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WAYS AND MEANS

HOUSE FILE 641
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HF 539)

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

A BILL FOR

1 An Act relating to life science initiatives by providing for an
2 income, franchise, and gross premiums tax credit for making
3 capital investments in a cooperative association or limited
4 liability company organized to operate a renewable fuel
5 production facility or a development facility designed to
6 produce products from agricultural goods and including
7 applicability date provisions.

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

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HF-641

1 Section 1. NEW SECTION. 422.11F VALUE-ADDED AGRICULTURE
2 INCENTIVE 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 value-added agriculture incentive tax credit. To be
6 eligible for the credit, the taxpayer must be a member of and
7 make a capital investment in a cooperative association or
8 limited liability company organized for the purpose of
9 operating a renewable fuel production facility or a
10 development facility. The amount of the credit equals fifty
11 percent, not to exceed twenty-five thousand dollars, of the
12 amount of the capital investment made in the tax year by the
13 taxpayer, as a member, in such cooperative association or
14 limited liability company. However, for credits earned from
15 investments made in the 2001, 2002, 2003, and 2004 calendar
16 years, taxpayers may not claim the credit sooner than the tax
17 year beginning in the 2005 calendar year.

18 Any credit in excess of the tax liability may be carried
19 forward for up to five tax years.

20 2. An individual may claim a value-added agriculture
21 incentive tax credit allowed a partnership, limited liability
22 company, S corporation, estate, or trust electing to have the
23 income taxed directly to the individual. The amount claimed
24 by the individual shall be based upon the pro rata share of
25 the individual's earnings of a partnership, limited liability
26 company, S corporation, estate, or trust.

27 3. a. The taxpayer shall submit to the department of
28 economic development, division of business development, value-
29 added agriculture subdivision, an application for the tax
30 credit authorized by this section on a form provided by the
31 subdivision.

32 After verifying the eligibility for the tax credit, the
33 subdivision shall notify the department of revenue and finance
34 that the investment is eligible for the credit and the
35 department of revenue and finance shall issue a tax credit

1 certificate to be attached to the person's tax return. The
2 tax credit certificate shall contain the taxpayer's name,
3 address, tax identification number, the amount of credit,
4 other information required by the department of revenue and
5 finance, and a place for the name and tax identification
6 number of any transferee and the amount of the tax credit
7 being transferred.

8 b. A person receiving a tax credit under this section may
9 transfer all or a portion of the unused tax credit to any
10 other person. However, the tax credit shall only be
11 transferred once. Any proceeds received by the transferor
12 from the transfer of the credit shall be immediately
13 reinvested in the cooperative association or limited liability
14 company of which the transferor is a member. The cooperative
15 association or limited liability company shall use these
16 proceeds for construction or operation of the renewable fuel
17 production facility or development facility. The transferor
18 is not eligible to receive a tax credit for the reinvestment
19 of the proceeds received from the transfer of a tax credit.
20 The transferee may use the amount of the tax credit
21 transferred against the taxes imposed under this division and
22 divisions III and V and chapter 432 for any tax year the
23 original transferor could have claimed the credit. Any
24 consideration received for the transfer of the tax credit
25 shall not be included as income under this division and
26 divisions III and V or as premiums under chapter 432. Any
27 consideration paid for the transfer of the tax credit shall
28 not be deducted from income under this division and divisions
29 III and V or from premiums under chapter 432.

30 4. For purposes of this section:

31 a. "Cooperative association" means a cooperative
32 association organized under chapter 501 or converted to
33 regulation under chapter 501 pursuant to section 501.601.

34 b. "Development facility" means a facility that produces a
35 product derived from an agricultural commodity or uses a

1 process to produce a product derived from an agricultural
2 product.

3 c. "Renewable fuel production facility" means a facility
4 producing an energy source which is derived from a renewable,
5 domestically grown, organic compound capable of powering
6 machinery, including an engine or power plant, and any by-
7 product derived from such energy source.

8 Sec. 2. Section 422.33, Code 2001, is amended by adding
9 the following new subsection:

10 NEW SUBSECTION. 11. a. The taxes imposed under this
11 division shall be reduced by a value-added agriculture
12 incentive tax credit. To be eligible for the credit, the
13 taxpayer must be a member of and make a capital investment in
14 a cooperative association or limited liability company
15 organized for the purpose of operating a renewable fuel
16 production facility or a development facility. The amount of
17 the credit equals fifty percent, not to exceed twenty-five
18 thousand dollars, of the amount of the capital investment made
19 in the tax year by the taxpayer, as a member, in such
20 cooperative association or limited liability company.
21 However, for credits earned from investments made in the 2001,
22 2002, 2003, and 2004 calendar years, taxpayers may not claim
23 the credit sooner than the tax year beginning in the 2005
24 calendar year.

25 Any credit in excess of the tax liability may be carried
26 forward for up to five tax years.

27 b. (1) The taxpayer shall submit to the department of
28 economic development, division of business development, value-
29 added agriculture subdivision, an application for the tax
30 credit authorized by this subsection on a form provided by the
31 subdivision.

32 After verifying the eligibility for the tax credit, the
33 subdivision shall notify the department of revenue and finance
34 that the investment is eligible for the credit and the
35 department of revenue and finance shall issue a tax credit

1 certificate to be attached to the person's tax return. The
2 tax credit certificate shall contain the taxpayer's name,
3 address, tax identification number, the amount of credit,
4 other information required by the department of revenue and
5 finance, and a place for the name and tax identification
6 number of any transferee and the amount of the tax credit
7 being transferred.

8 (2) A person receiving a tax credit under this subsection
9 may transfer all or a portion of the unused tax credit to any
10 other person. However, the tax credit shall only be
11 transferred once. Any proceeds received by the transferor
12 from the transfer of the credit shall be immediately
13 reinvested in the cooperative association or limited liability
14 company of which the transferor is a member. The cooperative
15 association or limited liability company shall use these
16 proceeds for construction or operation of the renewable fuel
17 production facility or development facility. The transferor
18 is not eligible to receive a tax credit for the reinvestment
19 of the proceeds received from the transfer of a tax credit.
20 The transferee may use the amount of the tax credit
21 transferred against the taxes imposed under this division and
22 divisions II and V and chapter 432 for any tax year the
23 original transferor could have claimed the credit. Any
24 consideration received for the transfer of the tax credit
25 shall not be included as income under this division and
26 divisions II and V or as premiums under chapter 432. Any
27 consideration paid for the transfer of the tax credit shall
28 not be deducted from income under this division and divisions
29 II and V or from premiums under chapter 432.

30 c. For purposes of this subsection:

31 (1) "Cooperative association" means a cooperative
32 association organized under chapter 501 or converted to
33 regulation under chapter 501 pursuant to section 501.601.

34 (2) "Development facility" means a facility that produces
35 a product derived from an agricultural commodity or uses a

1 process to produce a product derived from an agricultural
2 product.

3 (3) "Renewable fuel production facility" means a facility
4 producing an energy source which is derived from a renewable,
5 domestically grown, organic compound capable of powering
6 machinery, including an engine or power plant, and any by-
7 product derived from such energy source.

8 Sec. 3. Section 422.60, Code 2001, is amended by adding
9 the following new subsection:

10 NEW SUBSECTION. 4. a. The taxes imposed under this
11 division shall be reduced by a value-added agriculture
12 incentive tax credit. To be eligible for the credit, the
13 taxpayer must be a member of and make a capital investment in
14 a cooperative association or limited liability company
15 organized for the purpose of operating a renewable fuel
16 production facility or a development facility. The amount of
17 the credit equals fifty percent, not to exceed twenty-five
18 thousand dollars, of the amount of the capital investment made
19 in the tax year by the taxpayer, as a member, in such
20 cooperative association or limited liability company.
21 However, for credits earned from investments made in the 2001,
22 2002, 2003, and 2004 calendar years, taxpayers may not claim
23 the credit sooner than the tax year beginning in the 2005
24 calendar year.

25 Any credit in excess of the tax liability may be carried
26 forward for up to five tax years.

27 b. (1) The taxpayer shall submit to the department of
28 economic development, division of business development, value-
29 added agriculture subdivision, an application for the tax
30 credit authorized by this subsection on a form provided by the
31 subdivision.

32 After verifying the eligibility for the tax credit, the
33 subdivision shall notify the department of revenue and finance
34 that the investment is eligible for the credit and the
35 department of revenue and finance shall issue a tax credit

1 certificate to be attached to the person's tax return. The
2 tax credit certificate shall contain the taxpayer's name,
3 address, tax identification number, the amount of credit,
4 other information required by the department of revenue and
5 finance, and a place for the name and tax identification
6 number of any transferee and the amount of the tax credit
7 being transferred.

8 (2) A person receiving a tax credit under this subsection
9 may transfer all or a portion of the unused tax credit to any
10 other person. However, the tax credit shall only be
11 transferred once. Any proceeds received by the transferor
12 from the transfer of the credit shall be immediately
13 reinvested in the cooperative association or limited liability
14 company of which the transferor is a member. The cooperative
15 association or limited liability company shall use these
16 proceeds for construction or operation of the renewable fuel
17 production facility or development facility. The transferor
18 is not eligible to receive a tax credit for the reinvestment
19 of the proceeds received from the transfer of a tax credit.
20 The transferee may use the amount of the tax credit
21 transferred against the taxes imposed under this division and
22 divisions II and III and chapter 432 for any tax year the
23 original transferor could have claimed the credit. Any
24 consideration received for the transfer of the tax credit
25 shall not be included as income under this division and
26 divisions II and III or as premiums under chapter 432. Any
27 consideration paid for the transfer of the tax credit shall
28 not be deducted from income under this division and divisions
29 II and III or from premiums under chapter 432.

30 c. For purposes of this subsection, "cooperative
31 association", "development facility", and "renewable fuel
32 production facility" mean the same as defined in section
33 422.33, subsection 11, paragraph "c".

34 Sec. 4. NEW SECTION. 432.12A VALUE-ADDED AGRICULTURE
35 INCENTIVE TAX CREDIT.

1 1. The taxes imposed under this chapter shall be reduced
2 by a value-added agriculture incentive tax credit. To be
3 eligible for the credit, the taxpayer must be a member of and
4 make a capital investment in a cooperative association or
5 limited liability company organized for the purpose of
6 operating a renewable fuel production facility or a
7 development facility. The amount of the credit equals fifty
8 percent, not to exceed twenty-five thousand dollars, of the
9 amount of the capital investment made in the calendar year by
10 the taxpayer, as a member, in such cooperative association or
11 limited liability company. However, for credits earned from
12 investments made in the 2001, 2002, 2003, and 2004 calendar
13 years, taxpayers may not claim the credit sooner than the tax
14 year beginning in the 2005 calendar year.

15 Any credit in excess of the tax liability may be carried
16 forward for up to five calendar years.

17 2. a. The taxpayer shall submit to the department of
18 economic development, division of business development, value-
19 added agriculture subdivision, an application for the tax
20 credit authorized by this section on a form provided by the
21 subdivision.

22 After verifying the eligibility for the tax credit, the
23 subdivision shall notify the department of revenue and finance
24 that the investment is eligible for the credit and the
25 department of revenue and finance shall issue a tax credit
26 certificate to be attached to the person's tax return. The
27 tax credit certificate shall contain the taxpayer's name,
28 address, tax identification number, the amount of credit,
29 other information required by the department of revenue and
30 finance, and a place for the name and tax identification
31 number of any transferee and the amount of the tax credit
32 being transferred.

33 b. A person receiving a tax credit under this section may
34 transfer all or a portion of the unused tax credit to any
35 other person. However, the tax credit shall only be

1 transferred once. Any proceeds received by the transferor
2 from the transfer of the credit shall be immediately
3 reinvested in the cooperative association or limited liability
4 company of which the transferor is a member. The cooperative
5 association or limited liability company shall use these
6 proceeds for construction or operation of the renewable fuel
7 production facility or development facility. The transferor
8 is not eligible to receive a tax credit for the reinvestment
9 of the proceeds received from the transfer of a tax credit.
10 The transferee may use the amount of the tax credit
11 transferred against the taxes imposed under this chapter and
12 chapter 422, divisions II, III, and V, for any tax year the
13 original transferor could have claimed the credit. Any
14 consideration received for the transfer of the tax credit
15 shall not be included as premiums under this chapter or as
16 income under chapter 422, divisions II, III, and V. Any
17 consideration paid for the transfer of the tax credit shall
18 not be deducted from premiums under this chapter or from
19 income under chapter 422, divisions II, III, and V.

20 c. For purposes of this subsection, "cooperative
21 association", "development facility", and "renewable fuel
22 production facility" mean the same as defined in section
23 422.33, subsection 11, paragraph "c".

24 Sec. 5. APPLICABILITY DATE. This Act applies
25 retroactively to January 1, 2001, for tax years beginning on
26 or after that date and for investments made after July 1,
27 2001.

28 EXPLANATION

29 This bill provides an individual and corporate income,
30 franchise, and gross premiums tax credit for capital
31 investments made by members of a cooperative association or
32 limited liability company organized to operate a renewable
33 fuel production facility or a development facility designed to
34 produce products from agricultural goods. The amount of the
35 credit equals 50 percent, not to exceed \$25,000, of the

1 investment made in the tax year. Any excess credit may be
2 carried forward five tax years. A taxpayer who receives the
3 credit may transfer the credit to another taxpayer to use.
4 Proceeds received from the transfer of the credit are to be
5 reinvested in the cooperative association or the limited
6 liability company. The taxpayer cannot receive an additional
7 credit for this reinvestment. The bill provides that credits
8 earned in 2001 through 2004 calendar years cannot be used
9 until the 2005 tax year.

10 The bill applies retroactively to January 1, 2001, for tax
11 years beginning on or after that date and for investments made
12 after July 1, 2001.

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