IEDA Bill Memo 2023:

**Renewable Chemical Production Tax Credit**

Background and changes made:

IEDA proposes to amend Iowa Code sections 15.119, 15.316, and 15.319. The current program sunset generates uncertainty for businesses that intend to utilize credits following long-term investments. The time to develop the market has taken longer than anticipated when the program was created due to competitive economics, the global supply chain challenges, and cost of materials to build new facilities. These factors have combined to delay the capital investments that would lead to increased renewable chemical production. IEDA proposes to extend the sunset date to allow businesses to apply for the tax credit for production of renewable chemicals through calendar year 2035. Serine, threonine, lysine, and nonfuel ethanol are already produced in large volumes in the state and do not need to be incented through this program. The other changes would simplify administration of the program and prioritize incentives for the most impactful projects.

**Innovation Fund Tax Credit** **and** **Tax Credits for Investments in Qualifying Businesses**

Background and changes made:

IEDA proposes to amend Iowa Code section 15E.52. Proposed changes would eliminate the requirement that IEDA maintain a waitlist if demand for credits exceeds the annual allocation and allow the IEDA board to continue certifying innovation funds until June 30, 2028 (extend from June 30, 2023).  IEDA is working to eliminate waitlists for all tax credit programs. Waitlists create future obligations for the state, uncertainty for applicants and an administrative burden for staff. Extending the sunset would further stimulate the startup community, generate more innovation employment, and bolster capital formation in Iowa. Additionally, the definition of “innovative business” would be amended to be consistent with the types of businesses that will qualify for investment tax credits pursuant to sections 15.43 and 15.44 if amended as proposed.

IEDA proposes to amend Iowa Code section 15.44 to align the business eligibility criteria with the strategic priorities of IEDA and the State.  The proposed change would limit qualifying businesses to the following industries: advanced manufacturing, biosciences, finance and insurance, information technology, and educational technology. The proposed changes would ensure that this tax credit incents investment in industries that are critical to diversifying and expanding our economy. Lastly, the overall program cap is based on the fiscal year but the caps for individuals/households and qualifying businesses are based on the calendar year. IEDA proposes amending section 15.43 to align all the caps on a fiscal year basis.

Currently, the innovation fund tax credit has a limit of $8 million per fiscal year and tax credits for investments in qualifying businesses has a limit of $2 million per fiscal year. IEDA proposes to amend Iowa Code section 15.119 to change to a combined $10 million tax credit limit to both the innovation fund tax credit and tax credits for investments in qualifying business.

**Inclusion of Native Distillers to the Iowa Wine and Beer Promotion Board**

Background and changes made:

Pursuant to Iowa Code sections 15E.116, 15E.117 and 123.17, IEDA and the Iowa Wine and Beer Promotion Board utilize funds generated by wine and beer sales to promote wine and beer made in Iowa. ABD has identified a source of new funding based on the sale of native-distilled spirits which could be used to incorporate native distillers into the Wine and Beer Promotion Board programs. IEDA proposes to amend Iowa Code section 15E.116, 15E.117 and 123.17 to include native distillers in the activities of the promotional board.