SENATE FILE 575
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 408)
(SUCCESSOR TO SSB 1087)

(As Amended and Passed by the Senate April 27, 2023)

_____ = New Language by the Senate

* = Language Stricken by the Senate

A BILL FOR

An Act relating to the economic development authority, including renewable chemical production, workforce housing, and innovation fund tax credits, the Iowa wine, beer, and spirits promotion board, and the beer and liquor control fund, and including applicability provisions.

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

DIVISION I

TAX CREDITS

Section 1. Section 15.119, subsection 2, paragraph h, Code 2023, is amended to read as follows:

h. The renewable chemical production tax credit program administered pursuant to sections 15.315 through 15.322. In allocating tax credits pursuant to this subsection for the fiscal year beginning July 1, 2021, and for each fiscal year ~~thereafter~~ beginning before July 1, 2037, the authority shall not allocate more than five million dollars for purposes of this paragraph. This paragraph is repealed July 1, ~~2030~~ 2039.

Sec. 2. Section 15.316, subsection 3, Code 2023, is amended to read as follows:

3. *"Building block chemical"* means a molecule converted from biomass feedstock as a first product or a secondarily derived product that can be further refined into a higher-value chemical, material, or consumer product. *"Building block chemical"* includes but is not limited to high-purity glycerol, oleic acid, lauric acid, methanoic or formic acid, arabonic acid, erythonic acid, glyceric acid, glycolic acid, lactic acid, 3-hydroxypropionate, propionic acid, malonic acid, ~~serine,~~ succinic acid, fumaric acid, malic acid, aspartic acid, 3-hydroxybutyrolactone, acetoin, ~~threonine,~~ itaconic acid, furfural, levulinic acid, glutamic acid, xylonic acid, xylaric acid, xylitol, arabitol, citric acid, aconitic acid, 5-hydroxymethylfurfural, ~~lysine,~~ gluconic acid, glucaric acid, sorbitol, gallic acid, ferulic acid, butyric acid, nonfuel butanol, ~~nonfuel ethanol,~~ or such additional molecules as may be included by the authority by rule after consultation with appropriate experts from Iowa state university, including but not limited to the Iowa state university center for biorenewable chemicals.

Sec. 3. Section 15.318, subsection 1, Code 2023, is amended by adding the following new paragraph:

NEW PARAGRAPH. *f.* All complete applications submitted

by eligible businesses shall be reviewed and scored on a competitive basis by the authority pursuant to rules adopted by the authority.

Sec. 4. Section 15.318, subsection 2, paragraphs c and d, Code 2023, are amended to read as follows:

c. An eligible business shall fulfill all the requirements of the program and the agreement before ~~receiving~~ the authority issues the business a tax credit certificate or ~~entering~~ enters into a subsequent agreement with the business under this section. The authority may decline to enter into a subsequent agreement with the business under this section or to issue a tax credit if an agreement is not successfully fulfilled.

d. Upon establishing that all requirements of the program and the agreement have been fulfilled, the authority shall issue a tax credit ~~and related tax credit~~ certificate to the eligible business stating the amount of renewable chemical production tax credit the eligible business may claim.

Sec. 5. Section 15.318, subsection 3, paragraphs a, d, and e, Code 2023, are amended to read as follows:

a. The maximum amount of tax credit that the authority may ~~be issued~~ issue under section 15.319 to an eligible business for the production of renewable chemicals in a calendar year ~~shall not exceed the following:~~

~~(1) In the case of an eligible business that has been in operation in the state for five years or less at the time of application,~~ is one million dollars.

~~(2) In the case of an eligible business that has been in operation in the state for more than five years at the time of application, five hundred thousand dollars.~~

d. ~~An~~ The authority shall not issue an eligible business ~~shall not receive~~ more than five tax ~~credits~~ credit certificates under the program.

e. ~~The authority shall issue tax credits under the program on a first-come, first-served basis until the maximum amount of tax credits allocated pursuant to section 15.119, subsection~~

~~2, paragraph "h", is reached. The authority shall maintain a list of successful applicants under the program, so that if the maximum aggregate amount of tax credits is reached in a given fiscal year, eligible businesses that successfully applied but for which tax credits were not issued shall be placed on a wait list in the order the eligible businesses applied and shall be given priority for receiving tax credits in succeeding fiscal years. Placement on a wait list pursuant to this paragraph shall not constitute a promise binding the state. The availability of a tax credit and issuance of a tax credit certificate pursuant to this subsection in a future fiscal year is contingent upon the availability of tax credits in that particular fiscal year.~~ In each fiscal year beginning on or after July 1, 2023, and ending on or before June 30, 2036, the authority may award an amount of tax credits under the program not to exceed the maximum aggregate amount allocated in section 15.119, subsection 2, paragraph "h".

Sec. 6. Section 15.319, subsection 1, Code 2023, is amended to read as follows:

1. An eligible business that has entered into an agreement pursuant to section 15.318 may claim a tax credit in an amount equal to the product of five cents multiplied by the number of pounds of renewable chemicals produced in this state from biomass feedstock by the eligible business during the calendar year in excess of the eligible business's pre-eligibility production threshold. However, an eligible business shall not receive a tax credit for the production of a secondarily derived building block chemical if that chemical is also the subject of a credit at the time of production as a first product. The renewable chemical production tax credit shall not be available for any renewable chemical produced before the 2017 calendar year or after the ~~2026~~ 2035 calendar year.

Sec. 7. Section 15.320, subsection 1, Code 2023, is amended to read as follows:

1. For purposes of this section, "*successful tax credit*

applicant" includes, with respect to each calendar year, an eligible business that was issued a tax credit certificate for production of renewable chemicals during that calendar year~~, and an eligible business that successfully applied for a tax credit for the production of renewable chemicals during that calendar year, but was not issued a tax credit and was instead placed on a wait list pursuant to section 15.318, subsection 3, paragraph "e"~~.

Sec. 8. Section 15.320, subsection 2, Code 2023, is amended by striking the subsection and inserting in lieu thereof the following:

2. By January 31 of each year, the board, in cooperation with the department of revenue, shall submit to the general assembly and to the governor a report describing the activities of the program for the most recent calendar year for which the tax credit application period has ended pursuant to section 15.318, subsection 1, paragraph *"d"*. The report shall, at a minimum, include the following information:

a. The aggregate number of pounds, and a list of each type, of renewable chemicals produced in Iowa by all successful tax credit applicants during the calendar year prior to the calendar year for which the successful applicants first applied for a tax credit under the program.

b. The aggregate number of pounds, and a list of each type, of renewable chemicals produced in Iowa by all successful tax credit applicants during each calendar year.

c. The number of employees located in Iowa of all successful tax credit applicants during the calendar year prior to the calendar year for which the successful applicants first applied for a tax credit under the program.

d. The number of employees located in Iowa of all successful tax credit applicants during each calendar year.

e. For each eligible business issued a renewable chemical production tax credit during each calendar year:

(1) The identity of the eligible business.

(2) The amount of the tax credit.

(3) The manner in which the eligible business first qualified as an eligible business under section 15.317, subsection 4, whether by organizing, expanding, or locating in the state.

f. The total amount of all renewable chemical production tax credits claimed during each calendar year, and the portion of the claims issued as a refund.

Sec. 9. Section 15.320, subsection 3, Code 2023, is amended to read as follows:

3. To protect the presumption of confidentiality established in section 15.318, subsection 5, the board shall report all information in an aggregate form to prevent, as much as possible, information being attributable to any particular eligible business, except as provided in subsection 2, paragraph ~~"k"~~ "e".

Sec. 10. Section 15.322, Code 2023, is amended to read as follows:

15.322 Future repeal.

Section 15.315, 15.316, 15.317, 15.318, 15.319, 15.320, 15.321, and this section, are repealed July 1, ~~2030~~ 2039.

Sec. 11. Section 15.353, subsection 2, paragraph d, Code 2023, is amended to read as follows:

d. ~~For a housing project located in a small city that meets program requirements under subsection 1, paragraph "a",~~ ~~development~~ Construction of new dwelling units at a greenfield site.

Sec. 12. Section 15E.52, subsection 5, paragraph b, Code 2023, is amended by striking the paragraph.

Sec. 13. Section 15E.52, subsection 8, Code 2023, is amended to read as follows:

8. The board shall not certify an innovation fund after June 30, ~~2023~~ 2028.

Sec. 14. Section 15E.52, subsection 10, paragraph b, Code 2023, is amended by striking the paragraph.

Sec. 15. Section 422.10B, Code 2023, is amended to read as follows:

422.10B Renewable chemical production tax credit.

The taxes imposed under this subchapter, less the credits allowed under section 422.12, shall be reduced by a renewable chemical production tax credit allowed under section 15.319. This section is repealed January 1, ~~2033~~ 2041.

Sec. 16. Section 422.33, subsection 22, Code 2023, is amended to read as follows:

22. The taxes imposed under this subchapter shall be reduced by a renewable chemical production tax credit allowed under section 15.319. This subsection is repealed January 1, ~~2033~~ 2041.

Sec. 17. APPLICABILITY.

1. The following apply to all applications submitted to the renewable chemical production tax credit program on or after July 1, 2023:

a. The section of this division of this Act amending section 15.316, subsection 3.

b. The section of this division of this Act amending section 15.318, subsection 1.

c. The section of this division of this Act amending section 15.318, subsection 3, paragraphs "a", "d", and "e".

2. The following apply to all eligible businesses placed on a wait list pursuant to section 15.318, subsection 3, paragraph "e", on or before June 30, 2023:

a. The portion of the section of this division of this Act amending section 15.318, subsection 3, paragraph "e".

b. The section of this division of this Act amending section 15.320, subsection 1.

3. The following applies to all applications submitted for innovation fund tax credits, administered pursuant to section 15E.52, placed on a wait list pursuant to section 15E.52, subsection 5, paragraph "b":

The section of this division of this Act amending section

15E.52, subsection 5, paragraph "b".

DIVISION II

IOWA WINE, BEER, AND SPIRITS PROMOTION BOARD

Sec. 18. Section 15E.116, Code 2023, is amended to read as follows:

15E.116 Iowa wine, ~~and~~ beer, and spirits promotion board.

An Iowa wine, ~~and~~ beer, and spirits promotion board is created. The board consists of ~~three~~ four members appointed by the director of the ~~economic development~~ authority. Each member shall serve a term of two years on the board. One member shall represent the authority, one member shall represent ~~the~~ Iowa wine makers, ~~and~~ one member shall represent ~~the~~ Iowa beer makers, and one member shall represent Iowa distilleries. The board shall advise the authority on the best means to promote wine, ~~and~~ beer, and spirits made in Iowa.

Sec. 19. Section 15E.117, Code 2023, is amended to read as follows:

15E.117 Promotion of Iowa wine, ~~and~~ beer, and spirits.

1. The ~~economic development~~ authority shall consult with the Iowa wine, ~~and~~ beer, and spirits promotion board on the best means to promote wine, ~~and~~ beer, and spirits made in Iowa.

2. The authority ~~has~~ shall have the authority to contract with private persons for the promotion of beer, ~~and~~ wine, and spirits made in Iowa.

3. Moneys appropriated to the authority pursuant to sections 123.143 and 123.183, and moneys transferred to the authority pursuant to section 123.17, subsection 8A, may be used by the authority for the purposes of this section, including administrative expenses incurred under this section.

Sec. 20. Section 123.17, Code 2023, is amended by adding the following new subsection:

NEW SUBSECTION. 8A. After any transfers provided for in subsections 3, 5, 6, 7, and 8 are made, and before any other transfer to the general fund, the department shall transfer to * the economic development authority from the beer and liquor

control fund the lesser of two hundred fifty thousand dollars or one percent of the gross sales of native distilled spirits by all class "A" native distilled spirits license holders made by the department for the purposes of promoting Iowa wine, beer, and spirits.