

House Study Bill 233 - Introduced

HOUSE FILE _____

BY (PROPOSED COMMITTEE ON
ECONOMIC GROWTH BILL BY
CHAIRPERSON SORENSEN)

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 This paragraph is repealed July 1, 2030.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. a. *Application and agreement.* A business seeking
32 approval to claim additional first-year depreciation for an
33 eligible investment shall make application to the authority
34 in the manner prescribed by the authority by rule. The
35 application must include all of the following:

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

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

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

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

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

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

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

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

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

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

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

35 (b) The actual dollar amount of the business's eligible

1 investment.

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

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

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

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

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

34 DIVISION IV

35 ENERGY INFRASTRUCTURE REVOLVING LOAN PROGRAM

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

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

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

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

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

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

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

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

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

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

34 *c.* Moneys in the fund shall be used to provide financial
35 assistance for the development and construction of energy

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

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

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

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

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

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

1 3. For the purposes of this section:

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

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

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

16 EXPLANATION

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

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

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

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

32 DIVISION II — STATEWIDE TOURISM MARKETING CAMPAIGN FUNDING.

33 The division requires the department of commerce, after other
34 transfers required by Code section 123.17, to transfer to
35 the economic development authority from the beer and liquor

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

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

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

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

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

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

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

1 income computed without the application of section 168(k).

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

5 DIVISION IV — ENERGY INFRASTRUCTURE REVOLVING LOAN PROGRAM.

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

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

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

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