A BILL FOR

1 An Act relating to the administration and implementation of
2 state taxation matters and credits, including economic
3 development and energy tax incentives and programs, and
4 future tax contingencies, making appropriations, and
5 including effective date provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
DIVISION I

HIGH QUALITY JOBS AND RENEWABLE CHEMICAL PRODUCTION TAX CREDITS

Section 1. Section 15.119, subsection 2, paragraph a, subparagraphs (2) and (3), Code 2021, are amended to read as follows:

(2) In allocating tax credits pursuant to this subsection for each fiscal year of the fiscal period beginning July 1, 2016, and ending June 30, 2021 the fiscal year beginning July 1, 2021, and for each fiscal year thereafter, the authority shall not allocate more than one hundred fifty seven million dollars for purposes of this paragraph. This subparagraph (2) is repealed July 1, 2021.

(3) (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 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.

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

(e) This subparagraph (3) is repealed July 1, 2022.

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
1 million dollars for purposes of this paragraph. This paragraph
is repealed July 1, 2030.

Sec. 3. EFFECTIVE DATE. This division of this Act, being
deemed of immediate importance, takes effect upon enactment.

DIVISION II

HIGH QUALITY JOBS — ELIGIBILITY REQUIREMENTS

Sec. 4. HIGH QUALITY JOBS — REDUCTIONS IN OPERATIONS.

1. Notwithstanding section 15.329, subsection 1, paragraph
“b”, subparagraph (2), the economic development authority shall
not presume that a reduction in operations is a reduction in
operations while simultaneously applying for assistance with
regard to a business that submits an application on or before
June 30, 2022, if the business demonstrates to the satisfaction
of the authority all of the following:

a. That the reduction in operations occurred after March 1,
2020.

b. That the reduction in operations was caused by the
COVID-19 pandemic.

2. The economic development authority shall consider
whether the benefit of the project proposed by a business
under subsection 1 outweighs any negative impact related to
the business’s reduction in operations. The business shall
remain subject to all other eligibility requirements pursuant
to section 15.329.

3. This section is repealed July 1, 2022.

DIVISION III

MANUFACTURING 4.0

Sec. 5. 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. Projects may include investments in specialized hardware, software, or other equipment intended to assist a manufacturer in increasing the manufacturer's productivity, efficiency, and competitiveness.

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".

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. To be eligible for a financial assistance award under the
manufacturing 4.0 technology investment program, a manufacturer must do all of the following:

a. Manufacture goods at a facility located in this state.
b. Have a North American industry classification system number within the manufacturing sector range of 31-33.
c. Have been an established business for a minimum of three years prior to the date of application to the program.
d. Derive a minimum of fifty-one percent of the manufacturer's overall revenue from the sale of manufactured goods.
e. Employ a minimum of three full-time employees and no more than seventy-five full-time employees across all of the manufacturer's locations.
f. Have an assessment of the manufacturer's proposed manufacturing 4.0 technology investment completed by the center for industrial research and service at Iowa state university of science and technology.
g. Demonstrate the ability to provide matching financial support for the manufacturer's manufacturing 4.0 technology investment on a one-to-one basis. The matching financial support must be obtained from private sources.

6. Eligible manufacturers shall submit applications to the manufacturing 4.0 technology investment program in the manner prescribed by the authority by rule.

7. a. The authority may accept applications during one or more application periods each fiscal year as determined by the authority. All completed applications shall be reviewed and scored on a competitive basis pursuant to rules adopted by the authority. The authority may engage an outside technical review panel to complete technical reviews of applications. The board shall review the recommendations of the authority and of the technical review panel, if applicable, and shall approve, defer, or deny each application.
b. In making recommendations to the board, the authority and the technical review panel, if applicable, shall consider all
of the following:

1. The completeness of the manufacturer's application.
2. Whether the board should approve or deny an application.
3. If the board approves an application, the type and amount of financial assistance that should be awarded to the applicant.
4. The percentage of the manufacturer's overall revenue that is derived from the sale of manufactured goods pursuant to subsection 5, paragraph "d".
5. Whether the manufacturer's proposed manufacturing 4.0 technology investment is consistent with the assessment completed by the center for industrial research and service at Iowa state university of science and technology pursuant to subsection 5, paragraph "f".

C. The board shall not approve an application for financial assistance for a manufacturing 4.0 technology investment that was made prior to the date of the application.

8. The maximum amount of financial assistance awarded to an eligible manufacturer under the manufacturing 4.0 technology investment program shall not exceed seventy-five thousand dollars.

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

DIVISION IV

ENERGY INFRASTRUCTURE REVOLVING LOAN PROGRAM

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
1 expenditure for the purposes designated until the close of the
2 succeeding fiscal year.
3 e. Notwithstanding section 12C.7, subsection 2, interest or
4 earnings on moneys in the fund shall be credited to the fund.
5 2. a. The Iowa energy center shall establish and administer
6 an energy infrastructure revolving loan program to encourage
7 the development of energy infrastructure within the state.
8 b. An individual, business, rural electric cooperative, or
9 municipal utility located and operating in this state shall be
10 eligible for financial assistance under the program. With the
11 approval of the Iowa energy center governing board established
12 under section 15.120, subsection 2, the economic development
13 authority shall determine the amount and the terms of all
14 financial assistance awarded to an individual, business, rural
15 electric cooperative, or municipal utility under the program.
16 All agreements and administrative authority shall be vested in
17 the Iowa energy center governing board.
18 c. The economic development authority may use not more than
19 five percent of the moneys in the fund at the beginning of each
20 fiscal year for purposes of administrative costs, marketing,
21 technical assistance, and other program support.
22 3. For the purposes of this section:
23 a. “Energy infrastructure” means land, buildings, physical
24 plant and equipment, and services directly related to the
25 development of projects used for, or useful for, electricity or
26 gas generation, transmission, storage, or distribution.
27 b. “Financial assistance” means the same as defined in
28 section 15.102.
29 Sec. 10. ALTERNATE ENERGY REVOLVING LOAN FUND — MONEYS
30 TRANSFERRED AND APPROPRIATED. Any unencumbered or unobligated
31 moneys remaining after June 30, 2021, in the alternate energy
32 revolving loan fund created pursuant to section 476.46, are
33 transferred and appropriated to the energy infrastructure
34 revolving loan fund created pursuant to section 476.46A, to be
35 used for purposes of the energy infrastructure revolving loan
program.

DIVISION V

WORKFORCE HOUSING TAX INCENTIVES

Sec. 11. Section 15.119, subsection 2, paragraph g, Code 2021, is amended to read as follows:

g. (1) The workforce housing tax incentives program administered pursuant to sections 15.351 through 15.356.

In allocating tax credits pursuant to this subsection, the authority shall not allocate more than twenty-five thirty million dollars for purposes of this paragraph. Of the moneys allocated under this paragraph, ten fifteen million dollars shall be reserved for allocation to qualified housing projects in small cities, as defined in section 15.352, that are registered on or after July 1, 2017.

(2) (a) Notwithstanding subparagraph (1), 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 forty million dollars for the purposes of this paragraph. Of the moneys allocated under this paragraph for the fiscal year beginning July 1, 2021, and ending June 30, 2022, twelve million dollars shall be reserved for allocation to qualified housing projects in small cities, as defined in section 15.352, that are registered on or after July 1, 2017.

(b) This subparagraph is repealed July 1, 2022.

Sec. 12. Section 15.354, subsection 3, paragraph d, Code 2021, is amended to read as follows:

d. Upon completion of a housing project, an a housing business shall submit all of the following to the authority:

(1) An examination of the project in accordance with the American institute of certified public accountants' statements on standards for attestation engagements, completed by a certified public accountant authorized to practice in this state, shall be submitted to the authority.

(2) A statement of the final amount of qualifying new
investment for the housing project.

(3) Any information the authority deems necessary to ensure compliance with the agreement signed by the housing business pursuant to paragraph “a”, the requirements of this part, and rules the authority and the department of revenue adopt pursuant to section 15.356.

Sec. 13. Section 15.354, subsection 3, paragraph e, subparagraph (1), Code 2021, is amended to read as follows:

(1) Upon review of the examination, and verification of the amount of the qualifying new investment, and review of any other information submitted pursuant to paragraph “d”, subparagraph (3), the authority may notify the housing business of the amount that the housing business may claim as a refund of the sales and use tax under section 15.355, subsection 2, and may issue a tax credit certificate to the housing business stating the amount of workforce housing investment tax credits under section 15.355, subsection 3, the eligible housing business may claim. The sum of the amount that the housing business may claim as a refund of the sales and use tax and the amount of the tax credit certificate shall not exceed the amount of the tax incentive award.

Sec. 14. Section 15.354, subsection 6, paragraphs b and c, Code 2021, are amended to read as follows:

b. Notwithstanding subsection 1, the authority may accept applications for disaster recovery housing projects on a continuous basis establish a disaster recovery application period following the declaration of a major disaster by the president of the United States for a county in Iowa.

c. Notwithstanding subsection 2, paragraphs “a”, “b”, and “d”, upon review of a housing business’s application, and scoring of all applications received during a disaster recovery application period, the authority may make a tax incentive award to a disaster recovery housing project. The tax incentive award shall represent the maximum amount of tax incentives that the disaster recovery housing project may
1 qualify for under the program. In determining a tax incentive award, the authority shall not use an amount of project costs that exceeds the amount included in the application of the housing business. Tax incentive awards shall be approved by the director of the authority.

Sec. 15. Section 15.355, subsection 2, Code 2021, is amended to read as follows:

2. A housing business may claim a refund of the sales and use taxes paid under chapter 423 that are directly related to a housing project and specified in the agreement. The refund available pursuant to this subsection shall be as provided in section 15.331A, excluding subsection 2, paragraph "c", of that section. For purposes of the program, the term "project completion", as used in section 15.331A, shall mean the date on which the authority notifies the department of revenue that all applicable requirements of an agreement entered into pursuant to section 15.354, subsection 3, paragraph "a", and all applicable requirements of this part, including the rules the authority and the department of revenue adopted pursuant to section 15.356, are satisfied.

DIVISION VI

BROWNFIELDS AND GRAYFIELDS

Sec. 16. Section 15.293A, subsection 8, Code 2021, is amended to read as follows:

8. This section is repealed on June 30, 2021 2031.

Sec. 17. Section 15.293B, Code 2021, is amended by adding the following new subsection:

NEW SUBSECTION. 5A. a. Tax credits revoked under subsection 3 including tax credits revoked up to five years prior to the effective date of this division of this Act, and tax credits not awarded under subsection 4 or 5, may be awarded in the next annual application period established in subsection 1, paragraph "c".

b. Tax credits awarded pursuant to paragraph "a" shall not be counted against the limit under section 15.119, subsection
3. Sec. 18. Section 15.293B, subsection 7, Code 2021, is amended to read as follows:

7. **This section** is repealed on June 30, 2021.

Sec. 19. EFFECTIVE DATE. The following, being deemed of immediate importance, take effect upon enactment:

1. The section of this division of this Act amending section 15.293A, subsection 8.

2. The section of this division of this Act amending section 15.293B, subsection 7.

DIVISION VII

FEDERAL PAYCHECK PROTECTION PROGRAM

Sec. 20. FEDERAL PAYCHECK PROTECTION PROGRAM.

Notwithstanding any other provision of the law to the contrary, for any tax year ending after March 27, 2020, Division N, Tit. II, subtit. B, §276 and §278(a), of the federal Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, applies in computing net income for state tax purposes under section 422.7 or 422.35.

Sec. 21. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION VIII

FUTURE TAX CHANGES

Sec. 22. 2018 Iowa Acts, chapter 1161, section 133, is amended by striking the section and inserting in lieu thereof the following:

SEC. 133. EFFECTIVE DATE. This division of this Act takes effect January 1, 2023.

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 the administration and implementation of state taxation matters and credits, including economic development and energy tax incentives and programs, and future tax contingencies. The bill is divided into divisions.
DIVISION I — HIGH QUALITY JOBS AND RENEWABLE CHEMICAL PRODUCTION TAX CREDITS. Division I reduces 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 for each fiscal year thereafter, from $105 million to $70 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 reduced from $10 million to $5 million.

DIVISION II — HIGH QUALITY JOBS — ELIGIBILITY REQUIREMENTS. To be eligible to receive incentives or assistance under the high quality jobs program, a business cannot be in the process of reducing operations in one community while simultaneously apply for assistance under the program. Under current law, a reduction in operations within 12 months before or after a business submits an application to the high quality jobs program is presumed to be a reduction in operations while simultaneously applying for assistance under the program. Under the bill, the economic development authority (authority) cannot presume that a reduction in operations is a reduction while simultaneously applying for assistance under the program with regard to a business that submits an application on or before June 30, 2022, if the business demonstrates to the satisfaction of the authority that the reduction in operations occurred after March 1, 2020, and that it was a result of the COVID-19 pandemic. The authority must consider whether the benefit of the project proposed by the business outweighs any negative impact related to the reduction in operations. The business remains subject to all other eligibility requirements. This division of the bill is repealed July 1, 2022.

DIVISION III — MANUFACTURING 4.0. The division establishes the manufacturing 4.0 technology investment program (program)
and creates the manufacturing 4.0 technology investment fund (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. Projects may include investments in specialized hardware, software, or other equipment intended to assist a manufacturer in increasing the manufacturer’s productivity, efficiency, and competitiveness.

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 investments. Financial assistance may include but is not limited to grants, loans, and forgivable loans. The requirements for a manufacturer to be eligible for financial assistance under the program are outlined in the bill.

Eligible manufacturers must submit an application to the program in the manner prescribed by the economic development authority (authority) by rule. The authority may accept applications during one or more application periods during a fiscal year as determined by the authority. All completed applications must be reviewed and scored on a competitive basis pursuant to rules adopted by the authority. The authority may engage an outside technical review panel (panel) to complete a technical review of applications. The authority board members appointed by the governor must review the recommendations of the authority and of the panel, if applicable, and shall approve, defer, or deny each application. In making recommendations to the board, the authority and the panel must consider the factors detailed in the bill.

The board cannot approve an application for financial assistance for an investment that was made prior to the date
of the application.

The maximum amount of financial assistance awarded to an eligible manufacturer under the program cannot exceed $75,000. The authority must adopt rules as necessary to implement and administer 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.

DIVISION V — WORKFORCE HOUSING TAX INCENTIVES. Code section 15.119 sets an aggregate tax credit amount limit for certain economic development programs. Under current law, the workforce housing tax incentives program administered under Code sections 15.351 through 15.356 shall not be allocated more than $25 million in tax credits, and of the tax credits allocated to this program, $10 million is reserved for allocation to qualified housing projects in small cities. This division increases the workforce housing tax credit allocations from $25 million to $40 million for FY 2021-2022. Of the moneys allocated to workforce housing tax credits in FY 2021-2022, the bill increases the tax credits reserved for qualified housing projects in small cities from $10 million to $12 million. Beginning with FY 2022-2023 and each fiscal year thereafter, the bill sets the workforce housing tax credit allocations at $30 million, of which $15 million shall be reserved for small cities.

Currently, upon completion of a housing project, a housing business (housing developer, contractor, or nonprofit that completes a housing project) submits an examination of the project in accordance with the American institute of certified public accountants to the authority. In addition to an examination by certified public accountants, the bill requires the housing business to submit the following to the authority
1 upon completion of a housing project: a statement of the
2 final amount of the qualifying new investment for the housing
3 project and any information the authority deems necessary to
4 ensure compliance with the agreement between the authority and
5 the housing business including any rules the authority and the
6 department of revenue adopt pursuant to Code section 15.356.
7 The bill also requires the authority to review the information
8 submitted by the housing business prior to notifying the
9 housing business of tax incentive awards.
10 The bill permits the authority to establish a disaster
11 housing recovery period following the declaration of a major
12 disaster by the president of the United States. Currently, the
13 authority may accept applications for disaster recovery housing
14 projects on a continuous basis.
15 Moneys available for the program may consist of moneys
16 appropriated for use in the program, and any other moneys that
17 are lawfully available to the economic development authority,
18 including moneys transferred or deposited from other funds
19 created pursuant to Code section 15.106A(1)(o).
20 DIVISION VI — BROWNFIELDS AND GRAYFIELDS. Current law
21 provides that the economic development authority (authority)
22 may allocate not more than $10 million in tax credits in
23 a fiscal year to the brownfield redevelopment program
24 (brownfields). The division provides that tax credits that are
25 not awarded or that are revoked (including revoked within the
26 previous five years) under brownfields may be awarded during
27 the next annual application period, and those tax credits do
28 not count against the $10 million tax credit maximum. Under
29 current law, Code section 15.293A, redevelopment tax credits,
30 is repealed on June 30, 2021. The division changes the repeal
31 date to June 30, 2031, and the repeal date is effective upon
32 enactment of the division. Under current law, Code section
33 15.293B, related to the application, review, registration,
34 and authorization of projects awarded tax credits under
35 brownfields, is repealed on June 30, 2021. The division
S.F. 609

1 changes the repeal date to June 30, 2031, and the repeal date
2 is effective upon enactment of the division.
3 DIVISION VII — FEDERAL PAYCHECK PROTECTION PROGRAM. Under
4 current law, for the tax year 2020 and later, Iowa law fully
5 conforms with the federal treatment of forgiven paycheck
6 protection program loans and excludes such amounts from net
7 income and allows certain deductions for business expenses
8 paid using those loans. For fiscal-year filers who received
9 paycheck protection program loans during the 2019 tax year,
10 current law excludes such amounts from net income, but does
11 not allow certain deductions for business expenses paid using
12 those loans. The bill fully conforms with federal law for
13 those fiscal-year filers who previously were excluded from such
14 conformity and allows such filers to take business expense
15 deductions using federal paycheck protection program loan
16 proceeds that were forgiven.
17 This division of the bill takes effect upon enactment.
18 DIVISION VIII — FUTURE TAX CHANGES. The bill amends 2018
19 Iowa Acts, chapter 1161, section 133 (trigger), by striking
20 the two conditions necessary for the trigger to occur, and
21 specifies the provisions in 2018 Iowa Acts, chapter 1161,
22 sections 99 through 132, take effect January 1, 2023.
23 Currently, the two conditions are necessary for the trigger
24 to occur include net general fund revenues for the fiscal year
25 ending June 30, 2022, equaling or exceeding $8.3146 billion,
26 and also equaling or exceeding 104 percent of the net general
27 fund revenues for the fiscal year ending June 30, 2021. If
28 these two conditions are not satisfied, current law institutes
29 the changes for tax years beginning on or after the January 1
30 following the first fiscal year for which the two conditions
31 do occur. By striking the “trigger”, the bill sets in motion
32 numerous tax changes for tax years beginning on or after
33 January 1, 2023, described below.
34 The tax changes include reducing the number of individual
35 income tax brackets from nine to four, and modifying the
taxable income amounts and tax rates as follows:

<table>
<thead>
<tr>
<th>Income over:</th>
<th>But not over:</th>
<th>Tax Rate:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) $0</td>
<td>$6,000</td>
<td>4.40%</td>
</tr>
<tr>
<td>2) $6,000</td>
<td>$30,000</td>
<td>4.82%</td>
</tr>
<tr>
<td>3) $30,000</td>
<td>$75,000</td>
<td>5.70%</td>
</tr>
<tr>
<td>4) $75,000</td>
<td></td>
<td>6.50%</td>
</tr>
</tbody>
</table>

For a married couple filing a joint return, the taxable income amounts in each bracket above are doubled. Also, the taxable income amounts in each bracket above will be indexed to inflation and increased in future tax years, beginning in the tax year following the 2023 tax year.

Under current law, the starting point for computing the Iowa individual income tax is federal adjusted gross income before the net operating loss deduction, which is generally a taxpayer’s gross income minus several deductions. From that point, Iowa requires several adjustments and then provides taxpayers with a deduction for federal income taxes paid, and the option to deduct a standard deduction or itemized deductions. The bill changes the starting point for computing the individual income tax to federal taxable income, which includes all deductions and adjustments taken at the federal level in computing tax, including a standard deduction or itemized deductions, and the qualified business income deduction allowed for certain income earned from a pass-through entity. Because the starting point changes to federal taxable income, and federal law does not provide for the filing status of married filing separately on a combined return, the bill repeals that filing status option for Iowa tax purposes. Because net operating loss is no longer calculated at the state level, the bill requires a taxpayer to add back any federal net operating loss deduction carried over from a taxable year beginning prior to the 2023 tax year, but allows taxpayers to deduct any remaining Iowa net operating loss from a prior taxable year. The bill repeals the individual alternative minimum tax (AMT), allows an individual to claim any remaining
AMT credit against the individual’s regular tax liability for the 2023 tax year, and then repeals the AMT credit in the tax year following the 2023 tax year. The bill repeals most Iowa-specific deductions, exemptions, and adjustments currently available when computing net income and taxable income under Iowa law, including the Iowa optional standard deduction and all itemized deductions, and the ability to deduct federal income taxes, except for a one-year phase out in the 2023 tax year for taxes paid, or refunds received, that relate to a prior year. The bill maintains the add-back for income from securities that are federally exempt but not state-exempt, and for bonus depreciation amounts. The bill maintains the general pension exclusion and the deduction for income from federal securities. The bill maintains the deduction for contributions to the Iowa 529 plan, the Iowa ABLE plan, a first-time homebuyer savings account, and an individual development account. The bill also maintains the deductions for military pension income, military active duty pay, social security retirement benefits, certain payments received for providing unskilled in-home health care, certain amounts received from the veterans trust fund, victim compensation awards, biodiesel production refunds, certain wages paid to individuals with disabilities or individuals previously convicted of a felony, certain organ donations, and Segal AmeriCorps education award payments. The bill modifies the existing deduction for health insurance payments in Code section 422.7(29) to make the deduction only applicable to taxpayers who are at least 65 years old and who have net income below $100,000. The bill also modifies the existing capital gain deduction in Code section 422.7(21) to restrict the deduction to the sale of real property used in farming businesses by permitting the taxpayer to take the deduction if either of the following apply: the taxpayer materially participated in the farming business for at least 10 years and held the real property for at least 10 years; or the taxpayer sold the real property to
a relative. The bill expands the definition of "relative" to include an entity in which a relative of the taxpayer has a legal or equitable interest in the entity as an owner, member, partner, or beneficiary. The bill provides a new deduction for any income of an employee resulting from the payment by an employer, whether paid to the employee or a lender, of principal or interest on the employee's qualified education loan. The bill also modifies the calculation of net income for purposes of the alternate tax calculation in Code section 422.5(3) and (3B), and the tax return filing thresholds in Code section 422.13, to require that any amount of itemized deduction, standard deduction, personal exemption deduction, or qualified business income deduction that was allowed in computing federal taxable income shall be added back.

Under current law, the starting point for calculating the corporate income tax and franchise tax is federal taxable income before the net operating loss deduction, because net operating loss is calculated at the state level. The bill repeals the separate calculation of net operating loss at the state level. As a result, the bill requires taxpayers to add back any federal net operating loss deduction carried over from a taxable year beginning prior to the trigger year, but allows taxpayers to deduct any remaining Iowa net operating loss from a prior taxable year. The bill also repeals most Iowa-specific deductions, exemptions, and adjustments currently available when computing net income and taxable income under Iowa law. The bill maintains the add-back for income from securities that are federally exempt but not state exempt, and for bonus depreciation amounts. The bill maintains the deductions for income from federal securities, for foreign dividend and subpart F income, for certain wages paid to individuals with disabilities or individuals previously convicted of a felony, and for biodiesel production refunds.