

Senate File 270 - Introduced

SENATE FILE 270

BY KLIMESH

A BILL FOR

1 An Act relating to tax credits awarded by the economic
2 development authority for specific capital contributions made
3 to certified rural business growth funds for investment in
4 qualified businesses.

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

unofficial

1 Section 1. NEW SECTION. **15.510 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. **15.511 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 by,
8 or is under common control with another person. A person is
9 controlled by another person if the controlling person holds,
10 directly or indirectly, the majority voting or ownership interest
11 in the controlled person or has control, by contract or by law,
12 over the day-to-day operations of the controlled person.

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

15 3. "Closing date" means the date on which a rural business
16 growth fund completes collection of all contributions and
17 investments and submits all required documentation to the
18 authority pursuant to section 15.512, subsection 7.

19 4. "Credit-eligible capital contribution" means an investment
20 of cash by a person in a rural business growth fund that is
21 eligible for a tax credit certificate issued by the authority
22 pursuant to section 15.513, subsection 1. The cash investment
23 shall purchase either of the following:

24 a. An equity interest in the growth fund.

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

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

30 6. "Eligible investment authority" means the amount stated
31 on the certification the authority issues pursuant to section
32 15.512, subsection 7, paragraph "a". At least sixty percent of a
33 growth fund's eligible investment authority shall be comprised of
34 credit-eligible capital contributions.

35 7. "Employee" means a natural person who is employed in this

1 state by a qualified business and who is either salaried, works a
2 minimum of thirty-five hours per week, or another period of time
3 generally accepted by custom, industry, or practice as full-time
4 employment.

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

7 9. "Growth investment" means any of the following:

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

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

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

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

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

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

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

32 11. "Jobs retained" means the number of employees at a
33 qualified business the day before the date of an initial growth
34 investment that the qualified business's chief executive officer
35 or similar officer certifies as being positions located in this

1 state that would have been eliminated but for the initial growth
2 investment.

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

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

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

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

18 16. "*Rural business growth fund*" or "*growth fund*" means a
19 person, or an affiliate of a person, certified by the authority
20 pursuant to section 15.512, subsection 7, paragraph "a".

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

25 Sec. 3. NEW SECTION. **15.512 Application and agreement.**

26 1. The authority shall begin accepting program applications
27 on January 7, 2026. An application is deemed received based on
28 the date and time stamp that shall be generated by the authority
29 upon receipt of the application. Applications received by the
30 authority on the same day shall be deemed to have been received
31 simultaneously.

32 2. A person seeking certification as a rural business growth
33 fund shall apply to the authority in the form and manner
34 prescribed by the authority. The application must include all
35 of the following:

- 1 a. The eligible investment authority sought by the applicant.
- 2 b. A copy of the applicant's, or an affiliate of the
3 applicant's, license as a rural business investment company
4 as defined under 7 U.S.C. §2009cc(14), or license as a small
5 business investment company under 15 U.S.C. §681.
- 6 c. Documentation as required by the authority to establish
7 that at least one principal of the applicant has been an officer
8 or an employee of the rural business investment company, the
9 small business investment company, or an affiliate thereof, for
10 a minimum of four years prior to the date of application.
- 11 d. A revenue impact assessment for the applicant's proposed
12 growth investments as determined by an econometric analysis
13 conducted by a nationally recognized third-party independent
14 econometric firm. The revenue impact assessment must provide
15 an analysis of the applicant's proposed growth investments over
16 the ten consecutive years following the date the applicant's
17 application is submitted to the authority, and must demonstrate
18 that there will be a positive revenue impact on this state
19 that exceeds the cumulative amount of tax credits, that if the
20 application is approved, may be issued by the authority to the
21 rural business growth fund's investors.
- 22 e. The number of jobs created and the number of jobs retained
23 assumed in the revenue impact assessment required by paragraph
24 "d".
- 25 f. A signed affidavit from each investor that identifies
26 the investor and the amount of the credit-eligible capital
27 contribution that the investor has committed to the applicant's
28 proposed growth fund.
- 29 g. A nonrefundable application fee of five thousand dollars.
30 All application fees submitted to the authority pursuant to this
31 paragraph shall be used by the authority to administer this part.
- 32 3. The authority shall review and make a determination to
33 approve or deny each application within the time frame adopted by
34 rule by the authority. The authority shall review applications
35 on a first-come, first-served basis as determined pursuant to

1 subsection 1.

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

13 5. The authority shall reject an application for any of the
14 following reasons:

15 a. The applicant failed to comply with any of the
16 requirements pursuant to subsection 2.

17 b. The authority has already approved the maximum eligible
18 investment authority or the maximum credit-eligible capital
19 contributions pursuant to subsection 4.

20 6. a. If the authority rejects an application, the authority
21 shall send a notice of rejection to the applicant and provide a
22 reason for the rejection.

23 b. If the authority has rejected an application on any
24 grounds other than subsection 5, paragraph "b", the applicant
25 may provide additional information to the authority to cure the
26 defects in the application. All additional information must be
27 received by the authority within fifteen business days from the
28 date the authority sent the notice of rejection to the applicant.
29 The authority shall review and reconsider, within the time frame
30 adopted by rule by the authority, any application for which
31 additional information is provided within the fifteen business
32 days. If an application is approved by the authority after
33 review and reconsideration, the application shall be considered
34 complete as of its original date of submission.

35 c. If an applicant does not submit additional information

1 within fifteen business days from the date the authority sent
2 the applicant the notice of rejection, the applicant may submit
3 a new application at any time pursuant to subsection 2 and
4 the application shall be reviewed by the authority pursuant to
5 subsection 3.

6 7. a. If the authority approves an application, the
7 authority shall send a notice to the applicant certifying all of
8 the following:

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

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

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

16 b. Within forty-five calendar days of the date the authority
17 sent the notice of certification pursuant to paragraph "a", the
18 rural business growth fund shall comply with all of the following
19 requirements:

20 (1) Collect all credit-eligible capital contributions from
21 each investor whose affidavit was included in the growth fund's
22 application. If the growth fund's requested eligible investment
23 authority has been proportionally reduced pursuant to subsection
24 4, each investor's required credit-eligible capital contribution
25 shall be reduced by the same proportion.

26 (2) Collect one or more equity investments contributed
27 directly or indirectly by affiliates of the growth fund,
28 including employees and principals of such affiliates, that
29 must equal at least ten percent of the growth fund's eligible
30 investment authority.

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

34 c. Within sixty-five calendar days of the date the authority
35 sent the notice of certification pursuant to paragraph "a", the

1 rural business growth fund shall comply with all of the following
2 requirements:

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

7 (2) Submit documentation to the authority that identifies
8 all affiliates of an investor described in paragraph "b",
9 subparagraph (1), that may be eligible to claim a tax credit
10 issued by the authority pursuant to section 15.513, subsection 1.

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

30 9. After a growth fund's successful submission to the
31 authority of the required documentation pursuant to subsection 7,
32 paragraph "c", subparagraphs (1) and (2), the growth fund shall
33 enter into an agreement with the authority that specifies the
34 requirements that must be met for successful completion of the
35 program. At a minimum, the agreement shall contain provisions

1 addressing all of the following:

2 a. The legal name of the growth fund.

3 b. The growth fund's closing date.

4 c. The growth fund's eligible investment authority as
5 certified by the authority.

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

8 e. The minimum number of jobs that must be created and
9 the minimum number of jobs that must be retained as a result
10 of the growth fund's growth investments to avoid paying state
11 reimbursement pursuant to section 15.517.

12 f. Revocation and recapture of tax credits pursuant to
13 section 15.514.

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

16 Sec. 4. NEW SECTION. **15.513 Tax credits.**

17 1. After an agreement is executed pursuant to section 15.512,
18 subsection 9, the authority shall issue a tax credit certificate
19 to each investor whose affidavit was included in the growth
20 fund's application and whose credit-eligible capital contribution
21 was collected pursuant to section 15.512, subsection 7, paragraph
22 "b", subparagraph (1). The tax credit certificate shall specify
23 the amount of the tax credit allocated to that investor as a
24 result of the investor's credit-eligible capital contribution.
25 The tax credit allocated to any one investor shall be equal to
26 the investor's credit-eligible capital contribution to the growth
27 fund. The tax credit certificate shall contain the taxpayer's
28 name, address, tax identification number, the name of the rural
29 business growth fund associated with the tax credit, and any
30 other information required by the department of revenue. The tax
31 credit may be claimed against the taxes imposed in chapter 422,
32 subchapter V, the insurance premium and insurance retaliatory
33 premium tax imposed in chapter 432, or the moneys and credits tax
34 imposed in section 533.329.

35 2. One-third of the amount of a tax credit issued to an

1 investor pursuant to subsection 1 may be claimed in the tax
2 year of the third, fourth, and fifth anniversaries of the growth
3 fund's closing date, exclusive of the amount of tax credit
4 carried forward pursuant to subsection 4.

5 3. a. A tax credit issued under this part is not refundable
6 and shall not be sold, transferred, or allocated by the investor
7 to any person other than an affiliate of the investor that was
8 an affiliate at the time of the growth fund's submission of the
9 investor's affidavit pursuant to section 15.512, subsection 2,
10 paragraph "f".

11 b. Within ninety calendar days of the sale, transfer, or
12 allocation of a tax credit, the affiliate shall submit the tax
13 credit certificate to the department of revenue along with a
14 statement containing the affiliate's name, tax identification
15 number, address, and any other information required by the
16 department of revenue.

17 c. Within thirty calendar days of receiving the tax credit
18 certificate and the affiliate's statement, the department of
19 revenue shall issue the affiliate a replacement tax credit
20 certificate. The replacement tax credit certificate must contain
21 all of the information required for the original tax credit
22 certificate and must have the same expiration date that appeared
23 on the original tax credit certificate.

24 4. To claim a tax credit under this section, a taxpayer shall
25 submit the tax credit certificate with the taxpayer's tax return
26 for each taxable year in which the tax credit is claimed. Any
27 tax credit in excess of the taxpayer's tax liability for the tax
28 year may be carried forward to the taxpayer's tax liability for
29 subsequent years until the tax credit is depleted.

30 **Sec. 5. NEW SECTION. 15.514 Revocation and recapture of tax**
31 **credits.**

32 1. The authority shall recapture any tax credits used by a
33 taxpayer and shall revoke any tax credits issued pursuant to
34 section 15.513, subsection 1, if, before a rural business growth
35 fund exits the program pursuant to section 15.516, any of the

1 following occur:

2 a. The growth fund cannot provide documentation to the
3 authority to substantiate to the satisfaction of the authority
4 all of the following:

5 (1) That the growth fund, within thirty months after the
6 growth fund's closing date, has invested one hundred percent
7 of the growth fund's eligible investment authority in growth
8 investments.

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

26 b. The growth fund makes a growth investment in a qualified
27 business that directly, or indirectly through an affiliate,
28 owns, has the right to acquire an ownership interest in, makes
29 a loan to, or makes an investment in, the growth fund, an
30 affiliate of the growth fund, or an investor in the growth
31 fund. This paragraph shall not apply to investments in publicly
32 traded securities by a qualified business, or to an owner or
33 an affiliate of the qualified business. For purposes of this
34 paragraph, a growth fund shall not be considered an affiliate of
35 a qualified business solely because of the growth fund's growth

1 investment in the qualified business.

2 c. The growth fund, before exiting the program pursuant to
3 section 15.516, makes a distribution or payment that results in
4 the growth fund having less than one hundred percent of its
5 initial investment authority invested in growth investments in
6 this state, available for growth investments, or held in cash and
7 marketable securities.

8 2. The maximum amount of a growth investment in a qualified
9 business, including any amounts invested in affiliates of the
10 qualified business, that a growth fund may count toward the
11 growth fund's satisfaction of the requirements pursuant to
12 subsection 1, paragraph "a", is the greater of twenty percent of
13 the growth fund's eligible investment authority and two million
14 five hundred thousand dollars, excluding any amounts reinvested
15 in a qualified business.

16 3. Before revoking or recapturing a tax credit, the authority
17 shall provide notice to the growth fund of the reason for the
18 pending revocation or recapture. The growth fund shall have
19 ninety calendar days after the date the authority sends the
20 notice to address to the satisfaction of the authority any
21 issues identified in the notice. Failure of the growth fund to
22 satisfactorily address any issues in the notice shall result in
23 revocation or recapture of the tax credit.

24 4. The authority shall not revoke or recapture a tax credit
25 for any action of a growth fund that occurs after the growth
26 fund has exited the program pursuant to section 15.516. This
27 subsection shall not prohibit the authority from revoking or
28 recapturing a tax credit due to an action of a growth fund
29 pursuant to subsection 1 that occurs before the date the growth
30 fund exits the program, even if the growth fund's action is
31 discovered after the date the growth fund exits the program.

32 **Sec. 6. NEW SECTION. 15.515 Annual report.**

33 On or before March 31, unless a growth fund has exited
34 the program pursuant to section 15.516, each growth fund shall
35 submit an annual report to the authority in the form and manner

1 the authority prescribes that covers the preceding calendar
2 year. The report must include each of the growth fund's growth
3 investments and must contain all of the following information:

4 1. Financial statements that provide evidence of each growth
5 investment.

6 2. Evidence that the growth fund is in compliance with
7 applicable investment requirements pursuant to section 15.514,
8 subsection 1, paragraph "a".

9 3. The name, location, and industry for each qualified
10 business that received a growth investment, and evidence that the
11 business met the requirements to be a qualified business at the
12 time the growth investment was made.

13 4. The number of employees at each qualified business on
14 the date of the growth fund's initial growth investment in the
15 qualified business.

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

18 6. The number of jobs retained at each qualified business and
19 the average annual salary for the jobs retained. The number of
20 jobs retained at a qualified business may not exceed the number
21 of jobs retained at the same qualified business on the first
22 annual report submitted by the growth fund.

23 7. Any other information the authority requires.

24 Sec. 7. NEW SECTION. **15.516 Exiting the program.**

25 1. On or after the fifth anniversary of a rural business
26 growth fund's closing date, in the form and manner the authority
27 prescribes, the growth fund may apply to the authority to exit
28 the program. The growth fund's application must include the
29 state reimbursement calculation pursuant to section 15.517.

30 2. The growth fund shall be eligible to exit the program if
31 a tax credit associated with the growth fund has not been revoked
32 or recaptured pursuant to section 15.514.

33 3. Within the time frame adopted by rule by the authority,
34 the authority shall send notice to the growth fund of the
35 authority's determination regarding the growth fund's application

1 and confirmation of the state reimbursement the growth fund
 2 owes pursuant to section 15.517. If the authority denies the
 3 growth fund's application, the notice shall include the reasons
 4 for the denial. If the authority approves the growth fund's
 5 application, the growth fund is deemed to have exited the program
 6 on the date the authority sends notice to the growth fund. If
 7 the growth fund owes the state reimbursement, the growth fund
 8 shall be prohibited from making any distributions to any equity
 9 holders of the fund until the growth fund has remitted the state
 10 reimbursement amount to the authority. All state reimbursement
 11 amounts remitted to the authority shall be deposited in the
 12 general fund of the state.

13 Sec. 8. NEW SECTION. **15.517 State reimbursement**
 14 **calculation.**

15 1. A state reimbursement shall be calculated any time a
 16 rural business growth fund exits the program or any time a
 17 rural business growth fund proposes to make a distribution
 18 to the growth fund's equity holders. The state reimbursement
 19 shall equal the proposed distribution multiplied by one minus a
 20 fraction that is composed of the following:

21 a. The numerator shall be the aggregate number of jobs
 22 created plus the number of jobs retained as reported pursuant to
 23 section 15.515, subsections 5 and 6.

24 b. The denominator shall be the number of jobs created plus
 25 the number of jobs retained as stated in the certification
 26 pursuant to section 15.512, subsection 7, paragraph "a",
 27 subparagraph (3).

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

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

34 Sec. 9. NEW SECTION. **15.518 Remedies.**

35 The remedies for a breach or default of any of the terms of

1 this part by a rural business growth fund shall be revocation or
2 recapture of tax credits pursuant to section 15.514 and the state
3 reimbursement pursuant to section 15.517.

4 Sec. 10. NEW SECTION. **15.519 Rules.**

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

8 Sec. 11. Section 422.60, Code 2025, is amended by adding the
9 following new subsection:

10 NEW SUBSECTION. 16. The taxes imposed under this subchapter
11 shall be reduced by a rural development tax credit allowed under
12 section 15.513.

13 Sec. 12. NEW SECTION. **432.12P Rural development tax**
14 **credits.**

15 The taxes imposed under this chapter shall be reduced by a
16 rural development tax credit allowed under section 15.513 for a
17 credit-eligible capital contribution to a rural business growth
18 fund.

19 Sec. 13. Section 533.329, subsection 2, Code 2025, is amended
20 by adding the following new paragraph:

21 NEW PARAGRAPH. n. The moneys and credits tax imposed under
22 this section shall be reduced by a rural development tax credit
23 under section 15.513.

24 **EXPLANATION**

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

27 This bill relates to tax credits awarded by the economic
28 development authority for specific capital contributions made to
29 certified rural business growth funds for investment in qualified
30 businesses. The bill defines "qualified business" to mean any
31 business within this state that has fewer than 250 employees,
32 including certain subcontractors, and is not located in whole or
33 in part in one or more of the 12 most populous counties in the
34 state.

35 The bill directs the economic development authority

1 (authority) to begin accepting Iowa rural development tax credit
2 program (program) applications beginning January 7, 2026.

3 The bill provides that a person seeking certification as
4 a rural business growth fund (growth fund) must apply to the
5 authority and that the application must include the eligible
6 investment authority sought by the applicant, a copy of the
7 applicant's license as a rural business investment company under
8 7 U.S.C. §2009cc(14) or as a small business investment company
9 under 15 U.S.C. §681, documentation that establishes that at
10 least one principal of the applicant has been an officer or
11 an employee of the rural business investment company, the small
12 business investment company or an affiliate, for a minimum of
13 four years prior to the date of application, a revenue impact
14 assessment for the applicant's proposed growth investments as
15 determined by an econometric analysis conducted by a third-party
16 independent econometric firm, the number of jobs created and the
17 number of jobs retained assumed in the revenue impact assessment,
18 a signed affidavit from each investor that states the amount
19 of the credit-eligible capital contribution that the investor
20 has committed to the applicant's proposed growth fund, and a
21 nonrefundable \$5,000 application fee. The bill defines "growth
22 investment" to mean any of the following: capital or equity
23 investments in a qualified business, a loan to a qualified
24 business subject to certain conditions, or a senior secured loan
25 under certain conditions. The bill defines "credit-eligible
26 capital contribution" as an investment of cash by a person in
27 a growth fund that is eligible for a tax credit issued by the
28 authority. The investment must be used to purchase either an
29 equity interest in the growth fund or a debt instrument, at par
30 value or premium, issued by the growth fund that has a maturity
31 date at least six years after the growth fund's closing date.
32 "Eligible investment authority" is defined in the bill as the
33 amount of investment authority that the authority certifies for a
34 specific growth fund.

35 The bill requires the authority to review each application on

1 a first-come, first-served basis and to make a determination to
2 approve or deny each application within the time frame adopted by
3 rule by the authority. The authority shall not approve more than
4 \$45 million in eligible investment authority and not more than
5 \$27 million in credit-eligible capital contributions.

6 The authority must reject an application if the applicant
7 fails to submit any of the required information, or if the
8 authority has already approved the maximum eligible investment
9 authority or the maximum credit-eligible capital contributions.
10 If the authority rejects an application, the authority must send
11 a notice of rejection to the applicant, and provide a reason
12 for the rejection. If an application has been rejected because
13 the applicant failed to submit all of the required information,
14 the applicant has 15 days to provide additional information to
15 cure any defects in the application. The authority shall review
16 and reconsider, within the time frame adopted by rule by the
17 authority, any application for which additional information is
18 provided within the 15 business days. If an application is
19 approved by the authority after review and reconsideration, the
20 application shall be considered complete as of its original date
21 of submission.

22 If the authority approves an application, the authority
23 must send a notice to the applicant certifying the applicant
24 as a rural business growth fund, the growth fund's eligible
25 investment authority, and the required number of jobs created
26 and the required number of jobs retained based on the number
27 submitted in the applicant's application. Within 45 days of
28 the date the authority sent the notice of certification, the
29 growth fund is required to collect all credit-eligible capital
30 contributions from each investor whose affidavit was included
31 in the growth fund's application, collect one or more equity
32 investments contributed directly or indirectly by affiliates of
33 the growth fund, including employees and principals of such
34 affiliates, that equal at least 10 percent of the growth
35 fund's eligible investment authority, and collect one or more

1 investments of cash that when added to the credit-eligible
2 capital contributions and the equity investments equal the growth
3 fund's eligible investment authority. Within 65 days of the date
4 the authority sent the notice of certification, the growth fund
5 must submit documentation to the authority to prove that the
6 appropriate amounts have been collected by the growth fund, and
7 documentation that identifies all affiliates of the investor that
8 may be eligible to claim a tax credit issued by the authority.
9 If the growth fund fails to comply with the collection and
10 documentation requirements, all eligible investment authority and
11 credit-eligible capital contributions lapse. Eligible investment
12 authority and credit-eligible capital contributions that lapse
13 do not count toward the maximum limits on eligible investment
14 authority and credit-eligible capital contributions and may be
15 awarded by the authority as outlined in the bill.

16 If a growth fund successfully complies with the collection
17 and documentation requirements, the growth fund must enter into
18 an agreement with the authority that specifies the requirements
19 that must be met for successful completion of the program. The
20 agreement must contain, at a minimum, the legal name of the
21 growth fund, the growth fund's closing date, the growth fund's
22 eligible investment authority as certified by the authority, each
23 investor of the growth fund and each investor's credit-eligible
24 capital contribution, the minimum number of jobs that must be
25 created and the minimum number of jobs that must be retained as
26 a result of the growth fund's growth investments to avoid paying
27 state reimbursement, and a provision related to revocation and
28 recapture of tax credits if the growth fund fails to meet the
29 applicable program investment requirements.

30 After the agreement is executed, the authority must issue
31 a tax credit certificate to each investor whose affidavit
32 was included in the growth fund's application and whose
33 credit-eligible capital contribution was collected by the growth
34 fund. The certificate must specify the amount of tax credit
35 allocated to that investor and the amount of the tax credit the

1 eligible taxpayer may claim against the franchise tax imposed
2 in Code section 422.60, the insurance premium tax and insurance
3 retaliatory premium tax imposed in Code chapter 432, or the
4 moneys and credits tax imposed in Code section 533.329. The tax
5 credit allocated to any one investor is equal to the investor's
6 credit-eligible capital contribution to the growth fund. An
7 investor may use one-third percent of the tax credit in each
8 taxable year beginning in the calendar year following the third,
9 fourth, and fifth anniversaries of the growth fund's closing
10 date. Any tax credit in excess of the taxpayer's tax liability
11 for a tax year may be carried forward to the taxpayer's tax
12 liability for subsequent tax years until the tax credit is
13 depleted.

14 The tax credits are not refundable and cannot be sold,
15 transferred, or allocated by the investor to any person other
16 than an affiliate of the investor. The affiliate must submit
17 the tax credit certificate within 90 days to the department
18 of revenue (department) along with a statement containing the
19 affiliate's name, tax identification number, address, and any
20 other information required by the department. The department
21 must issue the affiliate a replacement tax credit certificate
22 with the same expiration date that appeared on the original tax
23 credit certificate.

24 The authority shall revoke or recapture a tax credit if,
25 before a growth fund exits the program, the growth fund cannot
26 provide documentation to the authority to substantiate that the
27 growth fund, within 30 months after the growth fund's closing
28 date, has invested 100 percent of the growth fund's investment
29 authority in growth investments; that the growth fund, after
30 investing 100 percent of the growth fund's investment authority
31 in growth investments within 30 months after the growth fund's
32 closing date, has maintained growth investments equal to 100
33 percent of its investment authority at all times up to the
34 fifth anniversary after the growth fund's closing date. The
35 bill specifies that a growth investment is maintained even if

1 it is sold or repaid, as long as the growth fund reinvests an
2 amount equal to the growth investment returned or recovered from
3 the original investment, exclusive of any profits realized, in
4 other growth investments in this state within the 12 consecutive
5 months immediately after the date of the return or recovery of
6 such growth investment. The bill also specifies that amounts
7 received periodically by a growth fund are deemed continuously
8 invested in growth investments if the amounts are reinvested by
9 the growth fund in one or more qualified businesses by the end of
10 the following calendar year.

11 The authority must also revoke or recapture a tax credit if,
12 before a growth fund exits the program, the growth fund makes
13 a growth investment in a qualified business that directly, or
14 indirectly through an affiliate, owns, has the right to acquire
15 an ownership interest in, makes a loan to, or makes an investment
16 in, the growth fund, an affiliate of the growth fund, or an
17 investor in the growth fund. This does not apply to investments
18 in publicly traded securities by a qualified business, or to
19 an owner or an affiliate of the qualified business. Further,
20 a growth fund is not considered an affiliate of a qualified
21 business solely because of its growth investment in the qualified
22 business. The authority is also required to revoke or recapture
23 a tax credit if the growth fund, before it exits the program,
24 makes a distribution or payment that results in the growth fund
25 having less than 100 percent of its initial investment authority
26 invested in growth investments in this state, available for
27 growth investments, or held in cash and marketable securities.
28 A growth fund may count the greater of 20 percent of the growth
29 fund's eligible investment authority and \$5 million, excluding
30 any amounts reinvested in a qualified business, toward the growth
31 fund's satisfaction of the investment requirements. Before the
32 authority revokes or recaptures a tax credit, the authority must
33 provide notice to the growth fund of the reason for the pending
34 revocation or recapture and the growth fund has 90 days to
35 address any issues identified in the notice. Failure of the

1 growth fund to address any of the issues in the notice results
2 in revocation or recapture of the tax credit.

3 The bill prohibits the authority from revoking or recapturing
4 a tax credit for any action of a growth fund that occurs after
5 the growth fund has exited the program. The bill does not,
6 however, prohibit the authority from revoking a tax credit due
7 to an action of a growth fund that occurs before the growth fund
8 exits the program, even if the growth fund's action is discovered
9 after the growth fund exits the program.

10 On or after the fifth anniversary of a growth fund's closing
11 date, the growth fund may apply to the authority to exit the
12 program. A growth fund is eligible to exit the program if a
13 tax credit associated with the growth fund has not been revoked
14 or recaptured. The growth fund's application must include the
15 state reimbursement calculation. The state reimbursement owed
16 by a rural business growth fund to the authority is calculated
17 as detailed in the bill. Within the time frame adopted by rule
18 by the authority, the authority shall send notice to the growth
19 fund of the authority's determination regarding the application
20 and confirmation of the state reimbursement owed by the growth
21 fund. If the authority denies the application, the notice must
22 include the reasons for the denial. If the authority approves
23 the application, the growth fund is deemed to have exited the
24 program on the date the notice is sent by the authority to the
25 growth fund. If the growth fund owes the state reimbursement,
26 the growth fund is prohibited from making any distributions
27 to equity holders of the fund until the state reimbursement
28 amount has been remitted to the authority. "Equity holder" is
29 defined in the bill as a person that makes a credit-eligible
30 capital contribution, an equity investment, or a cash investment
31 in a rural business growth fund. The bill specifies that all
32 state reimbursement amounts remitted to the authority shall be
33 deposited in the general fund of the state.

34 Unless a growth fund has exited the program, the growth fund
35 must submit an annual report to the authority that covers the

1 preceding calendar year. The report must include documentation
2 for each of the growth fund's growth investments and must
3 include financial statements that provide evidence of each growth
4 investment, evidence that the growth fund is in compliance
5 with applicable investment requirements; the name, location, and
6 industry for each qualified business that received a growth
7 investment; evidence that each business met the requirements to
8 be a qualified business at the time the growth investment was
9 made; the number of employees at each qualified business on the
10 date of the growth fund's initial growth investment; the number
11 of jobs created at each qualified business; the average annual
12 salary for the jobs created; the number of jobs retained at each
13 qualified business; and the average annual salary for the jobs
14 retained.

15 The bill provides that the only remedies for a breach or
16 default of any of the terms of the program by a growth fund
17 are revocation or recapture of tax credits and the state
18 reimbursement as detailed in the bill.

19 The bill requires the authority, in conjunction with the
20 department, to adopt rules as necessary to implement and
21 administer the program.