

**House File 789 - Introduced**

HOUSE FILE 789  
BY COMMITTEE ON ECONOMIC  
GROWTH

(SUCCESSOR TO HSB 233)

**A BILL FOR**

1 An Act relating to matters under the purview of the economic  
2 development authority, including tax credit programs,  
3 statewide tourism, incentives for manufacturers to invest in  
4 smart technologies, and an energy infrastructure revolving  
5 loan program, and making appropriations.  
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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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~~ five eighty 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 This paragraph is repealed July 1, 2030.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

1     Sec. 4. NEW SECTION. 15.371 **Manufacturing 4.0 technology**  
2 **investment program.**

3     1. This section shall be known as and may be cited as the  
4 *"Manufacturing 4.0 Technology Investment Program"*.

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

7     *a.* *"Financial assistance"* means the same as defined in  
8 section 15.102.

9     *b.* *"Manufacturing 4.0 technology investments"* means projects  
10 that are intended to lead to the adoption of, and integration  
11 of, smart technologies into existing manufacturing operations  
12 located in the state by mitigating the risk to the manufacturer  
13 of significant technology investments.

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

18     *b.* The fund may be administered as a revolving fund and  
19 may consist of any moneys appropriated by the general assembly  
20 for purposes of this section and any other moneys that are  
21 lawfully available to the authority. Any moneys appropriated  
22 to the fund shall be used for purposes of the manufacturing  
23 4.0 technology investment program. The authority may use all  
24 other moneys in the fund, including interest, earnings, and  
25 recaptures, for purposes of this section.

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

31     *d.* Notwithstanding any law to the contrary, the authority  
32 may transfer any unobligated and unencumbered moneys in the  
33 fund, except for moneys appropriated for purposes of this  
34 section, to any fund created pursuant to section 15.106A,  
35 subsection 1, paragraph "o".

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

5 5. The authority shall establish by rule a manufacturing  
6 4.0 review committee that shall review each application  
7 received by the authority for the program, and that shall make  
8 recommendations to the board regarding all of the following:

- 9 a. The completeness of the application.  
10 b. Whether the board should approve or deny an application.  
11 c. If an application is approved, the type and amount of  
12 financial assistance to be awarded to the applicant.

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

15 **Sec. 5. NEW SECTION. 15.372 Additional first-year**  
16 **depreciation.**

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

23 2. *Eligibility.* To claim additional first-year  
24 depreciation, a business must make an eligible investment.  
25 For purposes of this section, "*eligible investment*" means  
26 an investment in smart manufacturing equipment that is  
27 digitized and interconnected, and that modernizes a business's  
28 operations by supporting interconnectivity, decision support,  
29 customization, and flexibility of production runs, or that  
30 decentralizes low-level decision making.

31 3. *Application and agreement.*

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

1 following:

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

5 (2) The projected amount of the eligible investment.

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

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

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

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

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

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

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

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

34 (a) The actual date of completion of the business's eligible  
35 investment.

1 (b) The actual dollar amount of the business's eligible  
2 investment.

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

5 e. Upon review of the report submitted under paragraph "d",  
6 subparagraph (4), and verification by the authority of the  
7 actual dollar amount of the business's eligible investment, the  
8 authority shall notify the business of the amount of eligible  
9 investment the business may claim as additional first-year  
10 depreciation. The authority shall notify the department of  
11 revenue of the amount of eligible investment the business may  
12 claim as additional first-year depreciation and shall submit a  
13 list to the department of the assets deemed to be part of the  
14 business's eligible investment.

15 4. *Benefit.* Notwithstanding section 422.7, subsection  
16 39 or 39A, or section 422.35, subsection 19 or 19A, for a  
17 business that is approved by the authority for an eligible  
18 investment, section 168(k) of the Internal Revenue Code applies  
19 for the computing of net income of the business for state tax  
20 purposes up to the amount of eligible investment approved by  
21 the authority.

22 5. *Compliance.* If a business fails to complete the  
23 installation of its eligible investment or fails to comply with  
24 terms and conditions of the agreement entered under subsection  
25 3, paragraph "d", the authority shall revoke, reduce,  
26 terminate, or rescind the additional first-year depreciation  
27 the business may claim. If a business has already filed a  
28 tax return in which the business computed its net income by  
29 applying section 168(k) of the Internal Revenue Code, the  
30 business shall file an amended return with the department of  
31 revenue without applying section 168(k).

32 6. *Rules.* The authority and the department of revenue  
33 shall adopt rules as necessary for the implementation and  
34 administration of this section.

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DIVISION IV

1 ENERGY INFRASTRUCTURE REVOLVING LOAN PROGRAM

2 Sec. 6. Section 476.10A, subsection 2, Code 2021, is amended  
3 to read as follows:

4 2. Notwithstanding [section 8.33](#), any unexpended moneys  
5 remitted to the treasurer of state under [this section](#) shall be  
6 retained for the purposes designated. ~~Notwithstanding section~~  
7 ~~12C.7, subsection 2, interest or earnings on investments or~~  
8 ~~time deposits of the moneys remitted under [this section](#) shall~~  
9 ~~be retained and used for the purposes designated, pursuant to~~  
10 ~~[section 476.46](#).~~

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

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

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

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

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

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

27 1. *a.* An energy infrastructure revolving loan fund is  
28 created in the office of the treasurer of state and shall be  
29 administered by the Iowa energy center established in section  
30 15.120.

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

35 *c.* Moneys in the fund shall be used to provide financial

1 assistance for the development and construction of energy  
2 infrastructure, including projects that support electric or gas  
3 generation transmission, storage, or distribution; electric  
4 grid modernization; energy-sector workforce development;  
5 emergency preparedness for rural and underserved areas; the  
6 expansion of biomass, biogas, and renewable natural gas;  
7 innovative technologies; and the development of infrastructure  
8 for alternative fuel vehicles.

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

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

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

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

33 *c.* The economic development authority may use not more than  
34 five percent of the moneys in the fund at the beginning of each  
35 fiscal year for purposes of administrative costs, marketing,



1 technical assistance, and other program support.

2 3. For the purposes of this section:

3 a. *“Energy infrastructure”* means land, buildings, physical  
4 plant and equipment, and services directly related to the  
5 development of projects used for, or useful for, electricity or  
6 gas generation, transmission, storage, or distribution.

7 b. *“Financial assistance”* means the same as defined in  
8 section 15.102.

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

17 EXPLANATION

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

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

23 DIVISION I — HIGH QUALITY JOBS AND OTHER TAX CREDITS.

24 Division I changes the maximum amount of tax credits that the  
25 economic development authority (authority) may allocate to the  
26 high quality jobs program for the fiscal year beginning July  
27 1, 2021, and ending June 30, 2022, from \$105 million to \$80  
28 million. The maximum amount of tax credits that the authority  
29 may allocate to the renewable chemical production tax credit  
30 program for the fiscal year beginning July 1, 2021, and ending  
31 June 30, 2022, and for each fiscal year thereafter is changed  
32 from \$10 million to \$5 million.

33 DIVISION II — STATEWIDE TOURISM MARKETING CAMPAIGN FUNDING.

34 The division requires the department of commerce, after other  
35 transfers required by Code section 123.17, to transfer to

1 the economic development authority from the beer and liquor  
2 control fund and before any other transfer to the general fund,  
3 an amount not to exceed \$5 million annually for a statewide  
4 tourism marketing campaign.

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

13 The fund may be administered as a revolving fund and  
14 may consist of any moneys appropriated for purposes of the  
15 program and any other moneys that are lawfully available to  
16 the authority. The authority must use moneys in the fund  
17 to award financial assistance to eligible manufacturers for  
18 manufacturing 4.0 technology investments. Financial assistance  
19 may include but is not limited to grants, loans, and forgivable  
20 loans. The authority must establish by rule a manufacturing  
21 4.0 review committee. The committee must review each  
22 application received by the authority and make recommendations  
23 to the members of the authority appointed by the governor  
24 and in whom the powers of the authority are vested (board),  
25 whether the board should approve or deny an application, and  
26 the type and amount of financial assistance to be awarded to  
27 an applicant. The authority must adopt rules as necessary to  
28 implement and administer the program.

29 The division permits the authority to approve a  
30 manufacturing business located in this state to claim  
31 additional first-year depreciation (depreciation) for certain  
32 investments made by the business to transition to a smart  
33 manufacturing environment that leverages joint capabilities of  
34 hardware, software, and workers in an integrated way. To claim  
35 depreciation, a business must make an eligible investment.

1 "Eligible investment" is defined as an investment in smart  
2 manufacturing equipment that is digitized and interconnected,  
3 and that modernizes a business's operations by supporting  
4 interconnectivity, decision support, customization, and  
5 flexibility of production runs, or that decentralizes low-level  
6 decision making.

7 The application process and the process for the authority to  
8 notify the applicant of its eligibility for depreciation are  
9 detailed in the division. An eligible business is required  
10 to enter into an agreement with the authority that specifies  
11 the terms and conditions that must be satisfied for the  
12 business to claim depreciation on its eligible investment.  
13 An eligible business is required to file a written report  
14 with the authority that states the actual date of completion  
15 of the business's eligible investment, the actual dollar  
16 amount of the business's eligible investment, and the actual  
17 placed-in-service date for the business's eligible investment.  
18 After reviewing the report and verifying the actual dollar  
19 amount of the business's eligible investment, the authority  
20 must notify the business of the amount of eligible investment  
21 the business may claim as depreciation. The authority must  
22 also notify the department of revenue of the amount of eligible  
23 investment the business may claim as depreciation and submit a  
24 list to the department of the assets deemed to be part of the  
25 business's eligible investment.

26 A business that is approved by the authority for an eligible  
27 investment may compute its net income in the same manner as  
28 depreciation is calculated under section 168(k) of the Internal  
29 Revenue Code notwithstanding contradictory provisions in Code  
30 sections 422.7 and 422.35. If a business fails to complete  
31 the installation of its eligible investment or to comply with  
32 the terms and conditions of the agreement, the authority may  
33 revoke, reduce, terminate, or rescind the depreciation the  
34 business may claim, or if the business has already filed a tax  
35 return in which the business computed net income under section

1 168(k), require the business to file an amended return with net  
2 income computed without the application of section 168(k).

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

6 DIVISION IV — ENERGY INFRASTRUCTURE REVOLVING LOAN PROGRAM.

7 The division modifies Code section 476.46, alternate energy  
8 revolving loan program, to prohibit the Iowa energy center from  
9 initiating any new loans after June 30, 2021. The division  
10 also requires that all loan payments received after June 30,  
11 2021, be deposited, and any moneys remaining in the alternate  
12 energy revolving loan fund after June 30, 2021, be transferred,  
13 to the newly created energy infrastructure revolving loan fund.

14 The division creates an energy infrastructure revolving  
15 fund (fund) in the office of the treasurer of state to be  
16 administered by the Iowa energy center (center). Moneys in  
17 the fund are to be used to provide financial assistance for  
18 the development and construction of energy infrastructure,  
19 including projects that support electric or gas generation  
20 transmission, storage, or distribution; electric grid  
21 modernization; energy-sector workforce development; emergency  
22 preparedness for rural and underserved areas; the expansion  
23 of biomass, biogas, and renewable natural gas; innovative  
24 technologies; and the development of infrastructure for  
25 alternative fuel vehicles. "Energy infrastructure" is defined  
26 as land, buildings, physical plant and equipment, and services  
27 directly related to the development of projects used for,  
28 or useful for, electricity or gas generation, transmission,  
29 storage, or distribution. "Financial assistance" is also  
30 defined in the bill.

31 The center is required to establish and administer an energy  
32 infrastructure revolving loan program (program) to encourage  
33 the development of energy infrastructure within the state. An  
34 individual, business, rural electric cooperative, or municipal  
35 utility located and operating in this state is eligible for

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1 financial assistance under the program. With the approval  
2 of the center's governing board, the economic development  
3 authority (authority) must determine the amount and the terms  
4 of all financial assistance awarded to an individual, business,  
5 rural electric cooperative, or municipal utility under the  
6 program. All agreements and administrative authority are  
7 vested in the center's governing board. The authority may  
8 use not more than 5 percent of the moneys in the fund at the  
9 beginning of each fiscal year for purposes of administrative  
10 costs, marketing, technical assistance, and other program  
11 support.