A BILL FOR

1 An Act relating to matters under the purview of the economic
devolution authority, including tax credit programs,
statewide tourism, incentives for manufacturers to invest in
smart technologies, and an energy infrastructure revolving
loan program, and making appropriations.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
DIVISION I
HIGH QUALITY JOBS AND OTHER TAX CREDITS
Section 1. Section 15.119, subsection 2, paragraph a, subparagraph (3), subparagraph division (a), Code 2021, is amended to read as follows:
(a) In allocating tax credits pursuant to this subsection for the fiscal year beginning July 1, 2021, and ending June 30, 2022, the authority shall not allocate more than one hundred fifty eight million dollars for purposes of this paragraph if the aggregate amount of renewable chemical production tax credits under section 15.319 that were awarded on or after July 1, 2018, but before July 1, 2021, equals or exceeds twenty-seven million dollars.

Sec. 2. Section 15.119, subsection 2, paragraph h, Code 2021, is amended to read as follows:
h. The renewable chemical production tax credit program administered pursuant to sections 15.315 through 15.322. In allocating tax credits pursuant to this subsection for the fiscal year beginning July 1, 2021, and for each fiscal year thereafter, the authority shall not allocate more than ten five million dollars for purposes of this paragraph. This paragraph is repealed July 1, 2030.

DIVISION II
STATEWIDE TOURISM MARKETING CAMPAIGN FUNDING
Sec. 3. Section 123.17, Code 2021, is amended by adding the following new subsection:
NEW SUBSECTION. 6A. After any transfers provided for in subsections 3, 5, and 6, the department of commerce shall transfer to the economic development authority from the beer and liquor control fund and before any other transfer to the general fund, an amount not to exceed five million dollars annually for a statewide tourism marketing campaign under section 15.108, subsection 5.

DIVISION III
MANUFACTURING 4.0
Sec. 4. NEW SECTION. 15.371 Manufacturing 4.0 technology investment program.

1. This section shall be known as and may be cited as the “Manufacturing 4.0 Technology Investment Program”.

2. For purposes of this section unless the context otherwise requires:

a. “Financial assistance” means the same as defined in section 15.102.

b. “Manufacturing 4.0 technology investments” means projects that are intended to lead to the adoption of, and integration of, smart technologies into existing manufacturing operations located in the state by mitigating the risk to the manufacturer of significant technology investments.

3. a. A manufacturing 4.0 technology investment fund is created within the state treasury under the control of the authority for the purpose of financing manufacturing 4.0 technology investments as described in this section.

b. The fund may be administered as a revolving fund and may consist of any moneys appropriated by the general assembly for purposes of this section and any other moneys that are lawfully available to the authority. Any moneys appropriated to the fund shall be used for purposes of the manufacturing 4.0 technology investment program. The authority may use all other moneys in the fund, including interest, earnings, and recaptures, for purposes of this section.

c. Notwithstanding section 8.33, moneys appropriated in this section that remain unencumbered or unobligated at the close of the fiscal year shall not revert but shall remain available for expenditure for the purposes designated until the close of the succeeding fiscal year.

d. Notwithstanding any law to the contrary, the authority may transfer any unobligated and unencumbered moneys in the fund, except for moneys appropriated for purposes of this section, to any fund created pursuant to section 15.106A, subsection 1, paragraph “o”.

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4. The authority shall establish and administer a manufacturing 4.0 technology investment program and shall use moneys in the fund to award financial assistance to eligible manufacturers for manufacturing 4.0 technology investments.

5. The authority shall establish by rule a manufacturing 4.0 review committee that shall review each application received by the authority for the program, and that shall make recommendations to the board regarding all of the following:

a. The completeness of the application.

b. Whether the board should approve or deny an application.

c. If an application is approved, the type and amount of financial assistance to be awarded to the applicant.

6. The authority shall adopt rules pursuant to chapter 17A necessary to implement and administer this section.

Sec. 5. NEW SECTION. 15.372 Additional first-year depreciation.

1. Overview. The authority may approve a manufacturing business located in this state to claim additional first-year depreciation for certain investments made by the business to transition to a smart manufacturing environment that leverages joint capabilities of hardware, software, and workers in an integrated way.

2. Eligibility. To claim additional first-year depreciation, a business must make an eligible investment. For purposes of this section, “eligible investment” means an investment in smart manufacturing equipment that is digitized and interconnected, and that modernizes a business’s operations by supporting interconnectivity, decision support, customization, and flexibility of production runs, or that decentralizes low-level decision making.

3. Application and agreement.

a. A business seeking approval to claim additional first-year depreciation for an eligible investment shall make application to the authority in the manner prescribed by the authority by rule. The application must include all of the
following:

(1) A description of the investment the business proposes to make and a statement describing how the investment will transition the business to a smart manufacturing environment.

(2) The projected amount of the eligible investment.

(3) The projected date that the eligible investment will be placed-in-service.

b. Completed applications shall be reviewed pursuant to rules adopted by the authority. Upon review of an application, the board shall determine if the proposed investment is an eligible investment and shall determine the maximum amount of the eligible investment the business is eligible to claim for additional first-year depreciation.

c. If an application is approved the authority shall notify the business. The notification shall include the maximum amount of the eligible investment the business is allowed to claim for additional first-year depreciation after all terms and conditions imposed by the agreement entered into pursuant to paragraph "d" have been satisfied.

d. After receipt of the notification under paragraph "c", the business shall enter into an agreement with the authority that specifies the terms and conditions that must be satisfied for the business to claim additional first-year depreciation on its eligible investment. The agreement must include all of the following:

(1) A description of the business's eligible investment.

(2) The maximum amount of the eligible investment the business is allowed to claim for additional first-year depreciation.

(3) The projected placed-in-service date for the business's eligible investment.

(4) The date by which the business must file a written report with the authority that provides all of the following:

(a) The actual date of completion of the business's eligible investment.
1 (b) The actual dollar amount of the business's eligible investment.
2 (c) The actual placed-in-service date for the business's eligible investment.
3 e. Upon review of the report submitted under paragraph "d", subparagraph (4), and verification by the authority of the actual dollar amount of the business's eligible investment, the authority shall notify the business of the amount of eligible investment the business may claim as additional first-year depreciation. The authority shall notify the department of revenue of the amount of eligible investment the business may claim as additional first-year depreciation and shall submit a list to the department of the assets deemed to be part of the business's eligible investment.
4 4. Benefit. Notwithstanding section 422.7, subsection 39 or 39A, or section 422.35, subsection 19 or 19A, for a business that is approved by the authority for an eligible investment, section 168(k) of the Internal Revenue Code applies for the computing of net income of the business for state tax purposes up to the amount of eligible investment approved by the authority.
5 5. Compliance. If a business fails to complete the installation of its eligible investment or fails to comply with terms and conditions of the agreement entered under subsection 3, paragraph "d", the authority shall revoke, reduce, terminate, or rescind the additional first-year depreciation the business may claim. If a business has already filed a tax return in which the business computed its net income by applying section 168(k) of the Internal Revenue Code, the business shall file an amended return with the department of revenue without applying section 168(k).
6 6. Rules. The authority and the department of revenue shall adopt rules as necessary for the implementation and administration of this section.
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8 DIVISION IV
Sec. 6. Section 476.10A, subsection 2, Code 2021, is amended to read as follows:

2. Notwithstanding section 8.33, any unexpended moneys remitted to the treasurer of state under this section shall be retained for the purposes designated. Notwithstanding section 12C.7, subsection 2, interest or earnings on investments or time deposits of the moneys remitted under this section shall be retained and used for the purposes designated, pursuant to section 476.46.

Sec. 7. Section 476.46, subsection 2, paragraph e, subparagraph (3), Code 2021, is amended to read as follows:

(3) Interest on the fund shall be deposited in the fund. A portion of the interest on the fund, not to exceed fifty percent of the total interest accrued, shall be used for promotion and administration of the fund.

Sec. 8. Section 476.46, Code 2021, is amended by adding the following new subsections:

NEW SUBSECTION. 3. The Iowa energy center shall not initiate any new loans under this section after June 30, 2021.

NEW SUBSECTION. 4. Loan payments received under this section on or after July 1, 2021, and any other moneys in the fund on or after July 1, 2021, shall be deposited in the energy infrastructure revolving loan fund created in section 476.46A.

Sec. 9. NEW SECTION. 476.46A Energy infrastructure revolving loan program.

1. a. An energy infrastructure revolving loan fund is created in the office of the treasurer of state and shall be administered by the Iowa energy center established in section 15.120.

b. The fund may be administered as a revolving fund and may consist of any moneys appropriated by the general assembly for purposes of this section and any other moneys that are lawfully directed to the fund.

c. Moneys in the fund shall be used to provide financial
assistance for the development and construction of energy infrastructure, including projects that support electric or gas generation transmission, storage, or distribution; electric grid modernization; energy-sector workforce development; emergency preparedness for rural and underserved areas; the expansion of biomass, biogas, and renewable natural gas; innovative technologies; and the development of infrastructure for alternative fuel vehicles.

d. Notwithstanding section 8.33, moneys appropriated in this section that remain unencumbered or unobligated at the close of the fiscal year shall not revert but shall remain available for expenditure for the purposes designated until the close of the succeeding fiscal year.

e. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys in the fund shall be credited to the fund. A percentage of the total interest credited to the fund, not to exceed fifty percent, shall be used for promotion of the energy infrastructure revolving loan program and for the administration of the fund.

2. a. The Iowa energy center shall establish and administer an energy infrastructure revolving loan program to encourage the development of energy infrastructure within the state.

b. An individual, business, rural electric cooperative, or municipal utility located and operating in this state shall be eligible for financial assistance under the program. With the approval of the Iowa energy center governing board established under section 15.120, subsection 2, the economic development authority shall determine the amount and the terms of all financial assistance awarded to an individual, business, rural electric cooperative, or municipal utility under the program. All agreements and administrative authority shall be vested in the Iowa energy center governing board.

c. The economic development authority may use not more than five percent of the moneys in the fund at the beginning of each fiscal year for purposes of administrative costs, marketing,
technical assistance, and other program support.

3. For the purposes of this section:

a. "Energy infrastructure" means land, buildings, physical plant and equipment, and services directly related to the development of projects used for, or useful for, electricity or gas generation, transmission, storage, or distribution.

b. "Financial assistance" means the same as defined in section 15.102.

Sec. 10. ALTERNATE ENERGY REVOLVING LOAN FUND — MONEYS TRANSFERRED AND APPROPRIATED. Any unencumbered or unobligated moneys remaining after June 30, 2021, in the alternate energy revolving loan fund created pursuant to section 476.46, are transferred and appropriated to the energy infrastructure revolving loan fund created pursuant to section 476.46A, to be used for purposes of the energy infrastructure revolving loan program.

EXPLANATION

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

This bill relates to matters under the purview of the economic development authority. The bill is divided into divisions.

DIVISION I — HIGH QUALITY JOBS AND OTHER TAX CREDITS.

Division I changes the maximum amount of tax credits that the economic development authority (authority) may allocate to the high quality jobs program for the fiscal year beginning July 1, 2021, and ending June 30, 2022, from $105 million to $80 million. The maximum amount of tax credits that the authority may allocate to the renewable chemical production tax credit program for the fiscal year beginning July 1, 2021, and ending June 30, 2022, and for each fiscal year thereafter is changed from $10 million to $5 million.

DIVISION II — STATEWIDE TOURISM MARKETING CAMPAIGN FUNDING.

The division requires the department of commerce, after other transfers required by Code section 123.17, to transfer to
the economic development authority from the beer and liquor control fund and before any other transfer to the general fund, an amount not to exceed $5 million annually for a statewide tourism marketing campaign.

DIVISION III — MANUFACTURING 4.0. The division establishes the manufacturing 4.0 technology investment program and creates the manufacturing 4.0 technology investment fund. "Manufacturing 4.0 technology investments" is defined as projects that are intended to lead to the adoption of, and integration of, smart technologies into existing manufacturing operations located in the state by mitigating the risk to the manufacturer of significant technology investments.

The fund may be administered as a revolving fund and may consist of any moneys appropriated for purposes of the program and any other moneys that are lawfully available to the authority. The authority must use moneys in the fund to award financial assistance to eligible manufacturers for manufacturing 4.0 technology investments. Financial assistance may include but is not limited to grants, loans, and forgivable loans. The authority must establish by rule a manufacturing 4.0 review committee. The committee must review each application received by the authority and make recommendations to the members of the authority appointed by the governor and in whom the powers of the authority are vested (board), whether the board should approve or deny an application, and the type and amount of financial assistance to be awarded to an applicant. The authority must adopt rules as necessary to implement and administer the program.

The division permits the authority to approve a manufacturing business located in this state to claim additional first-year depreciation (depreciation) for certain investments made by the business to transition to a smart manufacturing environment that leverages joint capabilities of hardware, software, and workers in an integrated way. To claim depreciation, a business must make an eligible investment.
"Eligible investment" is defined as an investment in smart manufacturing equipment that is digitized and interconnected, and that modernizes a business's operations by supporting interconnectivity, decision support, customization, and flexibility of production runs, or that decentralizes low-level decision making.

The application process and the process for the authority to notify the applicant of its eligibility for depreciation are detailed in the division. An eligible business is required to enter into an agreement with the authority that specifies the terms and conditions that must be satisfied for the business to claim depreciation on its eligible investment. An eligible business is required to file a written report with the authority that states the actual date of completion of the business's eligible investment, the actual dollar amount of the business's eligible investment, and the actual placed-in-service date for the business's eligible investment. After reviewing the report and verifying the actual dollar amount of the business's eligible investment, the authority must notify the business of the amount of eligible investment the business may claim as depreciation. The authority must also notify the department of revenue of the amount of eligible investment the business may claim as depreciation and submit a list to the department of the assets deemed to be part of the business's eligible investment.

A business that is approved by the authority for an eligible investment may compute its net income in the same manner as depreciation is calculated under section 168(k) of the Internal Revenue Code notwithstanding contradictory provisions in Code sections 422.7 and 422.35. If a business fails to complete the installation of its eligible investment or to comply with the terms and conditions of the agreement, the authority may revoke, reduce, terminate, or rescind the depreciation the business may claim, or if the business has already filed a tax return in which the business computed net income under section
168(k), require the business to file an amended return with net income computed without the application of section 168(k).

The authority and the department of revenue must adopt rules as necessary for the implementation and administration of the program.

DIVISION IV — ENERGY INFRASTRUCTURE REVOLVING LOAN PROGRAM.

The division modifies Code section 476.46, alternate energy revolving loan program, to prohibit the Iowa energy center from initiating any new loans after June 30, 2021. The division also requires that all loan payments received after June 30, 2021, be deposited, and any moneys remaining in the alternate energy revolving loan fund after June 30, 2021, be transferred, to the newly created energy infrastructure revolving loan fund. The division creates an energy infrastructure revolving fund (fund) in the office of the treasurer of state to be administered by the Iowa energy center (center). Moneys in the fund are to be used to provide financial assistance for the development and construction of energy infrastructure, including projects that support electric or gas generation transmission, storage, or distribution; electric grid modernization; energy-sector workforce development; emergency preparedness for rural and underserved areas; the expansion of biomass, biogas, and renewable natural gas; innovative technologies; and the development of infrastructure for alternative fuel vehicles. “Energy infrastructure” is defined as land, buildings, physical plant and equipment, and services directly related to the development of projects used for, or useful for, electricity or gas generation, transmission, storage, or distribution. “Financial assistance” is also defined in the bill.

The center is required to establish and administer an energy infrastructure revolving loan program (program) to encourage the development of energy infrastructure within the state. An individual, business, rural electric cooperative, or municipal utility located and operating in this state is eligible for
financial assistance under the program. With the approval
of the center's governing board, the economic development
authority (authority) must determine the amount and the terms
of all financial assistance awarded to an individual, business,
rural electric cooperative, or municipal utility under the
program. All agreements and administrative authority are
vested in the center's governing board. The authority may
use not more than 5 percent of the moneys in the fund at the
beginning of each fiscal year for purposes of administrative
costs, marketing, technical assistance, and other program
support.