

## CHAPTER 1156

### VENTURE CAPITAL FUND INVESTMENT TAX CREDITS

H.F. 2586

**AN ACT** allowing a tax credit for equity investments in venture capital funds and including an effective and retroactive applicability date provision.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. NEW SECTION. 15E.51 VENTURE CAPITAL FUND INVESTMENT TAX CREDITS.

1. For purposes of this section, “venture capital fund” means a private seed and venture capital partnership or entity fund that has been certified by the Iowa capital investment board created in 2002 Iowa Acts, House File 2078,<sup>6</sup> pursuant to subsection 6.

2. A tax credit shall be allowed against the taxes imposed in chapter 422, divisions II, III, and V, and in chapter 432, and against the moneys and credits tax imposed in section 533.24, for a portion of a taxpayer’s equity investment in a venture capital fund. An individual may claim a tax credit under this section of a partnership, limited liability company, S corporation, estate, or trust electing to have income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual’s earnings from the partnership, limited liability company, S corporation, estate, or trust.

3. The amount of a tax credit shall not exceed six percent of the taxpayer’s equity investment in venture capital funds.

3A. A taxpayer shall not claim a tax credit under this section if the taxpayer is a venture capital investment fund allocation manager for the Iowa fund of funds created in 2002 Iowa Acts, House File 2078,<sup>7</sup> or an investor that receives a tax credit for an investment in a community-based seed capital fund as defined in 2002 Iowa Acts, House File 2271.<sup>8</sup>

4. a. The Iowa capital investment board created in 2002 Iowa Acts, House File 2078,<sup>9</sup> shall issue certificates which may be redeemed for tax credits. The Iowa capital investment board created in 2002 Iowa Acts, House File 2078,<sup>10</sup> shall issue certificates so that not more than a total of five million dollars of tax credits may be claimed. The certificates shall not be transferable.

b. The Iowa capital investment board created in 2002 Iowa Acts, House File 2078,<sup>11</sup> shall, in cooperation with the department of revenue and finance, establish criteria and procedures for the allocation and issuance of tax credits by means of certificates issued by the Iowa capital investment board created in 2002 Iowa Acts, House File 2078.<sup>12</sup> The criteria shall include the contingencies that must be met for a certificate to be redeemable in order to receive a tax credit. The procedures established by the Iowa capital investment board created in 2002 Iowa Acts, House File 2078,<sup>13</sup> in cooperation with the department of revenue and finance, shall relate to the procedures for the issuance of the certificates and for the redemption of a certificate and related tax credit.

5. A taxpayer shall not redeem a certificate and related tax credit prior to the third tax year following the tax year in which the investment is made. Any tax credit in excess of the taxpayer’s liability for the tax year may be credited to the tax liability for the following five years or until depleted, whichever is earlier. A tax credit shall not be carried back to a tax year prior to the tax year in which the taxpayer claims the tax credit.

<sup>6</sup> Chapter 1005 herein

<sup>7</sup> Chapter 1005 herein

<sup>8</sup> Chapter 1006 herein

<sup>9</sup> Chapter 1005 herein

<sup>10</sup> Chapter 1005 herein

<sup>11</sup> Chapter 1005 herein

<sup>12</sup> Chapter 1005 herein

<sup>13</sup> Chapter 1005 herein

6. A venture capital fund shall submit an application for certification to the Iowa capital investment board created in 2002 Iowa Acts, House File 2078.<sup>14</sup> The board shall approve the application and certify the venture capital fund if all of the following criteria are met:

- a. The venture capital fund is a private seed and venture capital partnership or entity fund.
- b. The venture capital fund maintains a physical presence within the state of Iowa.
- c. The venture capital fund makes a commitment to consider equity investments in businesses located within the state of Iowa.

Sec. 2. NEW SECTION. 422.11G VENTURE CAPITAL FUND INVESTMENT TAX CREDIT.

The tax imposed under this division, less the credits allowed under sections 422.12 and 422.12B, shall be reduced by a venture capital fund investment tax credit authorized pursuant to section 15E.51.

Sec. 3. Section 422.33, Code Supplement 2001, is amended by adding the following new subsection:

NEW SUBSECTION. 13. The taxes imposed under this division shall be reduced by a venture capital fund investment tax credit authorized pursuant to section 15E.51.

Sec. 4. Section 422.60, Code 2001, is amended by adding the following new subsection:

NEW SUBSECTION. 5. The taxes imposed under this division shall be reduced by a venture capital fund investment tax credit authorized pursuant to section 15E.51.

Sec. 5. NEW SECTION. 432.12B VENTURE CAPITAL FUND INVESTMENT TAX CREDIT.

The tax imposed under this chapter shall be reduced by a venture capital fund investment tax credit authorized pursuant to section 15E.51.

Sec. 6. Section 533.24, Code 2001, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The moneys and credits tax imposed under this section shall be reduced by an investment tax credit authorized pursuant to section 15E.51.

Sec. 7. IMPLEMENTATION OF ACT — MONEYS AND CREDITS TAX. Section 25B.7 shall not apply to the tax credit authorized pursuant to section 15E.51 and allowed against the moneys and credits tax.

Sec. 8. EFFECTIVE AND RETROACTIVE APPLICABILITY DATE PROVISIONS. This Act, being deemed of immediate importance, takes effect upon enactment and applies retroactively to January 1, 2002, for tax years beginning on or after that date.

Approved May 8, 2002

<sup>14</sup> Chapter 1005 herein