

Sec. 6. Section 22.7, Code Supplement 2003, is amended by adding this¹ following new subsection:

NEW SUBSECTION. 48. A report regarding interest held in agricultural land required to be filed pursuant to chapter 10B.

Approved May 6, 2004

CHAPTER 1148

INVESTMENTS IN COMMUNITY-BASED SEED CAPITAL FUNDS OR QUALIFYING BUSINESSES

S.F. 443

AN ACT relating to criteria for community-based seed capital funds and providing retroactive applicability dates.

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

Section 1. Section 15E.42, subsection 3, Code Supplement 2003, is amended to read as follows:

3. "Investor" means ~~an individual~~ a person making a cash investment in a qualifying business or ~~an individual taxed on income from a revocable trust's cash investment in a qualifying business or a person making a cash investment in a community-based seed capital fund.~~ "Investor" does not include a person ~~which is a current or previous~~ that holds at least a seventy percent ownership interest as an owner, member, or shareholder in a qualifying business.

Sec. 2. Section 15E.43, subsection 1, paragraphs a and b, Code Supplement 2003, are amended to read as follows:

a. ~~For tax years beginning on or after January 1, 2002, a tax credit shall be allowed against the taxes imposed in chapter 422, division II, for a portion of an individual taxpayer's equity investment, as provided in subsection 2, in a qualifying business. An individual shall not claim a tax credit under this paragraph of a partnership, limited liability company, S corporation, estate, or trust electing to have income taxed directly to the individual. However, an individual receiving income from a revocable trust's investment in a qualified business may claim a tax credit under this paragraph against the taxes imposed in chapter 422, division II, for a portion of the revocable trust's equity investment, as provided in subsection 2, in a qualified business.~~

b. For tax years beginning on or after January 1, 2002, 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, as provided in subsection 2, in a qualifying business or a community-based seed capital fund. An individual may claim a tax credit under this paragraph 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.

Sec. 3. Section 15E.44, subsection 4, Code Supplement 2003, is amended to read as follows:

4. After verifying the eligibility of a qualifying business, the board shall issue a tax credit

¹ The word "the" probably intended

certificate to be attached to the equity investor's tax return. The tax credit certificate shall contain the taxpayer's name, address, tax identification number, the amount of credit, the name of the qualifying business, and other information required by the department of revenue. The tax credit certificate, unless rescinded by the board, shall be accepted by the department of revenue as payment for taxes imposed pursuant to chapter 422, ~~division~~ divisions II, III, and V, and in chapter 432, and for the moneys and credits tax imposed in section 533.24, subject to any conditions or restrictions placed by the board upon the face of the tax credit certificate and subject to the limitations of section 15E.43.

Sec. 4. Section 15E.51, subsection 4, Code Supplement 2003, is amended to read as follows:

4. 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 section 15E.65 or an investor that receives a tax credit for the same investment in a qualifying business as described in section 15E.44 or in a community-based seed capital fund as described in section 15E.45.

Sec. 5. Section 15E.45, subsection 2, paragraphs b and c, Code Supplement 2003, are amended to read as follows:

b. The fund has, on or after January 1, 2002, a total of both capital commitments from investors and investments in qualifying businesses of at least ~~five~~ one hundred twenty-five thousand dollars, but not more than three million dollars. However, if a fund is a rural business investment company under the rural business investment program of the federal Farm Security and Rural Investment Act of 2002, Pub. L. No. 107-171, the fund may qualify notwithstanding having capital in excess of the limits set forth in this paragraph as long as the fund otherwise meets the requirements of this subsection.

c. The fund has no fewer than ~~ten~~ five investors who are not affiliates, with no single investor and affiliates of that investor together owning a total of more than twenty-five percent of the ownership interests outstanding in the fund.

Sec. 6. Section 15E.45, subsection 6, Code Supplement 2003, is amended to read as follows:

6. In the event that a community-based seed capital fund fails to meet or maintain any requirement set forth in this section, or in the event that the community-based seed capital fund has not invested at least thirty-three percent of its invested capital in ~~no fewer than two~~ one or more separate qualifying businesses, measured at the end of the thirty-sixth month after commencing the fund's investing activities, the board shall rescind any tax credit certificates issued to limited partners or members and shall notify the department of revenue that it has done so, and the tax credit certificates shall be null and void. However, a community-based seed capital fund may apply to the board for a one-year waiver of the requirements of this subsection.

Sec. 7. APPLICABILITY DATES.

1. Sections 1 through 4 of this Act apply retroactively to January 1, 2004, for tax years beginning on or after that date.

2. Sections 5 and 6 of this Act apply retroactively to January 1, 2002, for tax years beginning on or after that date.

Approved May 11, 2004