

FEB 25 2002
WAYS AND MEANS

HOUSE FILE 2522
BY TEIG

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

A BILL FOR

1 An Act relating to tax credits under the new jobs and income
2 program for farmers' cooperatives that own ethanol-producing
3 facilities and including a retroactive applicability date.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2522

1 Section 1. Section 15.333, subsection 1, Code Supplement
2 2001, is amended to read as follows:

3 1. An eligible business may claim a corporate tax credit
4 up to a maximum of ten percent of the new investment which is
5 directly related to new jobs created by the location or
6 expansion of an eligible business under the program. Any
7 credit in excess of the tax liability for the tax year may be
8 credited to the tax liability for the following seven years or
9 until depleted, whichever occurs earlier. Subject to prior
10 approval by the department of economic development in
11 consultation with the department of revenue and finance, an
12 eligible business whose project primarily involves the
13 production of value-added agricultural products may elect to
14 refund all or a portion of an unused tax credit. For purposes
15 of this section, an eligible business includes a cooperative
16 described in section 521 of the Internal Revenue Code which is
17 not required to file an Iowa corporate income tax return, and
18 whose project primarily involves the production of ethanol.
19 The refund may be used against a tax liability imposed under
20 chapter 422, division II, III, or V. If the business is a
21 partnership, ~~subchapter~~ S corporation, limited liability
22 company, or estate or trust electing to have the income taxed
23 directly to the individual, an individual may claim the tax
24 credit allowed. The amount claimed by the individual shall be
25 based upon the pro rata share of the individual's earnings of
26 the partnership, ~~subchapter~~ S corporation, limited liability
27 company, or estate or trust.

28 For purposes of this section, an eligible business includes
29 a cooperative described in section 521 of the Internal Revenue
30 Code which is required to file an Iowa corporate income tax
31 return and whose project primarily involves the production of
32 ethanol may elect to transfer all or a portion of the tax
33 credit to its members. The amount of tax credit transferred
34 and claimed by a member shall be based upon the pro rata share
35 of the member's earnings of the cooperative.

1 PARAGRAPH DIVIDED. For purposes of this section, "new
2 investment directly related to new jobs created by the
3 location or expansion of an eligible business under the
4 program" means the cost of machinery and equipment, as defined
5 in section 427A.1, subsection 1, paragraphs "e" and "j",
6 purchased for use in the operation of the eligible business,
7 the purchase price of which has been depreciated in accordance
8 with generally accepted accounting principles, and the cost of
9 improvements made to real property which is used in the
10 operation of the eligible business.

11 Sec. 2. APPLICABILITY DATE. This Act applies
12 retroactively to January 1, 2002, for tax years beginning on
13 or after that date.

14 EXPLANATION

15 Under present law, a farmers' cooperative that owns an
16 ethanol-producing facility which is not required to file an
17 Iowa corporate income tax return is entitled to a tax credit
18 under the new jobs and income program. This tax credit is
19 claimed by the members. However, if the farmers' cooperative
20 must file an Iowa corporate income tax return, all of the
21 credit must be used by the cooperative. This bill allows
22 farmers' cooperatives to file Iowa corporate income tax
23 returns to transfer all or a portion of the tax credit to its
24 members.

25 The bill applies retroactively to January 1, 2002, for tax
26 years beginning on or after that date.

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