

261—63.4(80GA, HF692, HF683) Program benefits.

63.4(1) *Tax credit benefits to the business.* An approved business under this program shall receive an income tax credit each year for up to five years to be used to offset taxes imposed in Iowa Code chapter 422, division II, personal income taxes, or division III, business income taxes. An individual may claim the business tax credit under this program by means of a partnership, limited liability company, S corporation, or 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, corporation, or estate or trust.

63.4(2) *Tax credit benefits to university employee(s).* A university employee or group of employees who are responsible for developing the technology leading to the patent by the regents university which is then utilized by the approved business shall be eligible for an income tax credit under this program. This credit is available each year for up to five years, to be used to offset taxes imposed in Iowa Code chapter 422, division II, personal income taxes. To be eligible to receive this tax credit, the university employee's name or employees' names must be listed on the patent awarded to the regents university.

63.4(3) *Assigning tax credits.* A tax credit shall not be claimed under this program unless a tax credit certificate issued by the Iowa department of economic development is attached to the taxpayer's tax return for the tax year for which the tax credit is claimed. The amount of a tax credit allowed under this program shall equal the amount listed on a tax credit certificate issued by the Iowa department of economic development pursuant to the Act. A tax credit certificate shall not be transferable. Any tax credit in excess of the taxpayer's liability for the tax year may be credited to the taxpayer's tax liability for the following five years or until depleted, whichever occurs first. A tax credit shall not be carried back to a tax year prior to the tax year in which the taxpayer redeems the tax credit. The tax credit certificate issued to an approved business may be used by another business with which the approved business is affiliated and with whom the approved business files state income tax returns on a consolidated basis. The Iowa department of economic development shall notify the Iowa department of revenue when a tax credit certificate is issued. The notification shall include the name and tax identification number appearing on any tax credit certificate.

63.4(4) *Determination of level of the tax credit benefits.* For the five tax years following the tax year in which an eligible business is approved under the program, the Iowa department of revenue shall provide the department with summary information regarding the annual tax returns filed by the approved business. Upon receiving the summary tax return information, the department will make a determination of the amount of tax credits the approved business and university employee may receive.

a. Business tax benefits. Effective for the fiscal year beginning July 1, 2004, and for subsequent fiscal years, the department shall issue a tax credit certificate to the approved business. The value of the tax credit certificate issued by the department for each of the five years following the tax year in which the business is approved under the program shall equal 30 percent of the tax liability of the approved business's tax return for the previous tax year before the approved business's tax liability is lessened or eliminated by tax credits received under this program from prior years. The value of a tax credit certificate issued to an approved business shall not exceed \$225,000 in any single tax year and the total aggregate value of tax credit certificates issued to an approved business over a five-year period shall not exceed a total of \$600,000.

b. University employee(s) tax benefits. Effective for the fiscal year beginning July 1, 2004, and for subsequent fiscal years, the department shall issue a tax credit certificate to the eligible university employee(s). The value of the tax credit certificate issued by the department for each of the five years following the tax year in which the business is approved shall equal 10 percent of the tax liability for the previous tax year of the approved business before the approved business's tax liability is lessened or eliminated by tax credits received under this program from prior years. If more than one university employee is listed on the patent awarded to the regents university, the tax credit certificate value equal to 10 percent of the tax liability of the approved business shall be divided equally among the individuals listed on the patent and individual tax credit certificates shall be issued to each university employee listed on the patent. Each year the total value of a tax credit certificate or certificates issued to a university employee, or group of employees, for each technology utilized by an approved business

shall not exceed \$75,000 and, for each technology utilized by an approved business, the total aggregate value of certificates issued to the university employee or employees over a five-year period shall not exceed \$200,000.

c. Fiscal limitations on tax credit certificates. For the fiscal year beginning July 1, 2004, not more than \$2 million worth of tax credit certificates in total shall be issued under this program. For the fiscal year beginning July 1, 2005, and every fiscal year thereafter, not more than \$10 million worth of tax credit certificates shall be issued under this program. In the event that the aggregate amount of eligible tax credits exceeds the limitations stated in this paragraph, the department will prorate in a fair and equitable manner the amounts of the tax credit certificates that it issues.