

**House Study Bill 722 - Introduced**

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON KAUFMANN)

**A BILL FOR**

1 An Act relating to tax credits awarded by the economic  
2 development authority for specific capital contributions  
3 made to certified rural business growth funds for investment  
4 in qualified businesses.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 15.490 Short title.

2 This part shall be known and may be cited as the "*Iowa Rural*  
3 *Development Tax Credit Program*".

4 Sec. 2. NEW SECTION. 15.491 Definitions.

5 As used in this part, unless the context otherwise requires:

6 1. "*Affiliate*" means a person that directly, or indirectly  
7 through one or more intermediaries, controls, is controlled  
8 by, or is under common control with another person. A person  
9 is controlled by another person if the controlling person  
10 holds, directly or indirectly, the majority voting or ownership  
11 interest in the controlled person or has control, by contract  
12 or by law, over the day-to-day operations of the controlled  
13 person.

14 2. "*Authority*" means the economic development authority  
15 created in section 15.105.

16 3. "*Closing date*" means the date on which a rural business  
17 growth fund completes collection of all contributions and  
18 investments and submits all required documentation to the  
19 authority pursuant to section 15.492, subsection 7.

20 4. "*Credit-eligible capital contribution*" means an investment  
21 of cash by a person in a rural business growth fund that is  
22 eligible for a tax credit certificate issued by the authority  
23 pursuant to section 15.493, subsection 1. The cash investment  
24 shall purchase either of the following:

25 a. An equity interest in the growth fund.

26 b. A debt instrument, at par value or premium, issued by the  
27 growth fund that has a maturity date at least six years after  
28 the growth fund's closing date.

29 5. "*Depository institution*" means the same as defined in  
30 section 524.1802.

31 6. "*Eligible investment authority*" means the amount stated  
32 on the certification the authority issues pursuant to section  
33 15.492, subsection 7, paragraph "a". At least sixty percent  
34 of a growth fund's eligible investment authority shall be  
35 comprised of credit-eligible capital contributions.

1 7. "*Employee*" means a natural person who is employed in this  
2 state by a qualified business and who is either salaried, works  
3 a minimum of thirty-five hours per week, or another period of  
4 time generally accepted by custom, industry, or practice as  
5 full-time employment.

6 8. "*Equity holder*" means a person that makes an equity  
7 investment in a rural business growth fund.

8 9. "*Growth investment*" means any of the following:

9 a. Capital or equity investments in a qualified business.

10 b. A loan to a qualified business if all of the following  
11 conditions apply:

12 (1) The loan has a stated maturity of at least two years.

13 (2) The principal payments have been deferred for at least  
14 two years.

15 (3) The pro forma financial statements of the qualified  
16 business result in a leverage ratio of greater than three to  
17 one when comparing debt to earnings before interest, taxes,  
18 depreciation, and amortization.

19 c. A senior secured loan if the senior secured loan is  
20 secured first by a mortgage on real estate with a loan to value  
21 ratio of less than eighty percent, and the qualified business  
22 has a credit refusal letter or similar correspondence from a  
23 depository institution located in this state.

24 10. "*Jobs created*" means the number of new employees at  
25 a qualified business, after an initial growth investment, at  
26 the end of each subsequent calendar year. This number is  
27 calculated annually by adding together the number of employees  
28 at the qualified business on the last day of each calendar  
29 month and dividing by twelve, then subtracting the number of  
30 employees at the qualified business on the date the day before  
31 the date of the initial growth investment. If the resulting  
32 total is less than zero, the jobs created is equal to zero.

33 11. "*Jobs retained*" means the number of employees at a  
34 qualified business the day before the date of an initial growth  
35 investment that the qualified business's chief executive

1 officer or similar officer certifies as being positions located  
2 in this state that would have been eliminated but for the  
3 initial growth investment.

4 12. "*Located in*" means the place or places at which a  
5 business's operations are located and where at least sixty  
6 percent of the business's employees work, or where employees  
7 that are paid at least sixty percent of the business's payroll  
8 work.

9 13. "*Program*" means the Iowa rural development tax credit  
10 program administered under this part.

11 14. "*Qualified business*" means any business within this  
12 state that has fewer than two hundred fifty employees,  
13 including ostensible subcontractors pursuant to 13 C.F.R.  
14 §121.103(h)(4), and is not located in whole or in part in one  
15 or more of the twelve most populous counties in the state, as  
16 determined by the most recent decennial census released by the  
17 United States bureau of census.

18 15. "*Revenue*" means the total state and local income  
19 produced by a rural business growth fund's economic activity.

20 16. "*Rural business growth fund*" or "*growth fund*" means a  
21 person, or an affiliate of a person, certified by the authority  
22 pursuant to section 15.492, subsection 7, paragraph "a".

23 17. "*Within this state*" means in the state of Iowa, or an  
24 out-of-state business that has agreed to use a proposed growth  
25 investment to become a qualified business within one hundred  
26 eighty days of receiving the growth investment.

27 **Sec. 3. NEW SECTION. 15.492 Application and agreement.**

28 1. The authority shall begin accepting program applications  
29 on January 7, 2025. An application is deemed received based  
30 on the date and time stamp that shall be generated by the  
31 authority upon receipt of the application. Applications  
32 received by the authority on the same day shall be deemed to  
33 have been received simultaneously.

34 2. A person seeking certification as a rural business  
35 growth fund shall apply to the authority in the form and manner

1 prescribed by the authority. The application must include all  
2 of the following:

3 *a.* The eligible investment authority sought by the  
4 applicant.

5 *b.* A copy of the applicant's, or an affiliate of the  
6 applicant's, license as a rural business investment company  
7 as defined under 7 U.S.C. §2009cc(14), or license as a small  
8 business investment company under 15 U.S.C. §681.

9 *c.* Documentation as required by the authority to establish  
10 that at least one principal of the applicant has been an  
11 officer or an employee of the rural business investment  
12 company, the small business investment company, or an affiliate  
13 thereof, for a minimum of four years prior to the date of  
14 application.

15 *d.* A revenue impact assessment for the applicant's proposed  
16 growth investments as determined by an econometric analysis  
17 conducted by a nationally recognized third-party independent  
18 econometric firm. The revenue impact assessment must provide  
19 an analysis of the applicant's proposed growth investments over  
20 the ten consecutive years following the date the applicant's  
21 application is submitted to the authority, and must demonstrate  
22 that there will be a positive revenue impact on this state  
23 that exceeds the cumulative amount of tax credits, that if the  
24 application is approved, may be issued by the authority to the  
25 rural business growth fund's investors.

26 *e.* The number of jobs created and the number of jobs  
27 retained assumed in the revenue impact assessment required by  
28 paragraph "d".

29 *f.* A signed affidavit from each investor that identifies  
30 the investor and the amount of the credit-eligible capital  
31 contribution that the investor has committed to the applicant's  
32 proposed growth fund.

33 *g.* A nonrefundable application fee of five thousand dollars.  
34 All application fees submitted to the authority pursuant to  
35 this paragraph shall be used by the authority to administer

1 this part.

2 3. The authority shall review and make a determination  
3 to approve or deny each application within the time frame  
4 adopted by rule by the authority. The authority shall review  
5 applications on a first-come, first-served basis as determined  
6 pursuant to subsection 1.

7 4. The authority shall not approve more than forty-five  
8 million dollars in eligible investment authority and not more  
9 than twenty-seven million dollars in credit-eligible capital  
10 contributions under the program. If approved applications  
11 that are simultaneously received would collectively exceed the  
12 maximum limit on eligible investment authority or the maximum  
13 on credit-eligible capital contributions, the authority shall  
14 proportionally reduce the growth fund's eligible investment  
15 authority and credit-eligible capital contributions for each  
16 of the simultaneous applications as necessary to comply with  
17 the maximum limits.

18 5. The authority shall reject an application for any of the  
19 following reasons:

20 a. The applicant failed to comply with any of the  
21 requirements pursuant to subsection 2.

22 b. The authority has already approved the maximum eligible  
23 investment authority or the maximum credit-eligible capital  
24 contributions pursuant to subsection 4.

25 6. a. If the authority rejects an application, the  
26 authority shall send a notice of rejection to the applicant and  
27 provide a reason for the rejection.

28 b. If the authority has rejected an application on any  
29 grounds other than subsection 5, paragraph "b", the applicant  
30 may provide additional information to the authority to cure  
31 the defects in the application. All additional information  
32 must be received by the authority within fifteen business days  
33 from the date the authority sent the notice of rejection to  
34 the applicant. The authority shall review and reconsider,  
35 within the time frame adopted by rule by the authority, any

1 application for which additional information is provided within  
2 the fifteen business days. If an application is approved by  
3 the authority after review and reconsideration, the application  
4 shall be considered complete as of its original date of  
5 submission.

6 *c.* If an applicant does not submit additional information  
7 within fifteen business days from the date the authority sent  
8 the applicant the notice of rejection, the applicant may submit  
9 a new application at any time pursuant to subsection 2 and the  
10 application shall be reviewed by the authority pursuant to  
11 subsection 3.

12 7. *a.* If the authority approves an application, the  
13 authority shall send a notice to the applicant certifying all  
14 of the following:

15 (1) The applicant as a rural business growth fund.

16 (2) The growth fund's eligible investment authority and  
17 required credit-eligible contributions.

18 (3) The required number of jobs created and the required  
19 number of jobs retained based on the number submitted in the  
20 applicant's application, prorated if the growth fund's eligible  
21 investment authority is reduced pursuant to subsection 4.

22 *b.* Within forty-five calendar days of the date the authority  
23 sent the notice of certification pursuant to paragraph "a",  
24 the rural business growth fund shall comply with all of the  
25 following requirements:

26 (1) Collect all credit-eligible capital contributions  
27 from each investor whose affidavit was included in the growth  
28 fund's application. If the growth fund's requested eligible  
29 investment authority has been proportionally reduced pursuant  
30 to subsection 4, each investor's required credit-eligible  
31 capital contribution shall be reduced by the same proportion.

32 (2) Collect one or more equity investments contributed  
33 directly or indirectly by affiliates of the growth fund,  
34 including employees and principals of such affiliates, that  
35 must equal at least ten percent of the growth fund's eligible

1 investment authority.

2 (3) Collect one or more investments of cash that, when added  
3 to the contributions collected under subparagraphs (1) and (2),  
4 equal the growth fund's total eligible investment authority.

5 c. Within sixty-five calendar days of the date the authority  
6 sent the notice of certification pursuant to paragraph "a",  
7 the rural business growth fund shall comply with all of the  
8 following requirements:

9 (1) Submit documentation to the authority sufficient to  
10 prove to the satisfaction of the authority that the growth fund  
11 has collected amounts described in paragraph "b", subparagraphs  
12 (1), (2), and (3).

13 (2) Submit documentation to the authority that identifies  
14 all affiliates of an investor described in paragraph "b",  
15 subparagraph (1), that may be eligible to claim a tax credit  
16 issued by the authority pursuant to section 15.493, subsection  
17 1.

18 8. If a growth fund fails to comply with subsection 7,  
19 paragraph "b" or "c", the growth fund's certification shall  
20 lapse. Any eligible investment authority and credit-eligible  
21 capital contributions that lapse pursuant to this subsection  
22 shall not count toward the maximum limits on eligible  
23 investment authority and credit-eligible capital contributions  
24 pursuant to subsection 4. If a growth fund's eligible  
25 investment authority lapses pursuant to this subsection, the  
26 authority shall first award the lapsed eligible investment  
27 authority pro rata to each rural business growth fund that  
28 was awarded less than the eligible investment authority that  
29 the rural business growth fund sought in the growth fund's  
30 application. A rural business growth fund that is awarded  
31 lapsed eligible investment authority must comply with the  
32 requirements of subsection 7, paragraph "b", as related to the  
33 additional eligible investment authority. The authority may  
34 award any remaining lapsed eligible investment authority to  
35 new applicants until the maximum limits on eligible investment



1 authority and credit-eligible capital contributions pursuant  
2 to subsection 4 are met.

3 9. After a growth fund's successful submission to the  
4 authority of the required documentation pursuant to subsection  
5 7, paragraph "c", subparagraphs (1) and (2), the growth fund  
6 shall enter into an agreement with the authority that specifies  
7 the requirements that must be met for successful completion  
8 of the program. At a minimum, the agreement shall contain  
9 provisions addressing all of the following:

10 a. The legal name of the growth fund.

11 b. The growth fund's closing date.

12 c. The growth fund's eligible investment authority as  
13 certified by the authority.

14 d. Each investor of the growth fund and each investor's  
15 credit-eligible capital contribution.

16 e. The minimum number of jobs that must be created and the  
17 minimum number of jobs that must be retained as a result of  
18 the growth fund's growth investments to avoid paying state  
19 reimbursement pursuant to section 15.497.

20 f. Revocation and recapture of tax credits pursuant to  
21 section 15.494.

22 g. Any terms deemed necessary by the authority to effect  
23 compliance with the program requirements pursuant to this part.

24 Sec. 4. NEW SECTION. 15.493 Tax credits.

25 1. After an agreement is executed pursuant to section  
26 15.492, subsection 9, the authority shall issue a tax credit  
27 certificate to each investor whose affidavit was included  
28 in the growth fund's application and whose credit-eligible  
29 capital contribution was collected pursuant to section  
30 15.492, subsection 7, paragraph "b", subparagraph (1). The  
31 tax credit certificate shall specify the amount of the  
32 tax credit allocated to that investor as a result of the  
33 investor's credit-eligible capital contribution. The tax  
34 credit allocated to any one investor shall be equal to the  
35 investor's credit-eligible capital contribution to the growth

1 fund. The tax credit certificate shall contain the taxpayer's  
2 name, address, tax identification number, the name of the  
3 rural business growth fund associated with the tax credit, and  
4 any other information required by the department of revenue.  
5 The tax credit may be claimed against the taxes imposed in  
6 chapter 422, subchapter V, the insurance premium and insurance  
7 retaliatory premium tax imposed in chapter 432, or the moneys  
8 and credits tax imposed in section 533.329.

9     2. One-third of the amount of a tax credit issued to an  
10 investor pursuant to subsection 1 may be claimed in the tax  
11 year of the third, fourth, and fifth anniversaries of the  
12 growth fund's closing date, exclusive of the amount of tax  
13 credit carried forward pursuant to subsection 4.

14     3. *a.* A tax credit issued under this part is not  
15 refundable and shall not be sold, transferred, or allocated  
16 by the investor to any person other than an affiliate of the  
17 investor that was an affiliate at the time of the growth fund's  
18 submission of the investor's affidavit pursuant to section  
19 15.492, subsection 2, paragraph "f".

20     *b.* Within ninety calendar days of the sale, transfer, or  
21 allocation of a tax credit, the affiliate shall submit the tax  
22 credit certificate to the department of revenue along with a  
23 statement containing the affiliate's name, tax identification  
24 number, address, and any other information required by the  
25 department of revenue.

26     *c.* Within thirty calendar days of receiving the tax credit  
27 certificate and the affiliate's statement, the department of  
28 revenue shall issue the affiliate a replacement tax credit  
29 certificate. The replacement tax credit certificate must  
30 contain all of the information required for the original tax  
31 credit certificate and must have the same expiration date that  
32 appeared on the original tax credit certificate.

33     4. To claim a tax credit under this section, a taxpayer  
34 shall submit the tax credit certificate with the taxpayer's  
35 tax return for each taxable year in which the tax credit is

1 claimed. Any tax credit in excess of the taxpayer's tax  
2 liability for the tax year may be carried forward to the  
3 taxpayer's tax liability for subsequent years until the tax  
4 credit is depleted.

5 Sec. 5. NEW SECTION. 15.494 Revocation and recapture of tax  
6 credits.

7 1. The authority shall recapture any tax credits used by  
8 a taxpayer and shall revoke any tax credits issued pursuant  
9 to section 15.493, subsection 1, if, before a rural business  
10 growth fund exits the program pursuant to section 15.496, any  
11 of the following occur:

12 a. The growth fund cannot provide documentation to the  
13 authority to substantiate to the satisfaction of the authority  
14 all of the following:

15 (1) That the growth fund, within thirty months after the  
16 growth fund's closing date, has invested one hundred percent  
17 of the growth fund's eligible investment authority in growth  
18 investments.

19 (2) That the growth fund, after investing one hundred  
20 percent of the growth fund's eligible investment authority  
21 in growth investments within thirty months after the growth  
22 fund's closing date, has maintained growth investments equal to  
23 one hundred percent of the growth fund's eligible investment  
24 authority at all times up to the fifth anniversary after the  
25 growth fund's closing date. For purposes of this subparagraph,  
26 a growth investment is maintained even if it is sold or repaid,  
27 as long as the growth fund reinvests an amount equal to the  
28 growth investment returned or recovered from the original  
29 growth investment, exclusive of any profits realized, in other  
30 growth investments in this state within the twelve consecutive  
31 months immediately after the date of the return or recovery  
32 of such growth investment. Amounts received periodically  
33 by a growth fund are deemed continuously invested in growth  
34 investments if the amounts are reinvested by the growth fund in  
35 one or more qualified businesses by the end of the following

1 calendar year.

2     *b.* The growth fund makes a growth investment in a qualified  
3 business that directly, or indirectly through an affiliate,  
4 owns, has the right to acquire an ownership interest in, makes  
5 a loan to, or makes an investment in, the growth fund, an  
6 affiliate of the growth fund, or an investor in the growth  
7 fund. This paragraph shall not apply to investments in  
8 publicly traded securities by a qualified business, or to an  
9 owner or an affiliate of the qualified business. For purposes  
10 of this paragraph, a growth fund shall not be considered an  
11 affiliate of a qualified business solely because of the growth  
12 fund's growth investment in the qualified business.

13     *c.* The growth fund, before exiting the program pursuant to  
14 section 15.496, makes a distribution or payment that results  
15 in the growth fund having less than one hundred percent of its  
16 initial investment authority invested in growth investments in  
17 this state, available for growth investments, or held in cash  
18 and marketable securities.

19     2. The maximum amount of a growth investment in a qualified  
20 business, including any amounts invested in affiliates of the  
21 qualified business, that a growth fund may count toward the  
22 growth fund's satisfaction of the requirements pursuant to  
23 subsection 1, paragraph "a", is the greater of twenty percent of  
24 the growth fund's eligible investment authority and two million  
25 five hundred thousand dollars, excluding any amounts reinvested  
26 in a qualified business.

27     3. Before revoking or recapturing a tax credit, the  
28 authority shall provide notice to the growth fund of the reason  
29 for the pending revocation or recapture. The growth fund shall  
30 have ninety calendar days after the date the authority sends  
31 the notice to address to the satisfaction of the authority any  
32 issues identified in the notice. Failure of the growth fund to  
33 satisfactorily address any issues in the notice shall result in  
34 revocation or recapture of the tax credit.

35     4. The authority shall not revoke or recapture a tax credit

1 for any action of a growth fund that occurs after the growth  
2 fund has exited the program pursuant to section 15.496. This  
3 subsection shall not prohibit the authority from revoking or  
4 recapturing a tax credit due to an action of a growth fund  
5 pursuant to subsection 1 that occurs before the date the growth  
6 fund exits the program, even if the growth fund's action is  
7 discovered after the date the growth fund exits the program.

8     **Sec. 6. NEW SECTION. 15.495 Annual report.**

9     On or before March 31, unless a growth fund has exited the  
10 program pursuant to section 15.496, each growth fund shall  
11 submit an annual report to the authority in the form and manner  
12 the authority prescribes that covers the preceding calendar  
13 year. The report must include each of the growth fund's growth  
14 investments and must contain all of the following information:

15     1. Financial statements that provide evidence of each  
16 growth investment.

17     2. Evidence that the growth fund is in compliance with  
18 applicable investment requirements pursuant to section 15.494,  
19 subsection 1, paragraph "a".

20     3. The name, location, and industry for each qualified  
21 business that received a growth investment, and evidence that  
22 the business met the requirements to be a qualified business at  
23 the time the growth investment was made.

24     4. The number of employees at each qualified business on  
25 the date of the growth fund's initial growth investment in the  
26 qualified business.

27     5. The number of jobs created at each qualified business and  
28 the average annual salary for the jobs created.

29     6. The number of jobs retained at each qualified business  
30 and the average annual salary for the jobs retained. The  
31 number of jobs retained at a qualified business may not exceed  
32 the number of jobs retained at the same qualified business on  
33 the first annual report submitted by the growth fund.

34     7. Any other information the authority requires.

35     **Sec. 7. NEW SECTION. 15.496 Exiting the program.**

1 1. On or after the fifth anniversary of a rural business  
2 growth fund's closing date, in the form and manner the  
3 authority prescribes, the growth fund may apply to the  
4 authority to exit the program. The growth fund's application  
5 must include the state reimbursement calculation pursuant to  
6 section 15.497.

7 2. The growth fund shall be eligible to exit the program  
8 if a tax credit associated with the growth fund has not been  
9 revoked or recaptured pursuant to section 15.494.

10 3. Within the time frame adopted by rule by the authority,  
11 the authority shall send notice to the growth fund of the  
12 authority's determination regarding the growth fund's  
13 application and confirmation of the state reimbursement the  
14 growth fund owes pursuant to section 15.497. If the authority  
15 denies the growth fund's application, the notice shall include  
16 the reasons for the denial. If the authority approves the  
17 growth fund's application, the growth fund is deemed to have  
18 exited the program on the date the authority sends notice  
19 to the growth fund. If the growth fund owes the state  
20 reimbursement, the growth fund shall be prohibited from making  
21 any distributions to any equity holders of the fund until the  
22 growth fund has remitted the state reimbursement amount to the  
23 authority. All state reimbursement amounts remitted to the  
24 authority shall be deposited in the general fund of the state.

25 **Sec. 8. NEW SECTION. 15.497 State reimbursement**  
26 **calculation.**

27 1. A state reimbursement shall be calculated any time a  
28 rural business growth fund exits the program or any time a  
29 rural business growth fund proposes to make a distribution to  
30 the growth fund's equity holders. The state reimbursement  
31 shall equal the proposed distribution multiplied by one minus a  
32 fraction that is composed of the following:

33 a. The numerator shall be the aggregate number of jobs  
34 created plus the number of jobs retained as reported pursuant  
35 to section 15.495, subsections 5 and 6.

1     *b.* The denominator shall be the number of jobs created plus  
2 the number of jobs retained as stated in the certification  
3 pursuant to section 15.492, subsection 7, paragraph "a",  
4 subparagraph (3).

5     2. If the fraction is greater than one hundred percent, the  
6 growth fund shall not owe state reimbursement.

7     3. The authority may adopt by rule additional options  
8 for the state reimbursement calculation that are equivalent  
9 to job creation and job retention to measure a growth fund's  
10 growth investments impact on economic activity at a qualified  
11 business.

12     Sec. 9. NEW SECTION. **15.498 Remedies.**

13     The remedies for a breach or default of any of the terms of  
14 this part by a rural business growth fund shall be revocation  
15 or recapture of tax credits pursuant to section 15.494 and the  
16 state reimbursement pursuant to section 15.497.

17     Sec. 10. NEW SECTION. **15.499 Rules.**

18     The authority, in conjunction with the department of  
19 revenue, shall adopt rules pursuant to chapter 17A as necessary  
20 for the implementation and administration of this part.

21     Sec. 11. Section 422.60, Code 2024, is amended by adding the  
22 following new subsection:

23     NEW SUBSECTION. 16. The taxes imposed under this subchapter  
24 shall be reduced by a rural development tax credit allowed  
25 under section 15.493.

26     Sec. 12. NEW SECTION. **432.12P Rural development tax  
27 credits.**

28     The taxes imposed under this chapter shall be reduced by a  
29 rural development tax credit allowed under section 15.493 for a  
30 credit-eligible capital contribution to a rural business growth  
31 fund.

32     Sec. 13. Section 533.329, subsection 2, Code 2024, is  
33 amended by adding the following new paragraph:

34     NEW PARAGRAPH. *n.* The moneys and credits tax imposed under  
35 this section shall be reduced by a rural development tax credit

1 under section 15.493.

2

EXPLANATION

3

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

4

5 This bill relates to tax credits awarded by the economic  
6 development authority for specific capital contributions made  
7 to certified rural business growth funds for investment in  
8 qualified businesses. The bill defines "qualified business"  
9 to mean any business within this state that has fewer than 250  
10 employees, including certain subcontractors, and is not located  
11 in whole or in part in one or more of the 12 most populous  
12 counties in the state.

13 The bill directs the economic development authority  
14 (authority) to begin accepting Iowa rural development tax  
15 credit program (program) applications beginning January 7,  
16 2025.

17 The bill provides that a person seeking certification as  
18 a rural business growth fund (growth fund) must apply to the  
19 authority and that the application must include the eligible  
20 investment authority sought by the applicant, a copy of the  
21 applicant's license as a rural business investment company  
22 under 7 U.S.C. §2009cc(14) or as a small business investment  
23 company under 15 U.S.C. §681, documentation that establishes  
24 that at least one principal of the applicant has been an  
25 officer or an employee of the rural business investment  
26 company, the small business investment company or an affiliate,  
27 for a minimum of four years prior to the date of application, a  
28 revenue impact assessment for the applicant's proposed growth  
29 investments as determined by an econometric analysis conducted  
30 by a third-party independent econometric firm, the number  
31 of jobs created and the number of jobs retained assumed in  
32 the revenue impact assessment, a signed affidavit from each  
33 investor that states the amount of the credit-eligible capital  
34 contribution that the investor has committed to the applicant's  
35 proposed growth fund, and a nonrefundable \$5,000 application



1 fee. The bill defines "growth investment" to mean any of  
2 the following: capital or equity investments in a qualified  
3 business, a loan to a qualified business subject to certain  
4 conditions, or a senior secured loan under certain conditions.  
5 The bill defines "credit-eligible capital contribution"  
6 as an investment of cash by a person in a growth fund that  
7 is eligible for a tax credit issued by the authority. The  
8 investment must be used to purchase either an equity interest  
9 in the growth fund or a debt instrument, at par value or  
10 premium, issued by the growth fund that has a maturity date  
11 at least six years after the growth fund's closing date.  
12 "Eligible investment authority" is defined in the bill as the  
13 amount of investment authority that the authority certifies for  
14 a specific growth fund.

15 The bill requires the authority to review each application  
16 on a first-come, first-served basis and to make a determination  
17 to approve or deny each application within the time frame  
18 adopted by rule by the authority. The authority shall not  
19 approve more than \$45 million in eligible investment authority  
20 and not more than \$27 million in credit-eligible capital  
21 contributions.

22 The authority must reject an application if the applicant  
23 fails to submit any of the required information, or if the  
24 authority has already approved the maximum eligible investment  
25 authority or the maximum credit-eligible capital contributions.  
26 If the authority rejects an application, the authority must  
27 send a notice of rejection to the applicant, and provide a  
28 reason for the rejection. If an application has been rejected  
29 because the applicant failed to submit all of the required  
30 information, the applicant has 15 days to provide additional  
31 information to cure any defects in the application. The  
32 authority shall review and reconsider, within the time frame  
33 adopted by rule by the authority, any application for which  
34 additional information is provided within the 15 business days.  
35 If an application is approved by the authority after review and

1 reconsideration, the application shall be considered complete  
2 as of its original date of submission.

3     If the authority approves an application, the authority  
4 must send a notice to the applicant certifying the applicant  
5 as a rural business growth fund, the growth fund's eligible  
6 investment authority, and the required number of jobs created  
7 and the required number of jobs retained based on the number  
8 submitted in the applicant's application. Within 45 days of  
9 the date the authority sent the notice of certification, the  
10 growth fund is required to collect all credit-eligible capital  
11 contributions from each investor whose affidavit was included  
12 in the growth fund's application, collect one or more equity  
13 investments contributed directly or indirectly by affiliates  
14 of the growth fund, including employees and principals of  
15 such affiliates, that equal at least 10 percent of the growth  
16 fund's eligible investment authority, and collect one or more  
17 investments of cash that when added to the credit-eligible  
18 capital contributions and the equity investments equal the  
19 growth fund's eligible investment authority. Within 65 days  
20 of the date the authority sent the notice of certification,  
21 the growth fund must submit documentation to the authority  
22 to prove that the appropriate amounts have been collected  
23 by the growth fund, and documentation that identifies all  
24 affiliates of the investor that may be eligible to claim a  
25 tax credit issued by the authority. If the growth fund fails  
26 to comply with the collection and documentation requirements,  
27 all eligible investment authority and credit-eligible capital  
28 contributions lapse. Eligible investment authority and  
29 credit-eligible capital contributions that lapse do not count  
30 toward the maximum limits on eligible investment authority and  
31 credit-eligible capital contributions and may be awarded by the  
32 authority as outlined in the bill.

33     If a growth fund successfully complies with the collection  
34 and documentation requirements, the growth fund must enter  
35 into an agreement with the authority that specifies the

1 requirements that must be met for successful completion of  
2 the program. The agreement must contain, at a minimum, the  
3 legal name of the growth fund, the growth fund's closing date,  
4 the growth fund's eligible investment authority as certified  
5 by the authority, each investor of the growth fund and each  
6 investor's credit-eligible capital contribution, the minimum  
7 number of jobs that must be created and the minimum number of  
8 jobs that must be retained as a result of the growth fund's  
9 growth investments to avoid paying state reimbursement, and a  
10 provision related to revocation and recapture of tax credits if  
11 the growth fund fails to meet the applicable program investment  
12 requirements.

13 After the agreement is executed, the authority must issue  
14 a tax credit certificate to each investor whose affidavit  
15 was included in the growth fund's application and whose  
16 credit-eligible capital contribution was collected by the  
17 growth fund. The certificate must specify the amount of tax  
18 credit allocated to that investor and the amount of the tax  
19 credit the eligible taxpayer may claim against the franchise  
20 tax imposed in Code section 422.60, the insurance premium tax  
21 and insurance retaliatory premium tax imposed in Code chapter  
22 432, or the moneys and credits tax imposed in Code section  
23 533.329. The tax credit allocated to any one investor is equal  
24 to the investor's credit-eligible capital contribution to the  
25 growth fund. An investor may use one-third percent of the tax  
26 credit in each taxable year beginning in the calendar year  
27 following the third, fourth, and fifth anniversaries of the  
28 growth fund's closing date. Any tax credit in excess of the  
29 taxpayer's tax liability for a tax year may be carried forward  
30 to the taxpayer's tax liability for subsequent tax years until  
31 the tax credit is depleted.

32 The tax credits are not refundable and cannot be sold,  
33 transferred, or allocated by the investor to any person other  
34 than an affiliate of the investor. The affiliate must submit  
35 the tax credit certificate within 90 days to the department

1 of revenue (department) along with a statement containing the  
2 affiliate's name, tax identification number, address, and any  
3 other information required by the department. The department  
4 must issue the affiliate a replacement tax credit certificate  
5 with the same expiration date that appeared on the original tax  
6 credit certificate.

7 The authority shall revoke or recapture a tax credit if,  
8 before a growth fund exits the program, the growth fund cannot  
9 provide documentation to the authority to substantiate that the  
10 growth fund, within 30 months after the growth fund's closing  
11 date, has invested 100 percent of the growth fund's investment  
12 authority in growth investments; that the growth fund, after  
13 investing 100 percent of the growth fund's investment authority  
14 in growth investments within 30 months after the growth fund's  
15 closing date, has maintained growth investments equal to 100  
16 percent of its investment authority at all times up to the  
17 fifth anniversary after the growth fund's closing date. The  
18 bill specifies that a growth investment is maintained even if  
19 it is sold or repaid, as long as the growth fund reinvests an  
20 amount equal to the growth investment returned or recovered  
21 from the original investment, exclusive of any profits  
22 realized, in other growth investments in this state within the  
23 12 consecutive months immediately after the date of the return  
24 or recovery of such growth investment. The bill also specifies  
25 that amounts received periodically by a growth fund are deemed  
26 continuously invested in growth investments if the amounts  
27 are reinvested by the growth fund in one or more qualified  
28 businesses by the end of the following calendar year.

29 The authority must also revoke or recapture a tax credit  
30 if, before a growth fund exits the program, the growth  
31 fund makes a growth investment in a qualified business that  
32 directly, or indirectly through an affiliate, owns, has the  
33 right to acquire an ownership interest in, makes a loan to,  
34 or makes an investment in, the growth fund, an affiliate of  
35 the growth fund, or an investor in the growth fund. This does

1 not apply to investments in publicly traded securities by a  
2 qualified business, or to an owner or an affiliate of the  
3 qualified business. Further, a growth fund is not considered  
4 an affiliate of a qualified business solely because of its  
5 growth investment in the qualified business. The authority  
6 is also required to revoke or recapture a tax credit if the  
7 growth fund, before it exits the program, makes a distribution  
8 or payment that results in the growth fund having less than 100  
9 percent of its initial investment authority invested in growth  
10 investments in this state, available for growth investments,  
11 or held in cash and marketable securities. A growth fund may  
12 count the greater of 20 percent of the growth fund's eligible  
13 investment authority and \$5 million, excluding any amounts  
14 reinvested in a qualified business, toward the growth fund's  
15 satisfaction of the investment requirements. Before the  
16 authority revokes or recaptures a tax credit, the authority  
17 must provide notice to the growth fund of the reason for the  
18 pending revocation or recapture and the growth fund has 90 days  
19 to address any issues identified in the notice. Failure of the  
20 growth fund to address any of the issues in the notice results  
21 in revocation or recapture of the tax credit.

22 The bill prohibits the authority from revoking or  
23 recapturing a tax credit for any action of a growth fund that  
24 occurs after the growth fund has exited the program. The bill  
25 does not, however, prohibit the authority from revoking a tax  
26 credit due to an action of a growth fund that occurs before the  
27 growth fund exits the program, even if the growth fund's action  
28 is discovered after the growth fund exits the program.

29 On or after the fifth anniversary of a growth fund's closing  
30 date, the growth fund may apply to the authority to exit the  
31 program. A growth fund is eligible to exit the program if a  
32 tax credit associated with the growth fund has not been revoked  
33 or recaptured. The growth fund's application must include the  
34 state reimbursement calculation. The state reimbursement owed  
35 by a rural business growth fund to the authority is calculated

1 as detailed in the bill. Within the time frame adopted by rule  
2 by the authority, the authority shall send notice to the growth  
3 fund of the authority's determination regarding the application  
4 and confirmation of the state reimbursement owed by the growth  
5 fund. If the authority denies the application, the notice must  
6 include the reasons for the denial. If the authority approves  
7 the application, the growth fund is deemed to have exited the  
8 program on the date the notice is sent by the authority to the  
9 growth fund. If the growth fund owes the state reimbursement,  
10 the growth fund is prohibited from making any distributions to  
11 equity holders of the fund until the state reimbursement amount  
12 has been remitted to the authority. "Equity holder" is defined  
13 in the bill as a person that makes a credit-eligible capital  
14 contribution, an equity investment, or a cash investment in  
15 a rural business growth fund. The bill specifies that all  
16 state reimbursement amounts remitted to the authority shall be  
17 deposited in the general fund of the state.

18 Unless a growth fund has exited the program, the growth  
19 fund must submit an annual report to the authority that  
20 covers the preceding calendar year. The report must include  
21 documentation for each of the growth fund's growth investments  
22 and must include financial statements that provide evidence  
23 of each growth investment, evidence that the growth fund is  
24 in compliance with applicable investment requirements; the  
25 name, location, and industry for each qualified business that  
26 received a growth investment; evidence that each business met  
27 the requirements to be a qualified business at the time the  
28 growth investment was made; the number of employees at each  
29 qualified business on the date of the growth fund's initial  
30 growth investment; the number of jobs created at each qualified  
31 business; the average annual salary for the jobs created; the  
32 number of jobs retained at each qualified business; and the  
33 average annual salary for the jobs retained.

34 The bill provides that the only remedies for a breach or  
35 default of any of the terms of the program by a growth fund

1 are revocation or recapture of tax credits and the state  
2 reimbursement as detailed in the bill.

3 The bill requires the authority, in conjunction with the  
4 department, to adopt rules as necessary to implement and  
5 administer the program.