

FILED MAR 24 2005

SENATE FILE 389
BY COMMITTEE ON WAYS
AND MEANS

(SUCCESSOR TO SSB 1177)

Passed Senate, Date 3-29-05 Passed House, Date 4-28-05
Vote: Ayes 50 Nays 0 Vote: Ayes 97 Nays 1
Approved 6/6/05

A BILL FOR

1 An Act providing individual and corporate income tax credits for
2 soy-based cutting tool oil and including an applicability date
3 provision.

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

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SF 389

1 Section 1. NEW SECTION. 422.11K SOY-BASED CUTTING TOOL
2 OIL TAX CREDIT.

3 1. The taxes imposed under this division, less the credits
4 allowed under sections 422.12 and 422.12B, shall be reduced by
5 a soy-based cutting tool oil tax credit. A manufacturer, as
6 defined in section 428.20, is eligible to receive a soy-based
7 cutting tool oil tax credit which is equal to the costs
8 incurred by the manufacturer during the tax year for the
9 purchase and replacement costs relating to the transition from
10 using nonsoy-based cutting tool oil to using soy-based cutting
11 tool oil. The costs eligible for the credit are limited to
12 those costs meeting all of the following requirements:

13 a. The costs were incurred after June 30, 2005, and before
14 January 1, 2007.

15 b. The costs were incurred in the first twelve months of
16 the transition from using nonsoy-based cutting tool oil to
17 using soy-based cutting tool oil.

18 c. The costs of the purchase and replacement do not exceed
19 two dollars per gallon of soy-based cutting tool oil used in
20 the transition. The total number of gallons used in the
21 transition under this paragraph shall not exceed two thousand
22 gallons.

23 If the manufacturer elects to take the soy-based cutting
24 tool oil tax credit, the manufacturer shall not deduct for
25 Iowa tax purposes any amount of the costs incurred in the
26 transition to using soy-based cutting tool oil which is
27 deductible for federal tax purposes.

28 2. Any credit in excess of the tax liability shall be
29 refunded with interest computed under section 422.25. In lieu
30 of claiming a refund, a taxpayer may elect to have the
31 overpayment shown on the taxpayer's final, completed return
32 credited to the tax liability for the following tax year.

33 3. An individual may claim the tax credit allowed a
34 partnership, limited liability company, S corporation, estate,
35 or trust electing to have the income taxed directly to the

1 individual. The amount claimed by the individual shall be
2 based upon the pro rata share of the individual's earnings of
3 the partnership, limited liability company, S corporation,
4 estate, or trust.

5 4. For purposes of this section, "soy-based cutting tool
6 oil" means cutting tool oil that contains at least fifty-one
7 percent soy-based products.

8 5. This section is repealed December 31, 2007.

9 Sec. 2. Section 422.33, Code 2005, is amended by adding
10 the following new subsection:

11 NEW SUBSECTION. 17. a. The taxes imposed under this
12 division shall be reduced by a soy-based cutting tool oil tax
13 credit. A manufacturer, as defined in section 428.20, is
14 eligible to receive a soy-based cutting tool oil tax credit
15 which is equal to the costs incurred by the manufacturer
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18 tool oil to using soy-based cutting tool oil. The costs
19 eligible for the credit are limited to those costs meeting all
20 of the following requirements:

21 (1) The costs were incurred after June 30, 2005, and
22 before January 1, 2007.

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24 the transition to using soy-based cutting tool oil.

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26 exceed two dollars per gallon of soy-based cutting tool oil
27 used in the transition. The total number of gallons used in
28 the transition under this subparagraph shall not exceed two
29 thousand gallons.

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31 tool oil tax credit, the manufacturer shall not deduct for
32 Iowa tax purposes any amount of the costs incurred in the
33 transition to using soy-based cutting tool oil which is
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35 b. Any credit in excess of the tax liability shall be

1 refunded with interest computed under section 422.25. In lieu
2 of claiming a refund, a taxpayer may elect to have the
3 overpayment shown on the taxpayer's final, completed return
4 credited to the tax liability for the following tax year.

5 c. For purposes of this subsection, "soy-based cutting
6 tool oil" means cutting tool oil that contains at least fifty-
7 one percent soy-based products.

8 d. This subsection is repealed December 31, 2007.

9 Sec. 3. APPLICABILITY DATES. This Act applies to tax
10 years ending after June 30, 2005, and beginning before January
11 1, 2007.

12 EXPLANATION

13 This bill provides a soy-based cutting tool oil tax credit
14 under the individual and corporate income taxes. The tax
15 credit equals the costs incurred for the purchase and
16 replacement costs related to the transition from using nonsoy-
17 based cutting tool oil to using soy-based cutting tool oil in
18 the manufacturing process. The costs must meet three other
19 requirements: They were incurred after June 30, 2005, and
20 before January 1, 2007, they were incurred in the first 12
21 months of the transition to using soy-based cutting tool oil,
22 and they do not exceed \$2 per gallon of the soy-based cutting
23 tool oil used in the transition, up to 2,000 gallons. Any
24 excess credit is refundable. The credit applies to tax years
25 ending after June 30, 2005, and beginning before January 1,
26 2007. The credit is repealed December 31, 2007.

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

SF 389 - Soy Based Oil Tax Credit (LSB 2023 SV)

Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)

Fiscal Note Version – New

Requested by Senator Mark Ziemann

Description

Senate File 389 creates a tax credit for businesses choosing to switch to soy-based cutting tool oil. The tax credit is available for conversion costs incurred beginning July 1, 2005, and ending December 31, 2007. The tax credit is refundable.

Assumptions

1. Eighty companies will transition to soy-based cutting tool oil during the 18-month window.
2. The average conversion cost will equal \$1,500 (750 gallons times \$2.00 per gallon).
3. All earned credits will be redeemed, with redemption spread over two fiscal years.

Fiscal Impact

The tax soy-based cutting tool oil tax credit created in SF 389 will reduce net General Fund revenue by and estimated \$60,000 in FY 2007 and \$60,000 in FY 2008.

The Impact on Local Option income tax revenue (school and emergency medical services) will be negligible.

Sources

Legislative Services Agency
Industry representatives
Department of Revenue

/s/ Holly M. Lyons

March 28, 2005

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.

Zieman CO-chair
Stewart CO-chair
Hahn
Dotzler

Succeeded By
SF/HF 389

SSB# 1177
Ways + Means

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CO-CHAIRPERSONS BOLKCOM
AND ZIEMAN)

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

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4 estate, or trust.

5 4. For purposes of this section, "soy-based cutting tool
6 oil" means cutting tool oil that contains ninety percent soy-
7 based products.

8 5. This section is repealed December 31, 2007.

9 Sec. 2. Section 422.33, Code 2005, is amended by adding
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SENATE FILE 389

AN ACT

PROVIDING INDIVIDUAL AND CORPORATE INCOME TAX CREDITS FOR
SOY-BASED CUTTING TOOL OIL AND INCLUDING AN APPLICABILITY
DATE PROVISION.

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

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c. The costs of the purchase and replacement do not exceed two dollars per gallon of soy-based cutting tool oil used in the transition. The total number of gallons used in the transition under this paragraph shall not exceed two thousand gallons.

If the manufacturer elects to take the soy-based cutting tool oil tax credit, the manufacturer shall not deduct for Iowa tax purposes any amount of the costs incurred in the transition to using soy-based cutting tool oil which is deductible for federal tax purposes.

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b. Any credit in excess of the tax liability shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following tax year.

c. For purposes of this subsection, "soy-based cutting tool oil" means cutting tool oil that contains at least fifty-one percent soy-based products.

d. This subsection is repealed December 31, 2007.

Sec. 3. **APPLICABILITY DATES.** This Act applies to tax years ending after June 30, 2005, and beginning before January 1, 2007.

JOHN P. KIBBIE
President of the Senate

CHRISTOPHER C. RANTS
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 389, Eighty-first General Assembly.

MICHAEL E. MARSHALL
Secretary of the Senate

Approved 6/6, 2005

THOMAS J. VILSACK
Governor