FEB 1 6 1989
WAYS AND MEANS

Succeeded By
SF / HF 81
HSB

HOUSE FILE 311
BY COMMITTEE ON ECONOMIC GROWTH

(SUCCESSOR TO HSB 81)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to tax credit certificates issued by the Iowa
2 capital investment board and providing an effective date.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
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HF 311

TLSB 1872HV 81
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S.F. _____ H.F. 311

1 Section 1. Section 15E.63, subsections 6 and 7, Code 2005,
2 are amended to read as follows:
3 6. The board shall, in cooperation with the department of
4 revenue, establish criteria and procedures for the allocation
5 and issuance of tax credits to designated investors by means
6 of certificates issued by the board. The criteria shall
7 include the contingencies that must be met for a certificate
8 to be redeemable by a designated investor or transferee in
9 order to receive a tax credit. The contingencies to
10 redemption shall be tied to the scheduled rates of return **and**
11 ~~**scheduled redemptions**~~ of equity interests purchased by
12 designated investors in the Iowa fund of funds. The
13 procedures established by the board, in cooperation with the
14 department of revenue, shall relate to the procedures for the
15 issuance of the certificates and the related tax credits, for
16 the transfer of a certificate and related tax credit by a
17 designated investor, and for the redemption of a certificate
18 and related tax credit by a designated investor or transferee.
19 The board shall also establish criteria and procedures for
20 assessing the likelihood of future certificate redemptions by
21 designated investors and transferees, including, without
22 limitation, criteria and procedures for evaluating the value
23 of investments made by the Iowa fund of funds and the returns
24 from the Iowa fund of funds.
25 7. Pursuant to section 15E.66, the board shall issue
26 certificates which may be redeemable for tax credits to
27 provide incentives to designated investors to make equity
28 investments in the Iowa fund of funds. The board shall issue
29 the certificates so that not more than twenty million dollars
30 of tax credits may be initially redeemable in any fiscal year.
31 The board shall indicate on the tax certificate the principal
32 amount of the tax credit and the ~~**taxable year or years for**~~
33 date or dates on which the credit may be first claimed.
34 Sec. 2. Section 15E.65, subsection 2, paragraph a, Code
35 2005, is amended to read as follows:

a. The Iowa fund of funds shall be organized as a private, for-profit, limited partnership or limited liability company under Iowa law pursuant to which the Iowa capital investment corporation shall be the general partner or manager. The entity shall be organized so as to provide for equity interests for designated investors which provide for a designated scheduled rate of return ~~and a scheduled redemption which shall occur not less than five years following the issuance of such equity interests~~. The interest of the Iowa capital investment corporation in the Iowa fund of funds shall be to serve as general partner or manager and to be paid a management fee for the service as provided in section 15E.64, subsection 8, and to receive investment returns of the Iowa fund of funds in excess of those payable to designated investors. Any returns in excess of those payable to designated investors shall be reinvested by the Iowa capital investment corporation by being held in the Iowa fund of funds as a revolving fund for reinvestment in venture capital funds or investments until the termination of the Iowa fund of funds. Any returns received from these reinvestments shall be deposited in the revolving fund.

Sec. 3. Section 15E.66, subsections 1, 2, 3, and 5, Code 2005, are amended to read as follows:

1. The board may issue certificates and related tax credits to designated investors which, if redeemed for the maximum possible amount, shall not exceed a total aggregate of one hundred million dollars of tax credits. The certificates shall be issued contemporaneously with ~~an investment~~ a commitment to invest in the Iowa fund of funds by a designated investor. A certificate issued by the board shall have a specific ~~calendar year~~ maturity date or dates designated by the board ~~of not less than five years after the date of issuance~~ and shall be redeemable ~~on a schedule similar to the scheduled redemption of investments by designated investors~~ only in accordance with the contingencies reflected on the

1 certificate or incorporated therein by reference. A
2 certificate and the related tax credit shall be transferable
3 by the designated investor. A tax credit shall not be claimed
4 or redeemed except by a designated investor or transferee in
5 accordance with the terms of a certificate from the board. A
6 tax credit shall not be claimed for a tax year that begins
7 ~~during~~ earlier than the ~~calendar-year~~ maturity date or dates
8 stated on the certificate. An individual may claim the credit
9 of a partnership, limited liability company, S corporation,
10 estate, or trust electing to have the income taxed directly to
11 the individual. The amount claimed by the individual shall be
12 based upon the pro rata share of the individual's earnings
13 from the partnership, limited liability company, S
14 corporation, estate, or trust. Any tax credit in excess of
15 the taxpayer's tax liability for the tax year may be credited
16 to the tax liability for the following seven years, or until
17 depleted, whichever is earlier.
18 2. The board shall certify the maximum amount of a tax
19 credit which could be issued to a designated investor and
20 identify the specific ~~calendar-year~~ earliest date or dates the
21 certificate may be redeemed pursuant to this division. The
22 amount of the tax credit shall be limited to an amount
23 equivalent to any difference between the scheduled aggregate
24 return to the designated investor at rates of return
25 authorized by the board and aggregate actual return received
26 by the designated investor and any predecessor in interest of
27 capital and interest on the capital. The rates, whether fixed
28 rates or variable rates, shall be determined pursuant to a
29 formula stipulated in the certificate or incorporated therein
30 by reference. The board shall clearly indicate on the
31 certificate, or incorporate therein by reference, the
32 schedule, the amount of equity investment, the calculation
33 formula for determining the scheduled aggregate return on
34 invested capital, and the calculation formula for determining
35 the amount of the tax credit that may be claimed. Once moneys

1 ~~are invested by~~ issued to a designated investor, ~~the~~ a
2 certificate shall be binding on the board and the department
3 of revenue and shall not be modified, terminated, or
4 rescinded.
5 3. If a designated investor or transferee elects to redeem
6 a certificate, the certificate shall not be redeemed ~~on June~~
7 ~~30 of~~ prior to the ~~calendar year~~ maturity date or dates stated
8 on the certificate. At the time of redemption, the board
9 shall determine the amount of the tax credit that may be
10 claimed by the designated investor based upon the returns
11 received by the designated investor and its predecessors in
12 interest and the provisions of the certificate. The board
13 shall issue a verification to the department of revenue
14 setting forth the maximum tax credit which can be claimed by
15 the designated investor with respect to the redemption of the
16 certificate.
17 5. The board shall issue the tax credits in such a manner
18 that not more than twenty million dollars of tax credits may
19 be initially redeemable in any fiscal year. The board shall
20 indicate on the tax certificate the principal amount of the
21 tax credit and the ~~taxable year or years for~~ maturity date or
22 dates on which the credit may be first claimed.
23 Sec. 4. EFFECTIVE DATE. This Act, being deemed of
24 immediate importance, takes effect upon enactment.
25 EXPLANATION
26 This bill relates to tax credit certificates issued by the
27 Iowa capital investment board.
28 Currently, the contingencies to redemption of the tax
29 credit certificates are tied to the scheduled rates of return
30 and scheduled redemptions of equity interests purchased by
31 designated investors in the Iowa fund of funds. The bill
32 eliminates the requirement that contingencies to redemption be
33 tied to scheduled redemptions.
34 Currently, the tax credit certificates are issued
35 contemporaneously with an investment in the Iowa fund of

1 funds. The bill provides that the certificates shall be
2 issued contemporaneously with a commitment to invest in the
3 Iowa fund of funds.
4 The bill provides that a tax credit certificate issued by
5 the board may have more than one maturity date and eliminates
6 the requirement that the maturity date be not less than five
7 years after the date of issuance. The bill provides that a
8 tax credit certificate shall be redeemable only in accordance
9 with the contingencies reflected on the certificate or
10 incorporated therein by reference and eliminates the
11 requirement that the certificates shall be redeemable on a
12 schedule similar to the scheduled redemption of the
13 investments by designated investors.
14 The bill provides that a tax credit shall not be claimed
15 for a tax year that begins earlier than the maturity date or
16 dates stated in the certificate.
17 The bill provides that the board shall identify the
18 specific earliest date or dates the certificate may be
19 redeemed instead of identifying the specific calendar year.
20 Currently, a tax credit certificate is binding on the board
21 and the department of revenue once moneys are invested by a
22 designated investor. The bill provides that the certificate
23 is binding upon issuance to the designated investor.
24 Currently, if a designated investor elects to redeem a
25 certificate, the certificate must be redeemed on June 30 of
26 the calendar year maturity date stated on the certificate.
27 The bill provides that the designated investor or a
28 transferee, upon election to redeem, shall not redeem the
29 certificate prior to the maturity date or dates stated on the
30 certificate.
31 The bill requires the board to identify on the certificate
32 the maturity date or dates on which the credit may be first
33 claimed.
34 The bill takes effect upon enactment.
35

Granzow, Chair
Anderson
Zirkelbach

order 311

HSB 81
ECONOMIC GROWTH

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
ECONOMIC GROWTH BILL
BY CHAIRPERSON HOFFMAN)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
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