

House File 277 - Introduced

HOUSE FILE 277

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, paragraph h, Code 2019,
13 is amended to read as follows:

14 *h.* In 2022, the renewable chemical production tax credit
15 program available under [sections 15.315 through 15.322](#) and
16 the regenerative medicine research tax credit under section
17 422.10C.

18 Sec. 3. NEW SECTION. **422.10C Regenerative medicine research**
19 **tax credit.**

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

24 2. *Regenerative medicine research institution certification.*

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

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

31 (1) The organization is organized under chapter 504 and
32 qualifying under section 501(c)(3) of the Internal Revenue Code
33 as an organization exempt from federal income tax under section
34 501(a) of the Internal Revenue Code.

35 (2) The organization has a principal place of business in

1 this state.

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

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

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

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

18 (7) The organization agrees to provide to the department all
19 of the following information:

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

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

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

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

35 c. Unless certification is revoked pursuant to paragraph

1 "d", a certification received pursuant to this subsection shall
2 be valid for one year, at which time the organization may apply
3 to the department in the manner prescribed by the department to
4 become recertified pursuant to this subsection.

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

14 3. *Application.*

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

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

1 4. *Maximum tax credit amounts.* The maximum aggregate amount
2 of tax credits issued in a fiscal year pursuant to this section
3 shall not exceed two million dollars.

4 5. *Regenerative medicine research tax credit.*

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

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

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

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

1 be carried back to a prior tax year.

2 e. (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, division III or V
11 of this chapter, chapter 432, and section 533.329, subject
12 to any conditions or restrictions placed by the department
13 upon the face of the tax credit certificate and subject to the
14 limitations of this section.

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

18 Sec. 4. Section 422.33, Code 2019, is amended by adding the
19 following new subsection:

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

24 Sec. 5. Section 422.60, Code 2019, is amended by adding the
25 following new subsection:

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

30 Sec. 6. NEW SECTION. 432.12N **Regenerative medicine research**
31 **tax credit.**

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

1 Sec. 7. Section 533.329, subsection 2, Code 2019, is amended
2 by adding the following new paragraph:

3 NEW PARAGRAPH. 1. The moneys and credits tax imposed
4 under this section shall be reduced by a regenerative medicine
5 research tax credit in the same manner, for the same amount,
6 and under the same conditions as provided in section 422.10C.

7 Sec. 8. APPLICABILITY. This Act applies to charitable
8 contributions to a certified regenerative medicine research
9 institution made on or after January 1, 2020.

10 Sec. 9. TAX CREDIT CERTIFICATE ISSUANCES. Tax credit
11 certificates available pursuant to the regenerative medicine
12 research tax credit enacted in this Act shall not be issued by
13 the department of revenue prior to July 1, 2020.

14 EXPLANATION

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

17 This bill provides a tax credit against the individual or
18 corporate income tax, the franchise tax, the insurance premiums
19 tax, and the moneys and credits tax for 60 percent of a
20 taxpayer's charitable contribution to a certified regenerative
21 medicine research institution.

22 Regenerative medicine research institutions must apply
23 for and receive certification from the department of revenue
24 (department) as described in the bill in order for charitable
25 contributions to that institution to qualify for the tax
26 credit. To qualify for certification, a regenerative medicine
27 research institution must be a tax-exempt organization under
28 section 501(c)(3) of the Internal Revenue Code, must have
29 its principal place of business in Iowa, must be directly
30 engaged in research in this state solely using adult stem
31 cells designed to develop novel clinical therapies for the
32 functional repair and replacement of diseased tissues and
33 organs, including cancer research, must spend at least 51
34 percent of its annual budget on such research, and must agree
35 to provide the department with certain information necessary

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

9 In order to claim the tax credit, a taxpayer must submit an
10 application to the department as described in the bill on or
11 after the date of the charitable contribution and receive a
12 tax credit certificate. No more than \$2 million in tax credit
13 certificates may be issued per fiscal year. If applications
14 for the tax credit exceed that amount in a fiscal year, the
15 department is required to establish a wait list in the order
16 the applications were received and those applications will
17 receive priority for receiving tax credits in succeeding years.

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

25 Finally, the bill includes legislative findings and a
26 legislative purpose for the tax credit, and adds the tax
27 credit to the list of tax expenditures to be reviewed by the
28 legislative tax expenditure committee beginning in 2022.

29 The bill applies to charitable contributions to a certified
30 regenerative medicine research institution made on or after
31 January 1, 2020. However, the bill provides that tax credit
32 certificates shall not be issued by the department prior to
33 July 1, 2020.