

Gaskill  
Greiner  
Kibbie  
Bartz  
Fiegen

SSB 1249

Agriculture  
489

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
AGRICULTURE BILL BY  
CHAIRPERSON McLAREN)

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

**A BILL FOR**

1 An Act providing for an income tax credit for making capital  
2 investments in an agricultural cooperative association  
3 organized to operate a development facility or a renewable  
4 fuel production facility, establishing fees and making an  
5 appropriation of fee proceeds, and including effective and  
6 retroactive applicability date provisions.

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

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1 Section 1. NEW SECTION. 422.11F AGRICULTURAL COOPERATIVE  
2 ASSOCIATION 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 an agricultural cooperative association 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  
8 organized for the purpose of operating a development facility  
9 or a renewable fuel production facility. The amount of the  
10 credit equals fifty percent, not to exceed fifteen thousand  
11 dollars, of the amount of the capital investment made in the  
12 tax year by the taxpayer, as a member, in such cooperative  
13 association. Any credit in excess of the tax liability may be  
14 carried backward for up to three tax years or carried forward  
15 for up to five tax years.

16 2. An individual may claim an agricultural cooperative  
17 association tax credit allowed a partnership, limited  
18 liability company, S corporation, estate, or trust electing to  
19 have the income taxed directly to the individual. The amount  
20 claimed by the individual shall be based upon the pro rata  
21 share of the individual's earnings of a partnership, limited  
22 liability company, S corporation, estate, or trust.

23 3. a. The taxpayer shall submit to the department of  
24 agriculture and land stewardship an application for the tax  
25 credit authorized by this section on a form provided by the  
26 department of agriculture and land stewardship. A fee of  
27 twenty-five dollars must accompany the application. Fee  
28 proceeds are appropriated to the department of agriculture and  
29 land stewardship for costs associated with the tax credit.

30 The department of agriculture and land stewardship shall  
31 not approve tax credits under this section, section 422.33,  
32 subsection 11, and section 422.60, subsection 4, for more than  
33 one million five hundred thousand dollars for investments made  
34 in a cooperative project. The department of agriculture and  
35 land stewardship shall provide by rule for the method of

1 determining if the applied for tax credits exceed that amount  
2 and the procedure for prorating those tax credits.

3 After verifying the eligibility for the tax credit, the  
4 department of agriculture and land stewardship shall issue a  
5 tax credit certificate to be attached to the person's tax  
6 return. The tax credit certificate shall contain the  
7 taxpayer's name, address, tax identification number, the  
8 amount of credit, other information required by the department  
9 of revenue and finance, and a place for the name and tax  
10 identification number of any transferee and the amount of the  
11 tax credit being transferred.

12 b. A person receiving a tax credit under this section may  
13 transfer all or a portion of the unused tax credit to any  
14 other person. However, the tax credit shall only be  
15 transferred once. The transferee may use the amount of the  
16 tax credit transferred against the taxes imposed under this  
17 division and divisions III and V for any tax year the original  
18 transferor could have claimed the credit. Any consideration  
19 received for the transfer of the tax credit shall not be  
20 included as income under this division and divisions III and  
21 V. Any consideration paid for the transfer of the tax credit  
22 shall not be deducted from income under this division and  
23 divisions III and V.

24 4. For purposes of this section:

25 a. "Cooperative association" means a cooperative  
26 association organized under chapter 501 or converted to  
27 regulation under chapter 501 pursuant to section 501.601.

28 b. "Development facility" means a facility producing a  
29 good derived from an agricultural commodity or using a process  
30 to produce a good derived from an agricultural commodity.

31 c. "Project" means a development facility or renewable  
32 fuel production facility operated or to be operated by a  
33 cooperative association.

34 d. "Renewable fuel production facility" means a facility  
35 producing an energy source which is derived from a renewable,

1 domestically grown, organic compound capable of powering  
2 machinery, including an engine or power plant, and any by-  
3 product derived from such energy source.

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

6 NEW SUBSECTION. 11. a. The taxes imposed under this  
7 division shall be reduced by an agricultural cooperative  
8 association tax credit. To be eligible for the credit, the  
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19 b. (1) The taxpayer shall submit to the department of  
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 7 tax credit 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. The transferee may use the amount of the  
 12 tax credit transferred against the taxes imposed under this  
 13 division and divisions II and V for any tax year the original  
 14 transferor could have claimed the credit. Any consideration  
 15 received for the transfer of the tax credit shall not be  
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20 c. For purposes of this subsection:

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31 Sec. 4. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.  
32 This Act, being deemed of immediate importance, takes effect  
33 upon enactment and applies retroactively to January 1, 2001,  
34 for tax years beginning on or after that date.

35 EXPLANATION

1 This bill provides an individual and corporate income tax  
2 and bank franchise tax credit for capital investments made by  
3 members of a cooperative association organized to operate a  
4 development facility or a renewable fuel production facility.  
5 A development facility is a facility that produces a product  
6 from agricultural commodities. The amount of the credit  
7 equals 50 percent, not to exceed \$15,000, of the investment  
8 made in the tax year. Any excess credit may be carried back  
9 three years or carried forward five years. A taxpayer who  
10 receives the credit may transfer the credit to another  
11 taxpayer to use. Tax credits in excess of \$1.5 million for  
12 any facility shall not be granted. If the credits applied for  
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14 The bill takes effect upon enactment and applies  
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Rereferred To: Wagner & Merrin

FILED MAR 19 1979

SENATE FILE 489  
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO SSB 1249)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
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SF 489

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28 EXPLANATION

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**SENATE FILE 489  
FISCAL NOTE**

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A fiscal note for **Senate File 489** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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Senate File 489 creates an income tax credit for capital investments by members of a cooperative association organized to operate a development facility or a renewable fuel production facility. A development facility produces a good derived from an agricultural commodity or uses a process to produce a good derived from an agricultural commodity. Each cooperative member may receive a tax credit of 50.0% of his or her investment, up to a maximum of \$15,000. There is a maximum credit of \$1.5 million per project. If the tax credits applied for exceed the maximum, the tax credits will be prorated among the investors. The Bill applies retroactively to January 1, 2001.

**ASSUMPTIONS**

1. The Department of Economic Development has identified 13 renewable fuel facilities now under construction or in active planning that will qualify for tax credits. Four facilities will be eligible to receive tax credits in FY 2002. It is assumed the remaining nine facilities will receive credits in FY 2003.
2. These facilities will continue regardless of the availability of the tax credit provided in this Bill.
3. There is no estimate for the number of development facilities that will qualify for tax credits. Likewise, there is no estimate for the number of projects that will be created because of this tax credit. Additional tax credits will be generated by projects that have not yet been identified. General Fund revenues will be reduced by a corresponding amount.
4. The average cooperative association renewable fuel project costs \$11.5 million and has 575 investors.
5. The average investment is \$20,000, and the average individual's tax credit will be \$10,000. Each project will receive the maximum tax credit of \$1.5 million. It is assumed that all tax credits will be utilized by the investors since the excess may be carried backward for three years or forward for five years.
6. These projects will probably receive local property tax exemptions under either the Enterprise Zone Program or the new Jobs and Income Program. The local impact will depend upon the tax policies adopted by the local taxing jurisdictions and cannot be estimated at this time.
7. All investors will apply for the tax credit and pay the \$25 application fee to the Department of Agriculture and Land Stewardship.

**FISCAL IMPACT**

Senate File 489 is projected to produce tax credits of \$6.0 million in FY 2002 and \$13.5 million in FY 2003 for known projects currently underway. Additional tax credits will be generated by projects that have not yet been identified.

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General Fund revenues will be reduced by a corresponding amount.

In FY 2002, the Department of Agriculture and Land Stewardship will receive fee revenues of \$58,000. The fee will generate \$129,000 in receipts in FY 2003. The Department will incur costs of approximately \$25,000 per year for staff and support costs related to this tax credit program.

SOURCES

Department of Economic Development  
Department of Agriculture and Land Stewardship

(LSB 125037, MOFY)

FILED MARCH 26, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR

**SENATE FILE 489  
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