15 hundred eleven thousand one hundred dollars.

16 *c.* The tax credit may be claimed for the tax year ending
17 on or after January 1 of the calendar year for which the tax
18 credit is calculated as provided in subsection 3. For an
19 individual claiming the tax credit allowed another entity
20 pursuant to subsection 7, the tax credit may be claimed for the
21 individual's tax year beginning on or after the first day of
22 the tax year for which the other entity was allowed to claim
23 the tax credit.

24 *d.* (1) To claim a tax credit under this section, a taxpayer
25 shall include one or more tax credit certificates with the
26 taxpayer's tax return.

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

30 (3) The tax credit certificate, unless rescinded by the
31 department, shall be accepted by the department as payment
32 for the taxes under this division or division III, subject
33 to any conditions or restrictions placed by the department
34 upon the face of the tax credit certificate and subject to the
35 limitations of this section.

1 Sec. 22. EFFECTIVE UPON ENACTMENT. This division of this
2 Act, being deemed of immediate importance, takes effect upon
3 enactment.

4 Sec. 23. RETROACTIVE APPLICABILITY. This division of this
5 Act applies retroactively to January 1, 2017, for tax years
6 beginning on or after that date and for E-85 gasoline sold on
7 or after that date.

8 Sec. 24. TRANSITION PROVISIONS. For a retail dealer whose
9 tax year is not on a calendar year basis, the retailer shall
10 calculate tax credits for the tax year beginning in calendar
11 year 2016, and ending in calendar year 2017 as follows:

12 1. For the period beginning on the first day of the retail
13 dealer's tax year until December 31, the retail dealer shall
14 calculate a tax credit in the same manner as a retail dealer
15 who calculates the tax credit on that same December 31 as
16 provided in section 422.110, subsection 3, Code 2017.

17 2. For any period beginning on or after January 1, 2017,
18 the retail dealer shall calculate a tax credit as provided in
19 section 422.110, as amended in this division of this Act.

20 DIVISION V

21 ETHANOL PROMOTION TAX CREDIT

22 Sec. 25. Section 422.11N, subsection 3, paragraph a, Code
23 2017, is amended to read as follows:

24 a. The taxpayer is a retail dealer who sells and dispenses
25 ethanol blended gasoline through a motor fuel pump located
26 at the retail dealer's retail motor fuel site during the
27 determination period ~~or parts of the determination periods~~ for
28 which the tax credit is claimed as provided in [this section](#).

29 Sec. 26. Section 422.11N, subsection 6, paragraph a,
30 unnumbered paragraph 1, Code 2017, is amended to read as
31 follows:

32 ~~For a retail dealer whose tax year is the same as a~~
33 ~~determination period beginning on January 1 and ending on~~
34 ~~December 31, the~~ A retail dealer's tax credit is calculated
35 by multiplying the retail dealer's total ethanol gallonage

1 for the determination period by a tax credit rate, which may
2 be adjusted based on the retail dealer's biofuel threshold
3 percentage disparity. The tax credit rate is as follows:

4 Sec. 27. Section 422.11N, subsection 6, paragraph b, Code
5 2017, is amended by striking the paragraph.

6 Sec. 28. Section 422.11N, Code 2017, is amended by adding
7 the following new subsection:

8 NEW SUBSECTION. 7A. *a.* To receive a tax credit under this
9 section, a retail dealer must submit an application in the
10 manner and form prescribed by the department. The department
11 may establish an application deadline or require a retail
12 dealer to apply for the credit on or in conjunction with the
13 retail dealer's annual report required under section 452A.33.

14 *b.* The department shall issue tax credits and related tax
15 credit certificates to qualifying retail dealers on a calendar
16 year basis, which tax credits shall not exceed an aggregate
17 amount of one million seventy-one thousand five hundred
18 dollars per determination period. In the event the aggregate
19 amount of tax credit claims for a determination period exceeds
20 one million seventy-one thousand five hundred dollars, the
21 department shall reduce in a prorated fashion all tax credit
22 claims until the aggregate credit claims equal one million
23 seventy-one thousand five hundred dollars.

24 *c.* The tax credit may be claimed for the tax year ending
25 on or after January 1 of the determination period for which
26 the tax credit is calculated as provided in subsection 6. For
27 an individual claiming the tax credit allowed another entity
28 pursuant to subsection 9, the tax credit may be claimed for the
29 individual's tax year beginning on or after the first day of
30 the tax year for which the other entity was allowed to claim
31 the tax credit.

32 *d.* (1) To claim a tax credit under this section, a taxpayer
33 shall include one or more tax credit certificates with the
34 taxpayer's tax return.

35 (2) The tax credit certificate shall contain the taxpayer's

1 name, address, tax identification number, the amount of the
2 credit, and any other information required by the department.

3 (3) The tax credit certificate, unless rescinded by the
4 department, shall be accepted by the department as payment
5 for the taxes under this division or division III, subject
6 to any conditions or restrictions placed by the department
7 upon the face of the tax credit certificate and subject to the
8 limitations of this section.

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

12 Sec. 30. RETROACTIVE APPLICABILITY. This division of
13 this Act applies retroactively to January 1, 2017, for tax
14 years beginning on or after that date and for ethanol blended
15 gasoline sold on or after that date.

16 Sec. 31. TRANSITION PROVISIONS. For a retail dealer whose
17 tax year is not on a calendar year basis, the retailer shall
18 calculate tax credits for the tax year beginning in calendar
19 year 2016, and ending in calendar year 2017 as follows:

20 1. For the period beginning on the first day of the retail
21 dealer's tax year until December 31, the retail dealer shall
22 calculate a tax credit in the same manner as a retail dealer
23 who calculates the tax credit on that same December 31 as
24 provided in section 422.11N, subsection 6, paragraph "a", Code
25 2017.

26 2. For any period beginning on or after January 1, 2017,
27 the retail dealer shall calculate a tax credit as provided in
28 section 422.11N, as amended in this division of this Act.

29 DIVISION VI

30 HISTORIC PRESERVATION AND CULTURAL AND ENTERTAINMENT DISTRICT

31 TAX CREDIT

32 Sec. 32. Section 404A.2, subsection 1, Code 2017, is amended
33 to read as follows:

34 1. An eligible taxpayer who has entered into an agreement
35 under [section 404A.3, subsection 3](#), is eligible to receive a

1 historic preservation and cultural and entertainment district
2 tax credit in an amount equal to ~~twenty-five~~ fifteen percent
3 of the qualified rehabilitation expenditures of a qualified
4 rehabilitation project that are specified in the agreement.
5 Notwithstanding any other provision of this chapter or any
6 provision in the agreement to the contrary, the amount of the
7 tax credits shall not exceed ~~twenty-five~~ fifteen percent of the
8 final qualified rehabilitation expenditures verified by the
9 authority pursuant to section 404A.3, subsection 5, paragraph
10 "c".

11 Sec. 33. Section 404A.4, subsection 1, paragraph a, Code
12 2017, is amended to read as follows:

13 a. Except as provided in subsections 2 and 3, the authority
14 shall not award in any one fiscal year an amount of tax credits
15 provided in section 404A.2 in excess of ~~forty-five~~ thirty-five
16 million dollars.

17 Sec. 34. APPLICABILITY. This section of this division
18 of this Act amending section 404A.2, subsection 1, applies
19 to qualified rehabilitation projects registered on or after
20 July 1, 2017, and qualified rehabilitation projects registered
21 prior to July 1, 2017, shall be governed by section 404A.2,
22 subsection 1, Code 2017.

23 DIVISION VII

24 SOLAR ENERGY SYSTEM TAX CREDIT

25 Sec. 35. Section 422.11L, subsection 1, Code 2017, is
26 amended to read as follows:

27 1. The taxes imposed under this division, less the credits
28 allowed under section 422.12, shall be reduced by a solar
29 energy system tax credit equal to the sum of the following:

30 a. ~~Sixty~~ Forty percent of the federal residential energy
31 efficient property credit related to solar energy provided in
32 section 25D(a)(1) and section 25D(a)(2) of the Internal Revenue
33 Code, not to exceed five thousand dollars.

34 b. ~~Sixty~~ Forty percent of the federal energy credit related
35 to solar energy systems provided in section 48(a)(2)(A)(i)(II)

1 and section 48(a)(2)(A)(i)(III) of the Internal Revenue Code,
2 not to exceed twenty thousand dollars.

3 ~~c. Notwithstanding paragraphs "a" and "b" of this~~
4 ~~subsection, for installations occurring on or after January 1,~~
5 ~~2016, the applicable percentages of the federal residential~~
6 ~~energy efficiency property tax credit related to solar energy~~
7 ~~and the federal energy credit related to solar energy systems~~
8 ~~shall be fifty percent.~~

9 Sec. 36. Section 422.11L, subsection 4, paragraph a, Code
10 2017, is amended to read as follows:

11 a. The cumulative value of tax credits claimed annually by
12 applicants pursuant to [this section](#) shall not exceed ~~five~~ four
13 million dollars. Of this amount, at least one million dollars
14 shall be reserved for claims associated with or resulting from
15 residential solar energy system installations. In the event
16 that the total amount of claims submitted for residential solar
17 energy system installations in a tax year is an amount less
18 than one million dollars, the remaining unclaimed reserved
19 amount shall be made available for claims associated with or
20 resulting from nonresidential solar energy system installations
21 received for the tax year.

22 Sec. 37. Section 422.33, subsection 29, paragraph a, Code
23 2017, is amended to read as follows:

24 a. The taxes imposed under [this division](#) shall be reduced
25 by a solar energy system tax credit equal to ~~sixty~~ forty
26 percent of the federal energy credit related to solar energy
27 systems provided in section 48(a)(2)(A)(i)(II) and section
28 48(a)(2)(A)(i)(III) of the Internal Revenue Code, not to exceed
29 twenty thousand dollars. ~~For installations occurring on or~~
30 ~~after January 1, 2016, the applicable percentage of the federal~~
31 ~~energy credit related to solar energy systems shall be fifty~~
32 ~~percent.~~

33 Sec. 38. Section 422.60, subsection 12, paragraph a, Code
34 2017, is amended to read as follows:

35 a. The taxes imposed under [this division](#) shall be reduced

1 by a solar energy system tax credit equal to ~~sixty~~ forty
2 percent of the federal energy credit related to solar energy
3 systems provided in section 48(a)(2)(A)(i)(II) and section
4 48(a)(2)(A)(i)(III) of the Internal Revenue Code, not to exceed
5 twenty thousand dollars. ~~For installations occurring on or~~
6 ~~after January 1, 2016, the applicable percentage of the federal~~
7 ~~energy credit related to solar energy systems shall be fifty~~
8 ~~percent.~~

9 Sec. 39. EFFECTIVE UPON ENACTMENT. This division of this
10 Act, being deemed of immediate importance, takes effect upon
11 enactment.

12 Sec. 40. RETROACTIVE APPLICABILITY. The following
13 provision or provisions of this division of this Act apply
14 retroactively to January 1, 2017, for tax years beginning and
15 installations occurring on or after that date:

16 1. The section of this division of this Act amending section
17 422.11L, subsection 4, paragraph "a".

18 Sec. 41. APPLICABILITY. The following provision or
19 provisions of this division of this Act apply to installations
20 occurring on or after the effective date of this division of
21 this Act:

22 1. The section of this division of this Act amending section
23 422.11L, subsection 1.

24 2. The section of this division of this Act amending section
25 422.33, subsection 29, paragraph "a".

26 3. The section of this division of this Act amending section
27 422.60, subsection 12, paragraph "a".

28 DIVISION VIII

29 GEOTHERMAL HEAT PUMP TAX CREDIT

30 Sec. 42. Section 422.11I, Code 2017, is amended to read as
31 follows:

32 **422.11I Geothermal heat pump tax credit.**

33 1. The taxes imposed under this division, less the credits
34 allowed under [section 422.12](#), shall be reduced by a geothermal
35 heat pump tax credit equal to ~~twenty~~ sixteen percent of the

1 federal residential energy efficient property tax credit
2 allowed for geothermal heat pumps provided in section 25D(a)(5)
3 of the Internal Revenue Code for residential property located
4 in Iowa.

5 2. a. To receive a tax credit under this section, a
6 taxpayer must submit an application in the manner and form
7 prescribed by the department by May 1 following the calendar
8 year of the installation of the qualified geothermal heat
9 pump property that is the subject of the federal credit. The
10 application must be approved by the department in order to
11 receive a tax credit certificate and claim the tax credit.

12 b. The department shall issue tax credits and related
13 tax credit certificates on a first-come, first-served basis
14 in the order the applications are received until the maximum
15 amount of tax credits authorized pursuant to subsection 3 is
16 reached. If for a calendar year the maximum amount of tax
17 credits applied for exceeds the amount specified in subsection
18 3, the department shall establish a wait list for tax credits.
19 Valid applications filed by the taxpayer by May 1 following
20 the calendar year of the installation but not approved by
21 the department shall be placed on a wait list in the order
22 the applications were received and those applicants shall
23 be given priority for having their applications approved
24 in succeeding years. Placement on a wait list pursuant to
25 this paragraph shall not constitute a promise binding the
26 state. The availability of a tax credit and issuance of a tax
27 credit certificate pursuant to this section in a future year
28 is contingent upon the availability of tax credits in that
29 particular year.

30 c. For tax credit certificates issued in the calendar
31 year of the installation or the calendar year following the
32 installation, the tax credit may be claimed for the applicant's
33 tax year during which the installation was completed. For tax
34 credit certificates issued in any later calendar year, the tax
35 credit may be claimed for the applicant's tax year during which

1 the tax credit is issued.

2 d. (1) To claim a tax credit under this section, a taxpayer
3 shall include one or more tax credit certificates with the
4 taxpayer's tax return.

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

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

14 3. The maximum aggregate amount of tax credits issued in a
15 calendar year pursuant to this section shall not exceed three
16 hundred seventy-six thousand twenty dollars.

17 4. Any credit in excess of the tax liability is not
18 refundable but the excess for the tax year may be credited
19 to the tax liability for the following ten years or until
20 depleted, whichever is earlier.

21 5. The director of revenue shall adopt rules to implement
22 this section.

23 Sec. 43. EFFECTIVE UPON ENACTMENT. This division of this
24 Act, being deemed of immediate importance, takes effect upon
25 enactment.

26 Sec. 44. RETROACTIVE APPLICABILITY. This division of this
27 Act applies retroactively to January 1, 2017, for tax years
28 beginning on or after that date.

29 DIVISION IX

30 GEOTHERMAL TAX CREDIT

31 Sec. 45. Section 422.10A, subsection 2, Code 2017, is
32 amended to read as follows:

33 2. Except as provided in [subsection 6](#), the taxes imposed
34 under [this division](#), less the credits allowed under section
35 422.12, shall be reduced by a geothermal tax credit equal

1 to ~~ten~~ eight percent of the qualified geothermal heat pump
2 property expenditures made by the taxpayer during the tax year.

3 Sec. 46. Section 422.10A, Code 2017, is amended by adding
4 the following new subsections:

5 NEW SUBSECTION. 4A. *a.* To receive a tax credit under this
6 section, a taxpayer must submit an application in the manner
7 and form prescribed by the department by May 1 following the
8 calendar year of the installation of the qualified geothermal
9 heat pump property. The application must be approved by the
10 department in order to receive a tax credit certificate and
11 claim the tax credit.

12 *b.* The department shall issue tax credits and related
13 tax credit certificates on a first-come, first-served basis
14 in the order the applications are received until the maximum
15 amount of tax credits authorized pursuant to subsection 4B is
16 reached. If for a calendar year the maximum amount of tax
17 credits applied for exceeds the amount specified in subsection
18 4B, the department shall establish a wait list for tax credits.
19 Valid applications filed by the taxpayer by May 1 following
20 the calendar year of the installation but not approved by
21 the department shall be placed on a wait list in the order
22 the applications were received and those applicants shall
23 be given priority for having their applications approved
24 in succeeding years. Placement on a wait list pursuant to
25 this paragraph shall not constitute a promise binding the
26 state. The availability of a tax credit and issuance of a tax
27 credit certificate pursuant to this section in a future year
28 is contingent upon the availability of tax credits in that
29 particular year.

30 *c.* For tax credit certificates issued in the calendar
31 year of the installation or the calendar year following the
32 installation, the tax credit may be claimed for the applicant's
33 tax year during which the installation was completed. For tax
34 credit certificates issued in any later calendar year, the tax
35 credit may be claimed for the applicant's tax year during which

1 the tax credit is issued.

2 *d.* (1) To claim a tax credit under this section, a taxpayer
3 shall include one or more tax credit certificates with the
4 taxpayer's tax return.

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

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

14 NEW SUBSECTION. 4B. The maximum aggregate amount of tax
15 credits issued in a calendar year pursuant to this section
16 shall not exceed one million five hundred thousand dollars.

17 Sec. 47. EFFECTIVE UPON ENACTMENT. This division of this
18 Act, being deemed of immediate importance, takes effect upon
19 enactment.

20 Sec. 48. RETROACTIVE APPLICABILITY. The following
21 provision or provisions of this division of this Act apply
22 retroactively to January 1, 2017, for tax years beginning and
23 installations occurring on or after that date:

24 1. The sections of this division of this Act enacting
25 section 422.10A, subsections 4A and 4B.

26 Sec. 49. APPLICABILITY. The following provision or
27 provisions of this division of this Act apply to installations
28 occurring on or after the effective date of this division of
29 this Act:

30 1. The section of this division of this Act amending section
31 422.10A, subsection 2.

32 DIVISION X

33 INNOVATION FUND TAX CREDIT

34 Sec. 50. Section 15E.52, subsection 3, Code 2017, is amended
35 to read as follows:

1 3. The amount of a tax credit allowed under this section
2 shall equal ~~twenty-five~~ twenty percent of the taxpayer's equity
3 investment in an innovation fund.

4 Sec. 51. EFFECTIVE UPON ENACTMENT. This division of this
5 Act, being deemed of immediate importance, takes effect upon
6 enactment.

7 Sec. 52. APPLICABILITY. This division of this Act applies
8 to equity investments in an innovation fund made on or after
9 the effective date of this division of this Act, and equity
10 investments in an innovation fund made prior to the effective
11 date of this division of this Act shall be governed by section
12 15E.52, subsection 3, Code 2017.

13 DIVISION XI

14 ANGEL INVESTOR TAX CREDIT

15 Sec. 53. Section 15E.43, subsection 2, paragraph a, Code
16 2017, is amended to read as follows:

17 a. The amount of the tax credit shall equal ~~twenty-five~~
18 twenty percent of the taxpayer's equity investment.

19 Sec. 54. EFFECTIVE UPON ENACTMENT. This division of this
20 Act, being deemed of immediate importance, takes effect upon
21 enactment.

22 Sec. 55. APPLICABILITY. This division of this Act applies
23 to equity investments in a qualifying business made on or
24 after the effective date of this division of this Act, and
25 equity investments in a qualifying business made prior to the
26 effective date of this division of this Act shall be governed
27 by section 15E.43, subsection 2, paragraph "a", Code 2017.

28 DIVISION XII

29 RESEARCH ACTIVITIES TAX CREDIT

30 Sec. 56. Section 15.335, subsection 8, Code 2017, is amended
31 to read as follows:

32 8. a. Except as provided in paragraph "b", any credit in
33 excess of the taxpayer's tax liability for the tax year is not
34 refundable but may be credited to the tax liability for the
35 following eight years or until depleted, whichever is earlier.

1 b. Any For a credit earned by an eligible business that is
2 a new claimant, any credit in excess of the tax liability for
3 the taxable year shall be refunded with interest computed under
4 section 422.25. In lieu of claiming a refund, a taxpayer may
5 elect to have the overpayment shown on its final, completed
6 return credited to the tax liability for the following year.
7 The amount of credit claimed by an individual or entity which
8 credit amount was received from a partnership, S corporation,
9 limited liability company, estate, or trust electing to
10 have the income taxed directly to the owners, shall not be
11 refundable pursuant to this paragraph "b" unless the eligible
12 business that ultimately earned the credit is a new claimant.

13 c. For purposes of this subsection, "new claimant" means the
14 same as defined in section 422.10, subsection 3, paragraph "c".

15 Sec. 57. Section 422.10, subsection 1, paragraph a,
16 subparagraph (1), subparagraph divisions (a) and (b), Code
17 2017, are amended to read as follows:

18 (a) ~~Six~~ Five and one-half percent of the excess of qualified
19 research expenses during the tax year over the base amount for
20 the tax year based upon the state's apportioned share of the
21 qualifying expenditures for increasing research activities.

22 (b) ~~Six~~ Five and one-half percent of the basic research
23 payments determined under section 41(e)(1)(A) of the Internal
24 Revenue Code during the tax year based upon the state's
25 apportioned share of the qualifying expenditures for increasing
26 research activities.

27 Sec. 58. Section 422.10, subsection 1, paragraph c, Code
28 2017, is amended to read as follows:

29 c. For purposes of the alternate credit computation
30 method in paragraph "b", the credit percentages applicable to
31 qualified research expenses described in section 41(c)(5)(A)
32 and clause (ii) of section 41(c)(5)(B) of the Internal Revenue
33 Code are ~~four and fifty-five~~ three and eighty-five hundredths
34 percent and one and ~~ninety-five~~ sixty-one hundredths percent,
35 respectively.

1 Sec. 59. Section 422.10, subsection 2, Code 2017, is amended
2 to read as follows:

3 2. For purposes of this section, an individual may
4 claim a research credit ~~incurred~~ earned by a partnership,
5 S corporation, limited liability company, estate, or trust
6 electing to have the income taxed directly to the individual.
7 The amount claimed by the individual shall be based upon the
8 pro rata share of the individual's earnings of a partnership, S
9 corporation, limited liability company, estate, or trust.

10 Sec. 60. Section 422.10, subsection 3, Code 2017, is amended
11 by adding the following new paragraph:

12 NEW PARAGRAPH. *c.* (1) For purposes of this section,
13 "*new claimant*" means an entity that did not earn the research
14 activities credit provided under this section, section 15.335,
15 or section 422.33, subsection 5, for a tax year ending on or
16 before January 1, 2014.

17 (2) An entity that meets the requirements of subparagraph
18 (1) shall be considered a new claimant for a period of five tax
19 years beginning with the first tax year for which the entity
20 earned the research activities credit provided under this
21 section, section 15.335, or section 422.33, subsection 5.

22 (3) Notwithstanding subparagraphs (1) and (2), an entity
23 shall not be considered a new claimant if such entity is an
24 affiliate of an entity that does not qualify as a new claimant
25 under subparagraph (1), or is an affiliate of an entity that
26 has exceeded the five-year period for a new claimant provided
27 under subparagraph (2). For purposes of this subparagraph (3),
28 "*affiliate*" means the same as defined in section 423.1.

29 Sec. 61. Section 422.10, subsection 4, Code 2017, is amended
30 to read as follows:

31 4. *a.* Except as provided in paragraph "b", any credit in
32 excess of the taxpayer's tax liability for the tax year is not
33 refundable but may be credited to the tax liability for the
34 following eight years or until depleted, whichever is earlier.

35 *b.* Any For a credit earned by an entity that is a new

1 claimant, any credit in excess of the tax liability imposed by
 2 section 422.5 less the amounts of nonrefundable credits allowed
 3 under this division for the taxable year shall be refunded with
 4 interest computed under section 422.25. In lieu of claiming
 5 a refund, a taxpayer may elect to have the overpayment shown
 6 on the taxpayer's final, completed return credited to the tax
 7 liability for the following taxable year. The amount of credit
 8 claimed by an individual or entity which credit amount was
 9 received from a partnership, S corporation, limited liability
 10 company, estate, or trust electing to have the income taxed
 11 directly to the owners, shall not be refundable pursuant to
 12 this paragraph "b" unless the partnership, S corporation,
 13 limited liability company, estate, or trust that ultimately
 14 earned the credit is a new claimant.

15 Sec. 62. Section 422.33, subsection 5, paragraph a,
 16 subparagraphs (1) and (2), Code 2017, are amended to read as
 17 follows:

18 (1) ~~Six~~ Five and one-half percent of the excess of qualified
 19 research expenses during the tax year over the base amount for
 20 the tax year based upon the state's apportioned share of the
 21 qualifying expenditures for increasing research activities.

22 (2) ~~Six~~ Five and one-half percent of the basic research
 23 payments determined under section 41(e)(1)(A) of the Internal
 24 Revenue Code during the tax year based upon the state's
 25 apportioned share of the qualifying expenditures for increasing
 26 research activities.

27 Sec. 63. Section 422.33, subsection 5, paragraph d, Code
 28 2017, is amended to read as follows:

29 *d.* For purposes of the alternate credit computation
 30 method in paragraph "c", the credit percentages applicable to
 31 qualified research expenses described in section 41(c)(5)(A)
 32 and clause (ii) of section 41(c)(5)(B) of the Internal Revenue
 33 Code are ~~four and fifty-five~~ three and eighty-five hundredths
 34 percent and one and ~~ninety-five~~ sixty-one hundredths percent,
 35 respectively.

1 Sec. 64. Section 422.33, subsection 5, paragraph f, Code
2 2017, is amended to read as follows:

3 f. (1) Except as provided in subparagraph (2), any credit
4 in excess of the taxpayer's tax liability for the tax year is
5 not refundable but may be credited to the tax liability for the
6 following eight years or until depleted, whichever is earlier.

7 (2) Any For a credit earned by a corporation that is a new
8 claimant, any credit in excess of the tax liability for the
9 taxable year shall be refunded with interest computed under
10 section 422.25. In lieu of claiming a refund, a taxpayer may
11 elect to have the overpayment shown on its final, completed
12 return credited to the tax liability for the following
13 taxable year. The amount of credit claimed by a corporation
14 which credit amount was received from a partnership, limited
15 liability company, estate, or trust electing to have the income
16 taxed directly to the owners, shall not be refundable pursuant
17 to this subparagraph (2) unless the partnership, limited
18 liability company, estate, or trust that ultimately earned the
19 credit is a new claimant.

20 (3) For purposes of this paragraph, "new claimant" means the
21 same as defined in section 422.10, subsection 3, paragraph "c".

22 Sec. 65. EFFECTIVE DATE.

23 1. Except as provided in subsection 2, this division of this
24 Act takes effect January 1, 2018.

25 2. The following provision or provisions of this division
26 of this Act, being deemed of immediate importance, take effect
27 upon enactment:

28 a. The section of this division of this Act amending
29 section 422.10, subsection 1, paragraph "a", subparagraph (1),
30 subparagraph divisions (a) and (b).

31 b. The section of this division of this Act amending section
32 422.10, subsection 1, paragraph "c".

33 c. The section of this division of this Act amending section
34 422.33, subsection 5, paragraph "a", subparagraphs (1) and (2).

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

1 422.33, subsection 5, paragraph "d".

2 Sec. 66. RETROACTIVE AND OTHER APPLICABILITY.

3 1. Except as provided in subsection 2, this division of this
4 Act applies to tax years ending on or after January 1, 2018.

5 2. The following provision or provisions of this division of
6 this Act apply retroactively to January 1, 2017, for tax years
7 ending on or after that date:

8 a. The section of this division of this Act amending
9 section 422.10, subsection 1, paragraph "a", subparagraph (1),
10 subparagraph divisions (a) and (b).

11 b. The section of this division of this Act amending section
12 422.10, subsection 1, paragraph "c".

13 c. The section of this division of this Act amending section
14 422.33, subsection 5, paragraph "a", subparagraphs (1) and (2).

15 d. The section of this division of this Act amending section
16 422.33, subsection 5, paragraph "d".

17 Sec. 67. APPLICABILITY. The section of this division
18 of this Act amending section 15.335, subsection 8, applies
19 to research activities tax credit awards made under the high
20 quality jobs program on or after the enactment date of this
21 Act, and research activities tax credit awards made under the
22 high quality jobs program prior to the enactment date of this
23 Act shall be governed by section 15.335, subsection 8, Code
24 2017.

25 DIVISION XIII

26 ECONOMIC DEVELOPMENT AUTHORITY PROGRAMS AND AGGREGATE TAX
27 CREDIT LIMIT

28 Sec. 68. Section 15.119, subsection 1, Code 2017, is amended
29 to read as follows:

30 1. a. Notwithstanding any provision to the contrary in any
31 of the programs listed in [subsection 2](#), the authority, except
32 as provided in paragraph "b", shall not authorize and award for
33 any one fiscal year an amount of tax credits for the programs
34 specified in [subsection 2](#) that is in excess of one hundred
35 seventy twenty-eight million dollars.

1 ~~b. (1) The authority may authorize an amount of tax credits~~
2 ~~during a fiscal year that is in excess of the amount specified~~
3 ~~in paragraph "a", but the amount of such excess shall not exceed~~
4 ~~twenty percent of the amount specified in paragraph "a", and~~
5 ~~shall be counted against the total amount of tax credits that~~
6 ~~may be authorized for the next fiscal year.~~

7 (2) Any amount of tax credits authorized and awarded during
8 a fiscal year for a program specified in [subsection 2](#) which are
9 irrevocably declined by the awarded business on or before June
10 30 of the next fiscal year may be reallocated, authorized, and
11 awarded during the fiscal year in which the declination occurs.
12 ~~Tax credits authorized pursuant to this subparagraph shall not~~
13 ~~be considered for purposes of subparagraph (1).~~

14 Sec. 69. Section 15.119, subsection 2, paragraph a, Code
15 2017, is amended to read as follows:

16 a. (1) The high quality jobs program administered pursuant
17 to [sections 15.326 through 15.336](#).

18 (2) In allocating tax credits pursuant to [this subsection](#)
19 for the fiscal year beginning July 1, 2016, and ending June 30,
20 2017, the authority shall not allocate more than one hundred
21 five million dollars for purposes of this paragraph "a". In
22 allocating tax credits pursuant to this subsection for each
23 fiscal year of the fiscal period beginning July 1, 2016 2017,
24 and ending June 30, 2021, the authority shall not allocate more
25 than one hundred five sixty-five million dollars for purposes
26 of this paragraph "a". This subparagraph (2) is repealed July
27 1, 2021.

28 (3) (a) In allocating tax credits pursuant to this
29 subsection for the fiscal year beginning July 1, 2021, and
30 ending June 30, 2022, the authority shall not allocate more
31 than ~~one hundred five~~ sixty-five million dollars for purposes
32 of this paragraph "a" if the aggregate amount of renewable
33 chemical production tax credits under [section 15.319](#) that were
34 awarded on or after July 1, 2018, but before July 1, 2021,
35 equals or exceeds twenty-seven million dollars.

1 (b) As soon as practicable after June 30, 2021, the
2 authority shall notify the general assembly of the aggregate
3 amount of renewable chemical production tax credits awarded
4 under [section 15.319](#) on or after July 1, 2018, but before
5 July 1, 2021, and whether or not the tax credit allocation
6 limitation described in subparagraph division (a) is
7 applicable.

8 (c) If the tax credit allocation limitation described in
9 subparagraph division (a) is not applicable, the authority
10 shall not allocate more than eighty million dollars for
11 purposes of this paragraph "a" for the fiscal year beginning
12 July 1, 2021, and ending June 30, 2022.

13 ~~(e)~~ (d) This subparagraph (3) is repealed July 1, 2022.

14 (4) In allocating tax credits pursuant to this subsection
15 for fiscal years beginning on or after July 1, 2022, the
16 authority shall not allocate more than eighty million dollars
17 for purposes of this paragraph "a".

18 Sec. 70. Section 15.119, subsection 3, Code 2017, is amended
19 to read as follows:

20 3. In allocating the amount of tax credits authorized
21 pursuant to [subsection 1](#) among the programs specified in
22 subsection 2, the authority shall not allocate more than ~~ten~~
23 eight million dollars for purposes of [subsection 2](#), paragraph
24 "f".

25 DIVISION XIV

26 TRANSFERS TO CASH RESERVE FUND AND TAXPAYERS TRUST FUND

27 Sec. 71. Section 8.57E, subsection 2, Code 2017, is amended
28 to read as follows:

29 2. a. Moneys in the taxpayers trust fund shall only be used
30 pursuant to appropriations or transfers made by the general
31 assembly for tax relief.

32 b. During each fiscal year beginning on or after July 1,
33 2014, in which the balance of the taxpayers trust fund equals
34 or exceeds thirty million dollars, exclusive of the balance
35 of the tax expenditure limitation account in subsection 2A,

1 there is transferred from the taxpayers trust fund to the
2 Iowa taxpayers trust fund tax credit fund created in section
3 422.11E, the entire balance of the taxpayers trust fund, except
4 the balance of the tax expenditure limitation account in
5 subsection 2A, to be used for the Iowa taxpayers trust fund tax
6 credit in accordance with [section 422.11E, subsection 5](#).

7 Sec. 72. Section 8.57E, Code 2017, is amended by adding the
8 following new subsection:

9 NEW SUBSECTION. 2A. A tax expenditure limitation account
10 shall be created as a separate account in the taxpayers trust
11 fund that shall consist of transfers made pursuant to the
12 section of this division of this Act entitled designated
13 transfers, and moneys in the account shall not be commingled
14 with other moneys within the taxpayers trust fund. Interest or
15 earnings on moneys deposited in the account shall be credited
16 to the account.

17 Sec. 73. Section 8.57E, subsection 4, Code 2017, is amended
18 to read as follows:

19 4. Notwithstanding [section 12C.7, subsection 2](#), interest or
20 earnings on moneys deposited in the taxpayers trust fund shall
21 be credited to the fund and, if applicable, to the appropriate
22 account within the fund.

23 Sec. 74. DESIGNATED TRANSFERS.

24 1. It is the intent of the general assembly and the purposes
25 of this subsection that the increased revenues to the general
26 fund of the state resulting from the provisions of this Act, as
27 estimated by the department of revenue, shall be transferred
28 for a period of time to the cash reserve fund created in
29 section 8.56 and the taxpayers trust fund created in section
30 8.57E and, to that end, the following transfers shall be made:

31 a. During the fiscal year beginning July 1, 2017, and ending
32 June 30, 2018, there is transferred from the general fund of
33 the state to the cash reserve fund created in section 8.56,
34 seven million three hundred fifty-eight thousand three hundred
35 fifty-two dollars.

1 b. During the fiscal year beginning July 1, 2018, and ending
2 June 30, 2019, there is transferred from the general fund of
3 the state to the tax expenditure limitation account in the
4 taxpayers trust fund created in section 8.57E, thirty-three
5 million five hundred six thousand eight hundred fifteen
6 dollars.

7 c. During the fiscal year beginning July 1, 2019, and ending
8 June 30, 2020, there is transferred from the general fund of
9 the state to the tax expenditure limitation account in the
10 taxpayers trust fund created in section 8.57E, fifty-seven
11 million six hundred ninety-three thousand one hundred forty-one
12 dollars.

13 d. During the fiscal year beginning July 1, 2020, and
14 ending June 30, 2021, there is transferred from the general
15 fund of the state to the tax expenditure limitation account in
16 the taxpayers trust fund created in section 8.57E, sixty-five
17 million two hundred thirteen thousand thirty-seven dollars.

18 2. It is the intent of the general assembly that the
19 increased revenues to the general fund of the state resulting
20 from the provisions of this Act in fiscal years beginning on
21 or after July 1, 2021, shall, at a future time, be estimated
22 by the department of revenue and transferred by an Act of the
23 general assembly to the tax expenditure limitation account in
24 the taxpayers trust fund created in section 8.57E.

25

EXPLANATION

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

28 This bill relates to state revenue and finance by modifying
29 numerous tax credits and tax credit programs and providing for
30 transfers to the cash reserve fund and the taxpayers trust
31 fund.

32 DIVISION I — BEGINNING FARMER TAX CREDITS. Division
33 I reduces the tax credit rates of the agricultural assets
34 transfer tax credit in Code section 16.80 from 7 percent to
35 6 percent of the gross amount paid to a taxpayer pursuant

1 to an agricultural assets transfer agreement that includes a
2 lease on a cash basis, and from 17 percent to 16 percent of
3 the amount paid to the taxpayer under an agricultural assets
4 transfer agreement that includes a lease on a commodity share
5 basis. These changes take effect upon enactment and apply
6 retroactively to January 1, 2017, for tax years beginning on
7 or after that date.

8 The current agricultural assets transfer tax credit program
9 is scheduled under current law to be substantially modified
10 beginning on January 1, 2018, and the division reduces the
11 tax credit rates under that modified program from 5 percent
12 to 4.5 percent of the amount paid under an agreement, or from
13 15 percent to 14 percent of the amount paid for the sale of
14 crops or animals for certain agreements in which the payment
15 is exclusively made from the sale of crops or animals. These
16 changes take effect January 1, 2018, and apply to tax years
17 beginning on or after that date.

18 The division also reduces the tax credit rates of the custom
19 farming contract tax credit from 7 percent to 6 percent of the
20 gross amount paid to the qualified beginning farmer under a
21 contract. These changes take effect upon enactment and apply
22 retroactively to January 1, 2017, for tax years beginning on
23 or after that date.

24 DIVISIONS II THROUGH V — FUEL TAX CREDITS. Divisions II
25 through V make several changes to the biodiesel blended fuel
26 tax credit under Code section 422.11P, the E-15 plus gasoline
27 promotion tax credit under Code section 422.11Y, the E-85
28 gasoline promotion tax credit under Code section 422.11O, and
29 the ethanol promotion tax credit under Code section 422.11N
30 (collectively referred to as the "fuel tax credits").

31 Under current law, the fuel tax credits have no limit on
32 the aggregate amounts that may be claimed annually. The bill
33 limits the maximum aggregate amount of tax credits that may
34 be claimed to \$16 million per calendar year for the biodiesel
35 blended fuel tax credit, to \$430,200 per calendar year for the

1 E-15 plus gasoline promotion tax credit, to \$2,511,100 per
2 calendar year for the E-85 gasoline promotion tax credit, and
3 to \$1,071,500 per calendar year for the ethanol promotion tax
4 credit.

5 Under current law, the fuel tax credits are all administered
6 in a substantially similar manner and provide that a tax credit
7 may be claimed by any retail dealer who meets the statutory
8 requirements on a fiscal year or calendar year basis, depending
9 on the tax year of the retail dealer. The bill provides
10 that the fuel tax credits shall be calculated on a calendar
11 year basis, and requires a retail dealer to submit an annual
12 application to the department of revenue (DOR) in the manner
13 and form prescribed by DOR. DOR is allowed to establish an
14 application deadline or to require a retail dealer to apply
15 for the fuel tax credits on or in conjunction with the retail
16 dealer's annual motor fuel gallonage report required under Code
17 section 452A.33. The bill requires DOR to issue tax credit
18 certificates to retail dealers for qualifying fuel tax credits,
19 which tax credit certificates may be used as described in the
20 bill to claim the applicable fuel tax credit. If the aggregate
21 amount of fuel tax credit claims for a calendar year for any
22 particular fuel tax credit exceeds the applicable maximum limit
23 described above, DOR is required to reduce all tax credit
24 claims for that fuel tax credit in a prorated fashion until the
25 aggregate tax credit claims equal the applicable maximum amount
26 described above.

27 The bill includes transition provisions for a retail dealer
28 with a fiscal tax year that apply to the retail dealer's
29 2016-2017 tax year and that, in general, require a retail
30 dealer to calculate a fuel tax credit under current law for
31 that portion of the tax year that covers 2016, and then under
32 the applicable Code sections as amended in the bill for any
33 period beginning on or after January 1, 2017.

34 Divisions II through V take effect upon enactment and apply
35 retroactively to January 1, 2017, for tax years beginning on

1 or after that date, and for biodiesel blended fuel, qualifying
2 ethanol blended gasoline, E-85 gasoline, or ethanol blended
3 gasoline sold on or after that date.

4 DIVISION VI — HISTORIC PRESERVATION AND CULTURAL AND
5 ENTERTAINMENT DISTRICT TAX CREDIT. Division VI reduces the
6 tax credit rate of the historic preservation and cultural and
7 entertainment district tax credit in Code chapter 404A from 25
8 percent to 15 percent of a qualified rehabilitation project's
9 expenditures. This change applies to qualified rehabilitation
10 projects registered on or after July 1, 2017.

11 The division also reduces from \$45 million to \$35 million the
12 amount of tax credits that may be awarded each fiscal year by
13 the economic development authority (EDA). This change takes
14 effect July 1, 2017.

15 DIVISION VII — SOLAR ENERGY SYSTEM TAX CREDIT. Division
16 VII reduces the tax credit rate of the solar energy system tax
17 credit in Code section 422.11L from 50 percent to 40 percent
18 of the applicable federal energy tax credits available for the
19 installation of certain solar energy property. This change
20 takes effect upon enactment and applies to installations
21 occurring on or after that date.

22 The division also reduces from \$5 million to \$4 million
23 the cumulative value of tax credits that may be claimed
24 annually. This change takes effect upon enactment and applies
25 retroactively to January 1, 2017, for tax years beginning on
26 or after that date.

27 DIVISION VIII — GEOTHERMAL HEAT PUMP TAX CREDIT. Division
28 VIII reduces the tax credit rate of the geothermal heat pump
29 tax credit in Code section 422.11I from 20 percent to 16
30 percent of the applicable federal energy tax credit available
31 for the installation of certain geothermal heat pump property.

32 Under current law, there is no limit on the aggregate amount
33 of tax credits that may be claimed annually. The division
34 limits the maximum aggregate amount of tax credits per calendar
35 year to \$376,020, and requires a taxpayer to apply to DOR to

1 receive the tax credit. The tax credit application must be
2 filed by May 1 following the calendar year of the qualified
3 geothermal heat pump property installation. The division
4 requires DOR to issue tax credit certificates to qualifying
5 taxpayers on a first-come, first-served basis until the
6 annual limit (\$376,020) is reached, and establishes a wait
7 list for qualifying taxpayers who do not receive a tax credit
8 certificate because the tax credit limit has been reached.
9 Taxpayers shall be placed on the wait list in the order the
10 applications are received and shall be given priority for
11 receiving a tax credit certificate in a future year, contingent
12 on the availability of tax credits in that particular year.
13 Tax credit certificates may be used as described in the
14 division to claim the geothermal heat pump tax credit.

15 The division takes effect upon enactment and applies
16 retroactively to January 1, 2017, for tax years beginning on
17 or after that date.

18 DIVISION IX — GEOTHERMAL TAX CREDIT. Division IX reduces
19 the tax credit rate of the geothermal tax credit in Code
20 section 422.10A from 10 percent to 8 percent of a taxpayer's
21 qualified geothermal heat pump property expenditures. This
22 change takes effect upon enactment and applies to qualified
23 geothermal heat pump property installations occurring on or
24 after that date.

25 Under current law, there is no limit on the aggregate amount
26 of tax credits that may be claimed annually. The division
27 limits the maximum aggregate amount of tax credits per calendar
28 year to \$1.5 million, and requires a taxpayer to apply to DOR
29 to receive the tax credit. The tax credit application must be
30 filed by May 1 following the calendar year of the qualified
31 geothermal heat pump property installation. The division
32 requires DOR to issue tax credit certificates to qualifying
33 taxpayers on a first-come, first-served basis until the annual
34 limit (\$1.5 million) is reached, and establishes a wait list
35 for qualifying taxpayers who do not receive a tax credit

1 certificate because the tax credit limit has been reached.
2 Taxpayers shall be placed on the wait list in the order the
3 applications are received and shall be given priority for
4 receiving a tax credit certificate in a future year, contingent
5 on the availability of tax credits in that particular year.
6 Tax credit certificates may be used as described in the
7 division to claim the geothermal tax credit. These provisions
8 take effect upon enactment and apply retroactively to January
9 1, 2017, for tax years beginning on or after that date, and
10 for geothermal heat pump property installations occurring on
11 or after that date.

12 DIVISION X — INNOVATION FUND TAX CREDIT. Division X reduces
13 the tax credit rate of the innovation fund tax credit in Code
14 section 15E.52 from 25 percent to 20 percent of a taxpayer's
15 equity investment in an innovation fund. The division takes
16 effect upon enactment and applies to equity investments in an
17 innovation fund made on or after that date.

18 DIVISION XI — ANGEL INVESTOR TAX CREDIT. Division XI
19 reduces the tax credit rate of the tax credit for investments
20 in a qualifying business (angel investor tax credit) in Code
21 section 15E.43 from 25 percent to 20 percent of a taxpayer's
22 equity investment. The division takes effect upon enactment
23 and applies to equity investments in a qualifying business made
24 on or after that date.

25 DIVISION XII — RESEARCH ACTIVITIES TAX CREDIT. Division
26 XII makes several changes to the research activities tax
27 credits under Code sections 15.335, 422.10, and 422.33(5).

28 With regard to the research activities tax credits available
29 under the individual income tax (Code section 422.10) and the
30 corporate income tax (Code section 422.33(5)), the division
31 reduces the tax credit rate for the regular calculation method
32 from 6.5 percent to 5.5 percent, and the tax credit rates for
33 the alternative simplified calculation method from 4.55 and
34 1.95 percents to 3.85 and 1.61 percents, respectively. These
35 changes take effect upon enactment and apply retroactively to

1 January 1, 2017, for tax years ending on or after that date.

2 Under current law, any research activities tax credit in
3 excess of a taxpayer's tax liability is refundable to the
4 taxpayer. The division provides that research activities tax
5 credits will no longer be refundable for tax years ending on
6 or after January 1, 2018, unless the taxpayer is considered
7 a new claimant, but any excess may be carried forward for up
8 to eight years. The division defines "new claimant" to be an
9 entity that did not earn a research activities tax credit for
10 a tax year ending on or before January 1, 2014. A qualifying
11 entity shall be considered a new claimant for a period of five
12 tax years beginning with the first tax year for which the
13 entity earns a research activities tax credit. However, an
14 entity shall not be considered a new claimant if the entity is
15 an affiliate of an entity that does not qualify or no longer
16 qualifies as a new claimant. "Affiliate" is defined in the
17 division.

18 Research activities tax credits claimed by an individual or
19 entity which credits were received from another pass-through
20 entity shall not be considered refundable unless the entity
21 that ultimately earned the tax credit qualified as a new
22 claimant.

23 These provisions relating to refundability take effect
24 January 1, 2018, and apply to tax years ending on or after that
25 date. However, the provisions relating to the refundability of
26 the supplemental research activities tax credits (Code section
27 15.335) awarded by EDA under the high quality jobs program
28 apply to supplemental research activities tax credits awarded
29 on or after the enactment date of the bill.

30 DIVISION XIII — ECONOMIC DEVELOPMENT AUTHORITY PROGRAMS AND
31 AGGREGATE TAX CREDIT LIMIT. Current law in Code section 15.119
32 limits to \$170 million the amount of tax credits that may
33 be awarded by EDA per fiscal year under certain EDA programs
34 (maximum aggregate tax credit limit). EDA may award up to 20
35 percent more tax credits than that amount during a fiscal year,

1 but the excess is counted against the maximum aggregate tax
2 credit limit for the next fiscal year. The bill decreases the
3 maximum aggregate tax credit limit from \$170 million to \$128
4 million and strikes EDA's ability to exceed that amount during
5 a fiscal year, for fiscal years beginning on or after July 1,
6 2017.

7 Also under current law, the programs under EDA's maximum
8 aggregate tax credit limit are also subject to annual tax
9 credit award limits, including the redevelopment tax credit
10 program in Code sections 15.293A and 15.293B and the high
11 quality jobs program administered pursuant to Code sections
12 15.326 through 15.336. The division reduces the maximum amount
13 of redevelopment tax credits that may be awarded per fiscal
14 year from \$10 million to \$8 million for fiscal years beginning
15 on or after July 1, 2017. The division reduces the maximum
16 amount of high quality jobs program tax credits that may be
17 awarded per fiscal year from \$105 million to \$65 million for
18 each fiscal year of the four-year fiscal period beginning July
19 1, 2017, and ending June 30, 2021. The division provides that
20 the maximum amount of high quality jobs program tax credits
21 that may be awarded for FY 2021-2022 will be \$65 million if
22 the renewable chemical tax credit allocation limit described
23 in Code section 15.119(2)(a)(3) is satisfied, or will be \$80
24 million if not satisfied. For fiscal years beginning on or
25 after July 1, 2022, the maximum amount of high quality jobs
26 program tax credits that may be awarded per fiscal year shall
27 be \$80 million.

28 DIVISION XIV — TRANSFERS TO CASH RESERVE FUND AND TAXPAYERS
29 TRUST FUND. Division XIV makes various transfers for four
30 fiscal years of the estimated increased revenues from the tax
31 credit changes in the bill. For FY 2017-2018, the division
32 transfers \$7,358,352 from the general fund to the cash
33 reserve fund created in Code section 8.56. For FY 2018-2019,
34 FY 2019-2020, and FY 2020-2021, the division transfers
35 \$33,506,815, \$57,693,141, and \$65,213,037, respectively, from

1 the general fund of the state to a tax expenditure limitation
2 account created in the division within the taxpayers trust fund
3 created in Code section 8.57E.

4 The division also provides that it is the intent of the
5 general assembly that the increased revenues from the tax
6 credit changes in the bill in fiscal years beginning on or
7 after July 1, 2022, shall, in the future, be estimated by DOR
8 and transferred by an Act of the general assembly to the tax
9 expenditure limitation account within the taxpayers trust fund.