

Senate Study Bill 1197 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON DAWSON)

A BILL FOR

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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

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 This paragraph is repealed July 1, 2030.

Sec. 3. Section 15.333, subsection 2, Code 2021, is amended to read as follows:

2. An eligible business may claim a tax credit equal to a percentage of the new investment directly related to new jobs created or retained by the project. The tax credit shall be amortized equally over five calendar years. The tax credit shall be allowed against taxes imposed under chapter 422, subchapter II, III, or V, and against the moneys and credits tax imposed in [section 533.329](#). If the business is a partnership, S corporation, limited liability company, cooperative organized under [chapter 501](#) and filing as a partnership for federal tax purposes, or estate or trust electing to have the income taxed directly to the individual,

1 an individual may claim the tax credit allowed. The amount
2 claimed by the individual shall be based upon the pro rata
3 share of the individual's earnings of the partnership, S
4 corporation, limited liability company, cooperative organized
5 under [chapter 501](#) and filing as a partnership for federal
6 tax purposes, or estate or trust. The percentage shall be
7 determined as provided in [section 15.335A](#). ~~Any tax credit in~~
8 ~~excess of the tax liability for the tax year may be credited~~
9 ~~to the tax liability for the following seven years or until~~
10 ~~depleted, whichever occurs first.~~ Any tax credit in excess
11 of the tax liability is refundable. In lieu of claiming a
12 refund, the taxpayer may elect to have the overpayment shown
13 on the taxpayer's final, completed return credited to the tax
14 liability for the following tax year.

15 Sec. 4. Section 15.333A, subsection 2, Code 2021, is amended
16 to read as follows:

17 2. An eligible business may claim an insurance premium tax
18 credit equal to a percentage of the new investment directly
19 related to new jobs created by the project. The tax credit
20 shall be amortized equally over a five-year period. The tax
21 credit shall be allowed against taxes imposed in chapter
22 432. ~~A tax credit in excess of the tax liability for the tax~~
23 ~~year may be credited to the tax liability for the following~~
24 ~~seven years or until depleted, whichever occurs first.~~ The
25 percentage shall be determined as provided in [section 15.335A](#).
26 Any tax credit in excess of the tax liability is refundable.
27 In lieu of claiming a refund, the taxpayer may elect to have
28 the overpayment shown on the taxpayer's final, completed return
29 credited to the tax liability for the following tax year.

30 Sec. 5. APPLICABILITY. The following apply to tax credits
31 awarded on or after July 1, 2021:

32 1. The section of this division of this Act amending section
33 15.333, subsection 2.

34 2. The section of this division of this Act amending section
35 15.333A, subsection 2.

DIVISION II

MANUFACTURING 4.0

1
2
3 Sec. 6. NEW SECTION. 15.371 Manufacturing 4.0 technology
4 investment program.

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

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

9 a. "*Financial assistance*" means the same as defined in
10 section 15.102.

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

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

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

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

33 d. Notwithstanding any law to the contrary, the authority
34 may transfer any unobligated and unencumbered moneys in the
35 fund, except for moneys appropriated for purposes of this

1 section, to any fund created pursuant to section 15.106A,
2 subsection 1, paragraph "o".

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

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

11 a. The completeness of the application.

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

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

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

17 Sec. 7. NEW SECTION. 15.372 **Additional first-year**
18 **depreciation.**

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

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

33 3. *Application and agreement.*

34 a. A business seeking approval to claim additional
35 first-year depreciation for an eligible investment shall make

1 application to the authority in the manner prescribed by the
2 authority by rule. The application must include all of the
3 following:

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

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

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

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

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

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

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

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

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

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

1 (a) The actual date of completion of the business's eligible
2 investment.

3 (b) The actual dollar amount of the business's eligible
4 investment.

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

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

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

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

34 6. *Rules.* The authority and the department of revenue
35 shall adopt rules as necessary for the implementation and

1 administration of this section.

2

DIVISION III

3

ENERGY INFRASTRUCTURE REVOLVING LOAN PROGRAM

4 Sec. 8. Section 476.10A, subsection 2, Code 2021, is amended
5 to read as follows:

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

13 Sec. 9. Section 476.46, subsection 2, paragraph e,
14 subparagraph (3), Code 2021, is amended to read as follows:

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

19 Sec. 10. Section 476.46, Code 2021, is amended by adding the
20 following new subsections:

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

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

27 Sec. 11. NEW SECTION. **476.46A Energy infrastructure**
28 **revolving loan program.**

29 1. a. An energy infrastructure revolving loan fund is
30 created in the office of the treasurer of state and shall be
31 administered by the Iowa energy center established in section
32 15.120.

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

1 directed to the fund.

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

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

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

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

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

35 *c.* The economic development authority may use not more than

1 five percent of the moneys in the fund at the beginning of each
2 fiscal year for purposes of administrative costs, marketing,
3 technical assistance, and other program support.

4 3. For the purposes of this section:

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

9 b. *“Financial assistance”* means the same as defined in
10 section 15.102.

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

19 EXPLANATION

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

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

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

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

1 excess of an eligible business's tax liability for a tax year
2 to be credited to the business's tax liability for the next
3 seven years, or until depleted. The division modifies both
4 tax credits to make the credits refundable and this applies
5 to investment tax credits and insurance premium tax credits
6 awarded on or after July 1, 2021.

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

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

31 The division permits the authority to approve a
32 manufacturing business located in this state to claim
33 additional first-year depreciation (depreciation) for certain
34 investments made by the business to transition to a smart
35 manufacturing environment that leverages joint capabilities of

1 hardware, software, and workers in an integrated way. To claim
2 depreciation, a business must make an eligible investment.
3 "Eligible investment" is defined as an investment in smart
4 manufacturing equipment that is digitized and interconnected,
5 and that modernizes a business's operations by supporting
6 interconnectivity, decision support, customization, and
7 flexibility of production runs, or that decentralizes low-level
8 decision making.

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

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

1 business may claim, or if the business has already filed a tax
2 return in which the business computed net income under section
3 168(k), require the business to file an amended return with net
4 income computed without the application of section 168(k).

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

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

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

34 The center is required to establish and administer an energy
35 infrastructure revolving loan program (program) to encourage

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