

APR 14 2005
WAYS & MEANS CALENDAR

HOUSE FILE 857
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 670)
(SUCCESSOR TO HSB 53)

Passed House, Date 4-20-05 Passed Senate, Date _____
Vote: Ayes 99 Nays 0 Vote: Ayes _____ Nays _____
Approved 5/12/05

A BILL FOR

1 An Act relating to the transferability of eligible housing
2 business tax credits for new housing investment under the
3 enterprise zone program.

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

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HF 857

1 Section 1. Section 15E.193B, subsection 8, unnumbered
2 paragraph 1, Code 2005, is amended to read as follows:

3 The amount of the tax credits determined pursuant to
4 subsection 6, paragraph "a", for each project shall be
5 approved by the department of economic development. The
6 department shall utilize the financial information required to
7 be provided under subsection 5, paragraph "e", to determine
8 the tax credits allowed for each project. In determining the
9 amount of tax credits to be allowed for a project, the
10 department shall not include the portion of the project cost
11 financed through federal, state, and local government tax
12 credits, grants, and forgivable loans. Upon approving the
13 amount of the tax credit, the department of economic
14 development shall issue a tax credit certificate to the
15 eligible housing business. An eligible housing business or
16 transferee shall not claim the tax credit unless a tax credit
17 certificate issued by the department of economic development
18 is attached to the taxpayer's return for the tax year for
19 which the tax credit is claimed. The tax credit certificate
20 shall contain the taxpayer's name, address, tax identification
21 number, the amount of the tax credit, and other information
22 required by the department of revenue. The tax credit
23 certificate shall be transferable if the housing development
24 is located in a brownfield site as defined in section 15.291,
25 if the housing development is located in a blighted area as
26 defined in section 403.17, or if low-income housing tax
27 credits authorized under section 42 of the Internal Revenue
28 Code are used to assist in the financing of the housing
29 development. Not more than three million dollars worth of tax
30 credits for housing developments that are located in a
31 brownfield site as defined in section 15.291 or housing
32 developments located in a blighted area as defined in section
33 403.17 shall be transferred in one calendar year. The three
34 million dollar annual limit does not apply to tax credits
35 awarded to an eligible housing business having low-income

1 housing tax credits authorized under section 42 of the
2 Internal Revenue Code to assist in the financing of the
3 housing development. The department may approve an
4 application for tax credit certificates for transfer from an
5 eligible housing business located in a brownfield site as
6 defined in section 15.291 or in a blighted area as defined in
7 section 403.17 that would result in the issuance of more than
8 three million dollars of tax credit certificates for transfer
9 provided the department, through negotiation with the eligible
10 business, allocates those tax credit certificates for transfer
11 over more than one calendar year. The department shall not
12 issue more than one million five hundred thousand dollars in
13 tax credit certificates for transfer to any one eligible
14 housing business located in a brownfield site as defined in
15 section 15.291 or in a blighted area as defined in section
16 403.17 in a calendar year. If three million dollars in tax
17 credit certificates for transfer have not been issued at the
18 end of a calendar year, the remaining tax credit certificates
19 for transfer may be issued in advance to an eligible housing
20 business scheduled to receive a tax credit certificate for
21 transfer in a later calendar year. Any time the department
22 issues a tax credit certificate for transfer which has not
23 been allocated at the end of a calendar year, the department
24 may prorate the remaining certificates to more than one
25 eligible applicant. If the entire three million dollars of
26 tax credit certificates for transfer is not issued in a given
27 calendar year, the remaining amount may be carried over to a
28 succeeding calendar year. Tax credit certificates issued
29 under this chapter may be transferred to any person or entity.
30 Within ninety days of transfer, the transferee must submit the
31 transferred tax credit certificate to the department of
32 economic development along with a statement containing the
33 transferee's name, tax identification number, and address, and
34 the denomination that each replacement tax credit certificate
35 is to carry and any other information required by the

1 department of revenue. Within thirty days of receiving the
2 transferred tax credit certificate and the transferee's
3 statement, the department of economic development shall issue
4 one or more replacement tax credit certificates to the
5 transferee. Each replacement certificate must contain the
6 information required to receive the original certificate and
7 must have the same expiration date that appeared in the
8 transferred tax credit certificate. Tax credit certificate
9 amounts of less than the minimum amount established by rule of
10 the department of economic development shall not be
11 transferable. A tax credit shall not be claimed by a
12 transferee under subsection 6, paragraph "a", until a
13 replacement tax credit certificate identifying the transferee
14 as the proper holder has been issued.

15 Sec. 2. APPLICABILITY. This Act shall apply to transfers
16 of tax credit certificates for projects that begin on or after
17 July 1, 2005.

18 EXPLANATION

19 This bill relates to the transferability of eligible
20 housing business tax credits for new housing investment under
21 the enterprise zone program.

22 An eligible housing business under the enterprise zone
23 program may receive a tax credit of up to 10 percent of the
24 new investment which is directly related to the building or
25 rehabilitating of a minimum of four single-family homes
26 located in that part of a city or county in which there is a
27 designated enterprise zone or one multiple-dwelling unit
28 building containing three or more individual dwelling units
29 located in that part of a city or county in which there is a
30 designated enterprise zone. Currently, the tax credits are
31 transferable if low-income housing tax credits authorized
32 under section 42 of the Internal Revenue Code are used to
33 assist in the financing of the housing development. The bill
34 provides that not more than \$3 million worth of tax credits
35 are transferable if the housing development is located in a

1 brownfield site or if the housing development is located in a
2 blighted area. The bill allows the department to approve the
3 issuance of more than \$3 million of tax credit certificates
4 for transfer provided that the department allocates those tax
5 credit certificates for transfer over more than one calendar
6 year. The bill prohibits the issuance of more than \$1.5
7 million in tax credit certificates for transfer to any one
8 eligible housing business located in a brownfield site or in a
9 blighted area in a calendar year. The bill provides that, if
10 at the end of a calendar year less than \$3 million in tax
11 credit certificates for transfer are issued, the remaining tax
12 credit certificates may be issued in advance to an eligible
13 housing business scheduled to receive a tax credit certificate
14 for transfer in a later calendar year and the department may
15 prorate the remaining certificates to more than one eligible
16 applicant. The bill allows tax credit certificates for
17 transfer that are not issued during a calendar year to be
18 carried over to a succeeding calendar year.

19 The bill applies to transfers of tax credits for projects
20 that begin on or after July 1, 2005.

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 857 - Housing Development Tax Credit Act (LSB 1871 HZ)
Analyst: Russell Trimble (Phone: (515) 281-4613) (russ.trimble@legis.state.ia.us)
Fiscal Note Version - New

Description

House File 857 allows for the transfer of up to \$3.0 million in housing business investment tax credits per year for projects started on or after July 1, 2005, in blighted or brownfield areas within an enterprise zone. The Bill requires that no more than \$1.5 million is awarded to a single project in one calendar year. The Bill specifies, however, that any moneys that have not been allocated by the end of the calendar year may be prorated to more than one eligible applicant. House File 857 allows un-issued tax credits to be carried forward and used in subsequent fiscal years.

Background

1. Under current law, eligible housing business projects in an enterprise zone are eligible to receive tax credits and rebates under the Enterprise Zone Program. A provision in House File 857 allows the tax credits to be saleable for projects in a blighted or brownfield area within the enterprise zone. This provision will directly result in projects that otherwise would not have occurred. Up to \$3.0 million in investment tax credits involving these projects may be transferred or sold in one fiscal year. However, no more than \$1.5 million may be awarded to a single project in one calendar year unless by the end of the calendar year the full \$3.0 million has not been fully allocated. Moneys that remain un-allocated at the end of the calendar year may be prorated to more than one eligible applicant.
2. In FY 2004, the Department of Economic Development approved 883 housing units generating an estimated \$7.3 million in tax credits and \$2.2 million in State sales and use tax rebates.
3. Each project that is eligible may receive a 10.0% investment tax credit per unit. The maximum credit per unit is 10.0% of an investment up to \$140,000 per unit, or \$14,000 per unit.
4. Tax credits cannot be utilized until a unit or units are completed and receive a certificate of occupancy.

Assumptions

1. Under the proposed legislation, the Department is aware of one project that will result in between 725 and 750 new housing units over a five-year period (145 - 150 units per year). In addition to this project, the Department estimates 50 additional housing units will result each year.
2. No other projects the size of the project mentioned above will occur as a result of the proposed legislation.
3. Like the project the Department is aware will occur, most of the projects that will occur as a result of HF 857 will be market-rate projects with unit costs equal to, or greater than \$140,000 per unit.
4. The known project involving between 725 and 750 new housing units will result in \$2.0 - \$2.1 million in tax credits per year (145 to 150 units per year x \$14,000). There will not be sufficient demand from other projects to utilize the full \$3.0 million in tax credits during the calendar year. Therefore, this project will initially receive \$1.5 million, and will receive the remaining \$500,000 - \$600,000 at the end of the year from un-allocated funds that remain. Investment tax credits of \$700,000 will be awarded for the additional 50 units the

Department estimates will be completed each year. Investment tax credits resulting from the proposed legislation will total between \$2.7 and \$2.8 million per year.

5. Based on the FY 2004 data mentioned above, sales and use tax rebates are approximately 30.0% of the total investment tax credits awarded. The total sales and use tax rebate for the known project will be approximately \$600,000 - \$630,000 per year. The sales and use tax rebate for the additional 50 units will be approximately \$210,000 per year. The total sales and use tax rebate resulting from the proposed legislation will be approximately \$810,000 - \$840,000 per year.
6. Projects resulting from HF 857 will begin on or after July 1, 2005. The project involving the 725 - 750 new housing units will be completed in five equal phases. Phase one will not be done until on or after July 1, 2006. It is assumed the other 50 housing units that may result would not be completed until after July 1, 2006.
7. The sales and use tax rebate will be utilized a year prior to the investment tax credits. Each investment tax credit award will have a 100.0% utilization rate and will be fully utilized in one fiscal year.

Fiscal Impact

House File 857 will reduce State General Fund revenues by approximately \$810,000 to \$840,000 in FY 2006. State General Fund revenues will be reduced by \$3.5 to \$3.6 million annually from FY 2007 – FY 2010. In FY 2011, State General Fund revenues will be reduced by an estimated \$2.9 to \$3.0 million and by \$900,000 annually beginning in FY 2012 due to the completion of the project involving 725 to 750 new housing units.

Sources

Department of Economic Development
Legislative Services Agency

/s/ Holly M. Lyons

April 18, 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.

HOUSE FILE 857

H-1453

1 Amend House File 857 as follows:

2 1. Page 1, by inserting before line 1 the
3 following:

4 "Section 1. Section 15E.193B, subsection 2, Code
5 2005, is amended to read as follows:

6 2. An eligible housing business under this section
7 includes a housing developer, housing contractor, or
8 nonprofit organization that builds or rehabilitates a
9 minimum of four single-family homes with permanent
10 perimeter foundations located in that part of a city
11 or county in which there is a designated enterprise
12 zone or one multiple dwelling unit building with a
13 permanent perimeter foundation containing three or
14 more individual dwelling units located in that part of
15 a city or county in which there is a designated
16 enterprise zone."

17 2. Title page, line 1, by striking the words "the
18 transferability of".

19 3. Title page, by striking line 2 and inserting
20 the following: "businesses under the".

21 4. By renumbering as necessary.

By SHOULTZ of Black Hawk

H-1453 FILED APRIL 20, 2005

ADOPTED

HOUSE FILE 857
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 670)

(SUCCESSOR TO HSB 53)

(As Amended and Passed by the House April 20, 2005)

Re-Passed House, Date 4-29-05 Passed Senate, Date 4-27-05
Vote: Ayes 98 Nays 0 Vote: Ayes 50 Nays 0
Approved _____

A BILL FOR

*1 An Act relating to eligible housing businesses under the
2 enterprise zone program.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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House Amendments _____
Deleted Language *

HOUSE FILE 857

S-3180

- 1 Amend House File 857, as amended, passed, and
- 2 reprinted by the House, as follows:
- 3 1. Page 1, by striking lines 1 through 12.
- 4 2. By renumbering as necessary.

COMMITTEE ON WAYS AND MEANS
JOE BOLKCOM, CO-CHAIRPERSON
MARK ZIEMAN, CO-CHAIRPERSON

S-3180 FILED APRIL 26, 2005

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**SENATE AMENDMENT TO
HOUSE FILE 857**

H-1541

- 1 Amend House File 857, as amended, passed, and
- 2 reprinted by the House, as follows:
- 3 1. Page 1, by striking lines 1 through 12.
- 4 2. By renumbering as necessary.

RECEIVED FROM THE SENATE

H-1541 FILED APRIL 27, 2005

1 Section 1. Section 15E.193B, subsection 2, Code 2005, is
2 amended to read as follows:

3 2. An eligible housing business under this section
4 includes a housing developer, housing contractor, or nonprofit
5 organization that builds or rehabilitates a minimum of four
6 single-family homes with permanent perimeter foundations
7 located in that part of a city or county in which there is a
8 designated enterprise zone or one multiple dwelling unit
9 building with a permanent perimeter foundation containing
10 three or more individual dwelling units located in that part
11 of a city or county in which there is a designated enterprise
12 zone.

13 Sec. 2. Section 15E.193B, subsection 8, unnumbered
14 paragraph 1, Code 2005, is amended to read as follows:

15 The amount of the tax credits determined pursuant to
16 subsection 6, paragraph "a", for each project shall be
17 approved by the department of economic development. The
18 department shall utilize the financial information required to
19 be provided under subsection 5, paragraph "e", to determine
20 the tax credits allowed for each project. In determining the
21 amount of tax credits to be allowed for a project, the
22 department shall not include the portion of the project cost
23 financed through federal, state, and local government tax
24 credits, grants, and forgivable loans. Upon approving the
25 amount of the tax credit, the department of economic
26 development shall issue a tax credit certificate to the
27 eligible housing business. An eligible housing business or
28 transferee shall not claim the tax credit unless a tax credit
29 certificate issued by the department of economic development
30 is attached to the taxpayer's return for the tax year for
31 which the tax credit is claimed. The tax credit certificate
32 shall contain the taxpayer's name, address, tax identification
33 number, the amount of the tax credit, and other information
34 required by the department of revenue. The tax credit
35 certificate shall be transferable if the housing development

1 is located in a brownfield site as defined in section 15.291,
2 if the housing development is located in a blighted area as
3 defined in section 403.17, or if low-income housing tax
4 credits authorized under section 42 of the Internal Revenue
5 Code are used to assist in the financing of the housing
6 development. Not more than three million dollars worth of tax
7 credits for housing developments that are located in a
8 brownfield site as defined in section 15.291 or housing
9 developments located in a blighted area as defined in section
10 403.17 shall be transferred in one calendar year. The three
11 million dollar annual limit does not apply to tax credits
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13 housing tax credits authorized under section 42 of the
14 Internal Revenue Code to assist in the financing of the
15 housing development. The department may approve an
16 application for tax credit certificates for transfer from an
17 eligible housing business located in a brownfield site as
18 defined in section 15.291 or in a blighted area as defined in
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27 section 15.291 or in a blighted area as defined in section
28 403.17 in a calendar year. If three million dollars in tax
29 credit certificates for transfer have not been issued at the
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33 transfer in a later calendar year. Any time the department
34 issues a tax credit certificate for transfer which has not
35 been allocated at the end of a calendar year, the department

1 may prorate the remaining certificates to more than one
2 eligible applicant. If the entire three million dollars of
3 tax credit certificates for transfer is not issued in a given
4 calendar year, the remaining amount may be carried over to a
5 succeeding calendar year. Tax credit certificates issued
6 under this chapter may be transferred to any person or entity.
7 Within ninety days of transfer, the transferee must submit the
8 transferred tax credit certificate to the department of
9 economic development along with a statement containing the
10 transferee's name, tax identification number, and address, and
11 the denomination that each replacement tax credit certificate
12 is to carry and any other information required by the
13 department of revenue. Within thirty days of receiving the
14 transferred tax credit certificate and the transferee's
15 statement, the department of economic development shall issue
16 one or more replacement tax credit certificates to the
17 transferee. Each replacement certificate must contain the
18 information required to receive the original certificate and
19 must have the same expiration date that appeared in the
20 transferred tax credit certificate. Tax credit certificate
21 amounts of less than the minimum amount established by rule of
22 the department of economic development shall not be
23 transferable. A tax credit shall not be claimed by a
24 transferee under subsection 6, paragraph "a", until a
25 replacement tax credit certificate identifying the transferee
26 as the proper holder has been issued.

27 Sec. 3. APPLICABILITY. This Act shall apply to transfers
28 of tax credit certificates for projects that begin on or after
29 July 1, 2005.

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Jenkins, Chr.
S. Olson
Wise

HSB 53
ECONOMIC GROWTH

Success
By 857

HOUSE FILE _____

BY (PROPOSED COMMITTEE ON
ECONOMIC GROWTH BILL BY
CHAIRPERSON HOFFMAN)

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the transferability of eligible housing
2 business tax credits for new housing investment under the
3 enterprise zone program.

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

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2 paragraph 1, Code 2005, is amended to read as follows:

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6 department shall utilize the financial information required to
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8 the tax credits allowed for each project. In determining the
9 amount of tax credits to be allowed for a project, the
10 department shall not include the portion of the project cost
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15 eligible housing business. An eligible housing business or
16 transferee shall not claim the tax credit unless a tax credit
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18 is attached to the taxpayer's return for the tax year for
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27 credits authorized under section 42 of the Internal Revenue
28 Code are used to assist in the financing of the housing
29 development. Tax credit certificates issued under this
30 chapter may be transferred to any person or entity. Within
31 ninety days of transfer, the transferee must submit the
32 transferred tax credit certificate to the department of
33 economic development along with a statement containing the
34 transferee's name, tax identification number, and address, and
35 the denomination that each replacement tax credit certificate

1 is to carry and any other information required by the
2 department of revenue. Within thirty days of receiving the
3 transferred tax credit certificate and the transferee's
4 statement, the department of economic development shall issue
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6 transferee. Each replacement certificate must contain the
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12 transferable. A tax credit shall not be claimed by a
13 transferee under subsection 6, paragraph "a", until a
14 replacement tax credit certificate identifying the transferee
15 as the proper holder has been issued.

16

EXPLANATION

17 This bill relates to the transferability of eligible
18 housing business tax credits for new housing investment under
19 the enterprise zone program.

20 An eligible housing business under the enterprise zone
21 program may receive a tax credit of up to 10 percent of the
22 new investment which is directly related to the building or
23 rehabilitating of a minimum of four single-family homes
24 located in that part of a city or county in which there is a
25 designated enterprise zone or one multiple-dwelling unit
26 building containing three or more individual dwelling units
27 located in that part of a city or county in which there is a
28 designated enterprise zone. Currently, the tax credits are
29 transferable if low-income housing tax credits authorized
30 under section 42 of the Internal Revenue Code are used to
31 assist in the financing of the housing development. The bill
32 provides that the tax credits are also transferable if the
33 housing development is located in a brownfield site or if the
34 housing development is located in a blighted area.

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HOUSE FILE 857

AN ACT

RELATING TO ELIGIBLE HOUSING BUSINESSES UNDER THE ENTERPRISE
ZONE PROGRAM.

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

Section 1. Section 15E.193B, subsection 8, unnumbered paragraph 1, Code 2005, is amended to read as follows:

The amount of the tax credits determined pursuant to subsection 6, paragraph "a", for each project shall be approved by the department of economic development. The department shall utilize the financial information required to be provided under subsection 5, paragraph "e", to determine the tax credits allowed for each project. In determining the amount of tax credits to be allowed for a project, the department shall not include the portion of the project cost financed through federal, state, and local government tax credits, grants, and forgivable loans. Upon approving the amount of the tax credit, the department of economic development shall issue a tax credit certificate to the eligible housing business. An eligible housing business or

transferee shall not claim the tax credit unless a tax credit certificate issued by the department of economic development is attached to the taxpayer's return for the tax year for which the tax credit is claimed. The tax credit certificate shall contain the taxpayer's name, address, tax identification number, the amount of the tax credit, and other information required by the department of revenue. The tax credit certificate shall be transferable if the housing development is located in a brownfield site as defined in section 15.291, if the housing development is located in a blighted area as defined in section 403.17, or if low-income housing tax credits authorized under section 42 of the Internal Revenue Code are used to assist in the financing of the housing development. Not more than three million dollars worth of tax credits for housing developments that are located in a brownfield site as defined in section 15.291 or housing developments located in a blighted area as defined in section 403.17 shall be transferred in one calendar year. The three million dollar annual limit does not apply to tax credits awarded to an eligible housing business having low-income housing tax credits authorized under section 42 of the Internal Revenue Code to assist in the financing of the housing development. The department may approve an application for tax credit certificates for transfer from an eligible housing business located in a brownfield site as defined in section 15.291 or in a blighted area as defined in section 403.17 that would result in the issuance of more than three million dollars of tax credit certificates for transfer provided the department, through negotiation with the eligible business, allocates those tax credit certificates for transfer over more than one calendar year. The department shall not issue more than one million five hundred thousand dollars in tax credit certificates for transfer to any one eligible housing business located in a brownfield site as defined in section 15.291 or in a blighted area as defined in section

403.17 in a calendar year. If three million dollars in tax credit certificates for transfer have not been issued at the end of a calendar year, the remaining tax credit certificates for transfer may be issued in advance to an eligible housing business scheduled to receive a tax credit certificate for transfer in a later calendar year. Any time the department issues a tax credit certificate for transfer which has not been allocated at the end of a calendar year, the department may prorate the remaining certificates to more than one eligible applicant. If the entire three million dollars of tax credit certificates for transfer is not issued in a given calendar year, the remaining amount may be carried over to a succeeding calendar year. Tax credit certificates issued under this chapter may be transferred to any person or entity. Within ninety days of transfer, the transferee must submit the transferred tax credit certificate to the department of economic development along with a statement containing the transferee's name, tax identification number, and address, and the denomination that each replacement tax credit certificate is to carry and any other information required by the department of revenue. Within thirty days of receiving the transferred tax credit certificate and the transferee's statement, the department of economic development shall issue one or more replacement tax credit certificates to the transferee. Each replacement certificate must contain the information required to receive the original certificate and must have the same expiration date that appeared in the transferred tax credit certificate. Tax credit certificate amounts of less than the minimum amount established by rule of the department of economic development shall not be transferable. A tax credit shall not be claimed by a transferee under subsection 6, paragraph "a", until a replacement tax credit certificate identifying the transferee as the proper holder has been issued.

Sec. 2. APPLICABILITY. This Act shall apply to transfers of tax credit certificates for projects that begin on or after July 1, 2005.

CHRISTOPHER C. RANTS
Speaker of the House

JOHN P. KIBBIE
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 857, Eighty-first General Assembly.

MARGARET THOMSON
Chief Clerk of the House

Approved 5/12, 2005

THOMAS J. VILSACK
Governor