

MAR 16 2005  
WAYS AND MEANS

HOUSE FILE 795  
BY COMMITTEE ON ECONOMIC GROWTH

(SUCCESSOR TO HF 297)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to an inheritance tax credit for transferring a  
2 portion of an inheritance to an entity for capital investment,  
3 programming, including education, performance, and access, in  
4 arts and culture and providing a penalty.

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

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HF 795

1 Section 1. NEW SECTION. 450.11 ARTS AND CULTURE TAX  
2 CREDIT.

3 1. The inheritance tax imposed under this chapter shall be  
4 reduced by an arts and culture tax credit equal to the amount  
5 of property or interest in property passing to a qualified  
6 entity, not to exceed ten percent of the inheritance tax  
7 imposed on the taxpayer. The tax credit shall be provided by  
8 means of tax credit certificates issued by the department to  
9 the estate of the decedent at the time of the decedent's  
10 death. A tax credit certificate shall be utilized at the time  
11 of payment of the inheritance tax by the taxpayer. Along with  
12 the tax credit certificate, the taxpayer shall submit proof of  
13 the passing of property or an interest in property upon which  
14 the tax credit certificate is based. Any tax credit  
15 certificate issued under this section shall be considered  
16 property of the decedent's estate and may be passed to another  
17 by will or the statutes of inheritance of this or any other  
18 state or country.

19 2. To be eligible for the tax credit certificate, the  
20 decedent or decedent's estate shall do all of the following:

21 a. Enter into an agreement with a qualified entity at  
22 least one year prior to the decedent's death. The agreement  
23 shall contain all of the following:

24 (1) The identity of the qualified entity or entities that  
25 are to receive the bequest.

26 (2) The amount of the bequest which may be expressed as a  
27 monetary amount, a percentage of the property or interest in  
28 property, or a combination of both.

29 (3) The bequest shall only be expended for capital  
30 investment, programming, including education, performance, and  
31 access, in arts and culture in the state.

32 b. File the agreement entered into as required in  
33 paragraph "a" with the department of revenue.

34 3. A qualified entity is any of the following:

35 a. The department of cultural affairs.

1 b. The Iowa cultural trust created in section 303A.4.

2 c. The vision Iowa fund created in section 12.72.

3 d. The community attraction and tourism fund created in  
4 section 15F.204.

5 e. A nonprofit organization that is exempt from federal  
6 income taxes under section 501(c) of the Internal Revenue Code  
7 whose major activity is capital investment, programming,  
8 including education, performance, and access, in arts and  
9 culture.

10 4. A qualified entity receiving a bequest for which a  
11 credit was allowed under this section shall use the bequest  
12 for capital investment, programming, including education,  
13 performance, and access, in arts and culture in the state.  
14 Such entity may distribute the bequest to a local entity that  
15 meets the criteria as a qualified entity under subsection 3,  
16 paragraph "e".

17 5. The departments of revenue and cultural affairs shall  
18 each adopt rules for the administration of this section. The  
19 department of revenue shall keep a record of any agreements  
20 the department receives pursuant to subsection 2 and shall  
21 make available a listing of qualified entities described in  
22 subsection 3, paragraph "e", to the extent those entities have  
23 identified themselves as such.

24 6. An entity violating any provision of this section shall  
25 be required to pay the inheritance tax equal to the amount of  
26 the tax credit certificates issued as a result of the bequest  
27 to the entity plus penalty and interest.

28 7. For purposes of this section, "taxpayer" means the  
29 person to whom property or an interest in property passes from  
30 the decedent and who is liable for the tax imposed in this  
31 chapter as provided in section 450.5.

32 EXPLANATION

33 This bill provides for an inheritance tax credit equal to  
34 the amount of property or interest in property passing to a  
35 qualified entity not to exceed 10 percent of the inheritance

1 tax imposed on the taxpayer. The tax credit is provided in  
2 the form of a tax credit certificate issued to the decedent or  
3 decedent's estate which can be passed like other property to  
4 heirs and used by an heir to reduce the heir's tax liability.  
5 The bequest received by the qualified entity upon which the  
6 credit is based is to be used by the entity for capital  
7 investment, programming, including education, performance, and  
8 access, in arts and culture in the state.

9 To be eligible for the tax credit certificate, the decedent  
10 or estate must enter into an agreement, with a qualified  
11 entity specifying the amount of the bequest, at least one year  
12 prior to the death of the decedent.

13 A qualified entity includes a nonprofit organization exempt  
14 from federal income tax whose major activity is capital  
15 investment, programming, including education, performance, and  
16 access, in arts and culture, the department of cultural  
17 affairs, the Iowa cultural trust, the vision Iowa fund, and  
18 the community attraction and tourism fund.

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**Fiscal Services Division**  
**Legislative Services Agency**  
**Fiscal Note**

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HF 795 - Local Arts and Culture Funding Act (LSB 1182 HV)  
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)  
Fiscal Note Version - New  
Requested by Representative Willard Jenkins

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**Description**

House File 795 relates to the donation of a portion of an estate to a qualified entity. The Bill would allow a credit against any inheritance tax due, up to a total of 10.0% of inheritance tax owed. Qualified entities include:

- The Department of Cultural Affairs
- The Iowa Cultural Trust
- The Vision Iowa Fund
- The Community Attraction and Tourism Fund
- An organization exempt from federal taxes under federal Internal Revenue Code Section 501(c). The exempt organization's major activity must be capital investment, programming, including education, performance, and access, in arts and culture.

The donation must be used within the State. The Bill is effective July 1, 2005.

**Assumptions**

1. Iowa receives approximately \$62.0 million in inheritance tax proceeds each year.
2. When fully mature, the Inheritance Tax Donation Program will divert 5.0% of inheritance tax proceeds from the General Fund.
3. The revenue reduction will first impact FY 2006 and will reach maturity by tax year 2012.

**Fiscal Impact**

The inheritance tax credit in House File 795 will reduce net General Fund revenue by the following estimated amounts:

- FY 2006: \$ 93,000
- FY 2007: \$ 620,000
- FY 2008: \$1,240,000
- FY 2009: \$1,705,000
- FY 2010: \$2,170,000
- FY 2011: \$2,635,000
- FY 2012: \$3,100,000

**Sources**

Department of Revenue  
Legislative Services Agency Analysis

/s/ Holly M. Lyons

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March 24, 2005

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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