House Study Bill 728 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON ECONOMIC GROWTH AND TECHNOLOGY BILL BY CHAIRPERSON SORENSEN)

A BILL FOR

An Act relating to the establishment of programs administered by the economic development authority, including the interactive digital entertainment program, game studio investment matching program, game industry fellowship program, and game studio grant program, and making appropriations.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

INTERACTIVE DIGITAL ENTERTAINMENT PROGRAM, GAME STUDIO INVESTMENT MATCHING PROGRAM, GAME INDUSTRY FELLOWSHIP PROGRAM, AND GAME STUDIO GRANT PROGRAM

Section 1. NEW SECTION. **15.540 Interactive digital entertainment tax credit program.**

1. As used in this section:

a. *"Fund"* means the interactive digital entertainment program fund.

b. *"Program"* means the interactive digital entertainment program.

c. *"Qualified developer"* means a person that develops and produces qualified productions.

d. *"Qualified expenditures"* means labor, goods, services, and production costs directly related to a qualified production.

e. *"Qualified production"* means interactive media or video games developed and produced in the state.

2. *a.* The authority shall establish and administer an interactive digital entertainment program for the purpose of awarding tax credits to qualified developers for qualified expenditures.

b. The authority shall adopt rules to establish eligibility criteria for a qualified developer to participate in the program and the criteria must include all of the following:

(1) The qualified developer must maintain a physical presence in the state.

(2) The qualified developer must have a minimum payroll in the state of two hundred fifty thousand dollars.

3. An application for the program shall be submitted by a qualified developer to the authority for approval in the form and manner prescribed by the authority.

4. *a.* If a qualified developer's application is approved by the authority, the maximum that shall be awarded to the qualified developer under the program is a tax credit equal to thirty percent of the qualified developer's documented qualified

expenditures, except as provided in paragraph "*b*".

b. For qualified productions that display a "made in Iowa" logo approved by the authority, in addition to the tax credit under paragraph "*a*", a qualified developer may be awarded an additional tax credit equal to five percent of the qualified developer's documented qualified expenditures.

c. Prior to the authority issuing a tax credit certificate under the program, a qualified developer shall submit documentation to the authority for all qualified expenditures incurred following approval of the qualified developer's application for the program.

5. The interactive digital entertainment program tax credit shall be allowed against taxes imposed under chapter 422, subchapter II, III, or V, and chapter 432.

6. An interactive digital entertainment program fund is created in the state treasury under the control of the authority. The fund shall consist of moneys appropriated to the authority and any other moneys available to, obtained by, or accepted by the authority for placement in the fund. The fund shall be used to award tax credits under the program.

7. The aggregate value of all tax credits awarded by the authority and claimed by qualified developers under this section shall not exceed twenty million dollars in any one fiscal year.

8. Notwithstanding section 8.33, moneys in the fund 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. Notwithstanding section 12C.7, interest or earnings on moneys in the fund shall be credited to the fund.

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

Sec. 2. NEW SECTION. **15.541 Game studio investment matching program.**

1. For purposes of this section, "*private investment*" means an investment from a publisher advance, venture capital, angel

investor, or other source of private funds.

2. The authority shall establish and administer a game studio investment matching program. The authority may provide a forgivable loan to an investor that matches dollar for dollar a private investment in an Iowa-based game development company. The authority shall not provide forgivable loans to investors in any one Iowa-based game development company that exceed an aggregate value of twenty million dollars per fiscal year.

3. Applications for the game studio investment matching program shall be submitted to the authority in the form and manner prescribed by the authority by rule.

4. *a.* An investor shall not be required to make a payment on the loan if the private investment is in an Iowa-based game development company that meets all of the following requirements for a minimum of five consecutive years from the date a forgivable loan is provided to the investor, at which time the forgivable loan shall be forgiven in its entirety:

(1) Seventy-five percent of the Iowa-based game development company's employees reside in the state.

(2) The Iowa-based game development company is physically headquartered in the state.

b. If the Iowa-based game development company fails to meet the requirements of paragraph "*a*" the investor shall repay the forgivable loan in an amount proportional to the amount of time the Iowa-based game development company was not in compliance with paragraph "*a*", as determined by the authority by rule.

5. The authority shall adopt rules pursuant to chapter 17A to administer this section.

6. This section applies to private investments in Iowa-based game development companies made on or after July 1, 2026.

Sec. 3. NEW SECTION. **15.542 Game industry fellowship program.**

1. As used in this section:

a. "*Professional*" means an individual who does not reside or work in the state who meets all of the following requirements:

(1) The individual has worked in senior leadership roles in the video game industry for a minimum of ten consecutive years.

(2) The individual has shipped at least three commercial video games while working in a senior leadership role. A senior leadership role includes but is not limited to creative director, studio head, lead developer, or executive producer.

b. "*Program*" means the game industry fellowship program.

2. *a.* The authority shall establish and administer a game industry fellowship program for the purpose of providing two-year fellowships for professionals to relocate to the state.

b. The authority shall administer the program and provide annual grants for a minimum of ten and a maximum of fifteen fellowships.

3. *a.* A professional awarded a grant under the program shall receive a grant of no less than one hundred fifty thousand dollars and no more than two hundred thousand dollars for each year of the two-year fellowship.

b. A grant must only be used by a professional for any of the following:

(1) Expenses associated with the professional relocating to the state.

(2) As compensation for the professional to work in any of the following areas for the two-year fellowship period:

(a) Teaching at community colleges, and institutions governed by the state board of regents pursuant to section 262.7, which may include but is not limited to developing curricula for video game design, leading workshops related to video game development, and mentoring students involved in programs related to video game development.

(b) Consulting with game start-up companies and studios in the state on game development, studio management, fundraising strategy, and team building. Fellows shall not provide more than a combined fifty hours of consulting to each start-up company or studio in the state.

(c) Industry building, including but not limited to organizing game jams, speaking at conferences, judging competitions, and serving on advisory boards.

4. A professional shall not distribute fellowship grant funds to a family member or political organization, or use fellowship grant funds for a personal business venture.

5. *a.* To be eligible for the program, a professional must commit to residing in the state and working in the video game industry for a minimum of one additional year following the end of the two-year fellowship. A professional that fails to uphold this commitment shall repay the grant in an amount proportional to the amount of the grant the professional used for expenses associated with relocating to the state.

b. Prior to applying for the program, a professional must disclose any potential conflicts of interest to the authority.

c. A review board consisting of representatives from the authority, community colleges, institutions governed by the state board of regents pursuant to section 262.7, and video game companies in the state shall review applications for the program and select professionals for participation in the program. Members of the review board shall disclose to the authority any conflicts of interest. A member of the review board shall not vote on a program application submitted by a professional that works for a company in which the member or a family member holds a financial interest, or to which the member or a family member has a family connection.

6. A professional awarded a grant under the program shall submit quarterly reports to the authority that document the professional's work activities pursuant to subsection 3, paragraph "*b*", subparagraph (2), and independent auditors shall review the quarterly reports and verify the professional's compliance with the program requirements. If a professional is found to be in violation of subsection 3, paragraph "*b*", subparagraph (2), the professional shall be required to repay the grant to the authority.

Sec. 4. NEW SECTION. **15.543 Game studio grant program.**

1. As used in this section:

a. *"Eligible game studio"* means a game studio that meets all of the following requirements:

(1) Seventy-five percent of the game studio's employees reside in the state.

(2) The game studio is headquartered in the state.

b. *"Professional"* means a senior-level leader in the game studio industry.

c. *"Program"* means the game studio grant program.

2. A game studio grant program is established to provide grants to eligible game studios for the recruitment of professionals. The authority shall administer the program.

3. An eligible game studio may apply for a game studio grant under the program at the time that the eligible game studio identifies a professional as a candidate for a position with the eligible game studio that meets all of the following requirements:

a. The position for which the professional applied is a director-level position or higher, including but not limited to a creative director, studio director, lead developer, art director, or technical director.

b. The professional does not reside or work in the state, the professional has worked outside of the state for a minimum of two consecutive years in a position listed under paragraph "*a*" prior to applying for the position, and the professional will relocate to the state to work in the position.

c. The salary for the position is no less than one hundred twenty thousand dollars.

d. The professional, as part of the hiring process, commits to residing and working in the state for a minimum of three consecutive years.

4. Prior to being awarded a grant, an eligible game studio accepted into the program shall provide to the authority all of the following:

a. A copy of the offer letter and employment contract associated with the position for which the eligible game studio applied to the program.

b. Verification that the professional for which the eligible game studio applied to the program worked outside of the state for a minimum of two consecutive years in a position listed in subsection 3, paragraph "*a*", prior to applying for the position and has relocated to the state.

5. An eligible game studio accepted into the program may be awarded a grant in an amount of no less than fifty thousand dollars and no more than seventy-five thousand dollars to be used for any of the following:

a. Relocation expenses for the professional, in an amount not to exceed fifteen thousand dollars.

b. Providing housing assistance to the professional for the first year that the professional resides in the state, in an amount not to exceed twenty thousand dollars.

c. Providing a salary differential to match market rates, in an amount not to exceed forty thousand dollars.

6. *a.* If a professional hired by an eligible business under the program does not reside and work in the state for the entire consecutive three-year period, the professional shall be required to repay the amount of the grant that the professional received to the authority.

b. If a professional hired by an eligible business under the program does not reside and work in the state for the entire consecutive three-year period, the eligible game studio shall be required to repay the amount of the unused grant funds that the game studio received to the authority.

c. A game studio that uses a grant for purposes that do not comply with subsection 5 shall be required to repay the grant to the authority.

7. *a.* The authority shall review an application for the program within thirty calendar days after the date of receipt of the application.

b. The authority shall not award a grant to an eligible business for the hire of a founder or executive of a game studio, or the relative of a founder or executive of a game studio.

8. The authority shall not award an eligible game studio more than three grants over a period of five consecutive years.

9. A game studio grant shall be awarded and payable to an eligible game studio in installments as follows:

a. Upon hire of a professional, in an amount equal to forty percent of the grant amount.

b. After the professional completes one year of employment, in an amount equal to thirty percent of the grant amount.

c. After the professional completes two years of employment, in an amount equal to thirty percent of the grant amount.

10. The authority shall conduct an annual audit of an eligible game studio each year that the eligible game studio receives grant funds under the program to ensure that the position for which the eligible game studio received a grant is a legitimate director-level or higher position as required by subsection 3, paragraph "*a*", and the position's title was not inflated for purposes of receiving a grant. An eligible game studio found to have improperly inflated a position title in order to receive a grant shall be required to repay the amount of the grant that the eligible game studio received to the authority, and shall be permanently ineligible for the program.

Sec. 5. NEW SECTION. **15.544 Rules.**

The authority shall adopt rules pursuant to chapter 17A to administer this part.

Sec. 6. NEW SECTION. **15.545 Annual reports.**

1. For the fiscal year beginning on July 1, 2026, the authority shall submit a report to the general assembly by June 30, 2027, and by June 30 for each fiscal year thereafter, that summarizes for the immediately preceding fiscal year participation in the interactive digital entertainment program under section 15.540, the number of jobs created by the program, the economic output of the program, and the fiscal performance of the program.

2. For each fiscal year that moneys are appropriated by the general assembly to the authority for purposes of the game studio investment matching program under section 15.541, the authority shall submit a report to the general assembly by June 30 that summarizes, for the immediately preceding fiscal year, participation in the game studio investment matching program, the number of jobs created by the program, the economic output of the program, and the fiscal performance of the program.

3. For each fiscal year that moneys are appropriated by the general assembly to the authority for purposes of the game industry fellowship program under section 15.542, the authority shall submit a report to the general assembly by June 30 that summarizes, for the immediately preceding fiscal year, participation in the game industry fellowship program, the number of jobs created by the program, the economic output of the program, and the fiscal performance of the program.

4. For each fiscal year that moneys are appropriated by the general assembly to the authority for purposes of the game studio grant program under section 15.543, the authority shall submit a report to the general assembly by June 30 that summarizes, for the immediately preceding fiscal year, participation in the game studio grant program, the number of jobs created by the program, the economic output of the program, and the fiscal performance of the program.

Sec. 7. CODE EDITOR DIRECTIVE. The Code editor is directed to designate section 15.540 through section 15.545, as enacted in this division of this Act, as part 37 of subchapter II.

DIVISION II

APPROPRIATIONS

Sec. 8. INTERACTIVE DIGITAL ENTERTAINMENT PROGRAM FUND —— FY 2026-2027. There is appropriated from the general fund of the state to the economic development authority for the fiscal year beginning July 1, 2026, and ending June 30, 2027, the following amount, or so much thereof as is necessary, to be used for the purposes designated:

For deposit in the interactive digital entertainment program fund created in section 15.540:

.... $ 20,000,000

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.

Sec. 9. GAME STUDIO INVESTMENT MATCHING PROGRAM —— FY 2026-2027. There is appropriated from the general fund of the state to the economic development authority for the fiscal year beginning July 1, 2026, and ending June 30, 2027, the following amount, or so much thereof as is necessary, to be used for the purposes designated:

For providing forgivable loans from the game studio investment matching program established in section 15.541:

.... $ 10,000,000

Sec. 10. GAME INDUSTRY FELLOWSHIP PROGRAM —— FY 2026-2027. There is appropriated from the general fund of the state to the economic development authority for the fiscal year beginning July 1, 2026, and ending June 30, 2027, the following amounts, or so much thereof as is necessary, to be used for the purpose designated:

For providing fellowships through the game industry fellowship program established in section 15.542:

.... $ 2,500,000

Sec. 11. GAME STUDIO GRANT PROGRAM —— FY 2026-2027. There is appropriated from the general fund of the state to the economic development authority for the fiscal year beginning July 1, 2026, and ending June 30, 2027, the following amounts, or so much thereof as is necessary, to be used for the purposes designated:

For awarding grants under the game studio grant program established in section 15.543:

.... $ 2,500,000

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 establishment of programs administered by the economic development authority, including the interactive digital entertainment program, game studio investment matching program, game industry fellowship program, and game studio grant program.

DIVISION I —— INTERACTIVE DIGITAL ENTERTAINMENT PROGRAM, GAME STUDIO INVESTMENT MATCHING PROGRAM, GAME INDUSTRY FELLOWSHIP PROGRAM, AND GAME STUDIO GRANT PROGRAM. The bill requires the economic development authority (authority) to establish and administer an interactive digital entertainment tax credit program (IDE program) to award tax credits to qualified developers for qualified expenditures. The bill defines "qualified expenditures" as labor, goods, services, and production costs directly related to a qualified production. The authority shall establish eligibility criteria by rule for participation in the IDE program that, at a minimum, requires a qualified developer to maintain a physical presence in the state and have a minimum payroll in the state of $250,000. An application for the IDE program shall be submitted by a qualified developer to the authority for approval as prescribed by the authority.

If a qualified developer's application is approved, the maximum tax credit that shall be awarded to the qualified developer shall equal 30 percent of the qualified developer's documented qualified expenditures, except that a qualified developer may receive an additional tax credit equal to five percent of qualified expenditures for qualified productions displaying a "made in Iowa" logo. Prior to the authority issuing a tax credit certificate, the qualified developer shall submit documentation that all qualified expenditures were incurred following approval of the qualified developer's application.

An interactive digital entertainment program fund (IDE fund) is created in the state treasury under the control of the authority consisting of moneys appropriated to the authority and any other moneys available to, obtained by, or accepted by the authority for placement in the fund. The fund shall be used to provide tax credits under the IDE program. The aggregate value of tax credits awarded by the authority and claimed by qualified developers shall not exceed $20 million in any one fiscal year.

The authority shall adopt rules to administer the IDE program.

The bill requires the authority to establish and administer a game studio investment matching program (matching program). The authority may provide a forgivable loan to an investor that matches dollar for dollar a private investment in an Iowa-based game development company (company). The authority shall not provide forgivable loans to investors in any one company that exceed an aggregate value of $10 million per fiscal year. The bill defines "private investment" as an investment from a publisher advance, venture capital, angel investor, or other source of private funds.

Applications for the matching program shall be submitted to the authority in the form and manner prescribed by the authority by rule.

Beginning on the date a forgivable loan is provided to an investor, the investor shall not be required to make a payment on the loan if the private investment is in an Iowa-based game development company with 75 percent of employees residing in the state and the company is physically located in the state for a minimum of five consecutive years, at which time the forgivable loan shall be forgiven in its entirety. If the Iowa-based game development company fails to meet these requirements, the investor shall repay the forgivable loan in an amount proportional to the amount of time the Iowa-based game development company was not in compliance with the requirements, as determined by the authority by rule.

The authority shall adopt rules to administer the matching program. The matching program applies to private investments in companies made on or after July 1, 2026.

The bill requires the authority to establish and administer a game industry fellowship program (fellowship program) to provide two-year fellowships for professionals to relocate to the state. "Professional" is defined in the bill. The authority shall administer the fellowship program and provide grants for 10 to 15 fellowships. A professional awarded a grant shall receive a grant of $150,000 to $200,000 for each year of the two-year fellowship to be used for relocation expenses and as compensation for teaching at a community college or state university, consulting for game start-up companies and studios in the state, or industry building. Grant funds shall not be given to family members, political organizations, or used for a personal business venture by a professional.

To be eligible for the fellowship program, a professional must commit to residing in the state and working in the video game industry for a minimum of one additional year following the end of the fellowship. A professional that violates the residency or work requirement shall repay the amount of the grant used for relocation expenses. Prior to applying for the fellowship program, a professional shall disclose any potential conflicts of interest to the authority. A review board as described in the bill shall review applications for the fellowship program and select professionals for participation in the fellowship program. Members of the review board shall disclose any conflict of interest and shall not vote on a fellowship program application submitted by a professional that works for a company in which the member or a family member holds a financial interest, or to which the member or a family member has a family connection. A professional awarded a grant shall submit quarterly reports to the authority that document the professional's work activities, and independent auditors shall review the quarterly reports and verify the professional's compliance with the fellowship program requirements. A professional found to be in violation of the program requirements shall repay the grant funds to the authority.

The bill establishes the game studio grant program (grant program), administered by the authority, to provide grants to eligible game studios for the recruitment of professionals. "Eligible game studio" means a game studio headquartered in the state and 75 percent of the game studio's employees reside in the state. "Professional" is defined in the bill.

An eligible game studio may apply for a grant under the grant program when the eligible game studio identifies a professional as a candidate for a position, if the position is a director-level position, the professional does not reside or work in the state, has not worked in the state for two years, and would move to the state for the position. The salary for the position must be at least $120,000, and the professional must commit to residing and working in the state for a minimum of three years. Prior to being awarded a grant, an eligible game studio shall provide to the authority the information detailed in the bill.

An eligible game studio accepted to the grant program may be awarded a grant in an amount of $50,000 to $75,000 per hire of a professional as detailed by the bill, paid in installments. A game studio that uses grant funds for purposes that do not comply with the bill shall be required to repay the cost of all or part of the grant. If a professional does not reside and work in the state for the entire three-year period, the professional and the game studio shall repay the grant to the authority.

The authority shall review applications for the program within 30 days after receipt. The authority shall not issue a grant for a founder or executive of a game studio, or the relative of a founder or executive of a game studio. An eligible game studio may receive no more than three game studio grants over a period of five consecutive years.

The authority shall conduct an annual audit of an eligible game studio to ensure that the position for which the studio received a grant is a legitimate director-level or higher position, and the position's title was not inflated for purposes of receiving a grant. An eligible game studio found to have improperly inflated a position title to receive a grant shall be required to repay the grant and shall be permanently ineligible for the grant program.

The authority shall adopt rules to administer the grant program.

The bill requires the authority to file annual reports with the general assembly by June 30 of each year detailing the participation, number of jobs created, economic output, and fiscal performance of the IDE program, the matching program, the fellowship program, and the grant program.

DIVISION II —— APPROPRIATIONS. For FY 2026-2027, there is appropriated from the general fund of the state to the authority for deposit in the IDE program fund $20 million. For FY 2026-2027, there is appropriated from the general fund of the state to the authority for the matching program $10 million. For FY 2026-2027, there is appropriated from the general fund of the state to the authority for the fellowship program $2.5 million. For FY 2026-2027, there is appropriated from the general fund of the state to the authority for the grant program $2.5 million.