

FEB 7 2006
WAYS AND MEANS

HOUSE FILE 2274
BY JENKINS

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

A BILL FOR

1 An Act providing individual and corporate income tax credits for
2 the purchase and installation of methane gas conversion
3 property by livestock producers to be used to generate
4 electricity and including a retroactive applicability date
5 provision.

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

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HF 2274

1 Section 1. NEW SECTION. 422.11M METHANE GAS CONVERSION
2 TAX CREDIT.

3 1. The taxes imposed under this division, less the amounts
4 of nonrefundable credits allowed under this division, shall be
5 reduced by a methane gas conversion tax credit. The amount of
6 the credit equals twenty-five percent of the cost of the
7 acquisition and installation of methane gas conversion
8 property by a livestock producer for the purpose of converting
9 methane gas into electricity. A taxpayer claiming the tax
10 credit allowed under this section shall not be eligible to
11 claim a tax credit under chapter 476C with respect to the
12 methane gas conversion property.

13 2. Any credit in excess of the taxpayer's tax liability
14 shall be refunded. In lieu of claiming a refund, the taxpayer
15 may elect to have the overpayment shown on the taxpayer's
16 final, completed return credited to the tax liability for the
17 following tax year.

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

25 4. A taxpayer claiming a tax credit under this section
26 shall not be precluded, in computing taxable income, from
27 using the entire cost of the purchase or installation of the
28 methane gas conversion property in determining the amount of
29 depreciation or expense deduction under any section of the
30 Internal Revenue Code.

31 5. For purposes of this section:

32 a. "Livestock" means an animal belonging to the bovine,
33 caprine, equine, ovine, or porcine species, ostriches, rheas,
34 emus, farm deer as defined in section 170.1, or poultry.

35 b. "Livestock operation" means an animal feeding operation

1 as defined in section 459.102 in which livestock is provided
2 care and feeding, or any other area which is used for raising
3 crops or other vegetation and upon which livestock is fed or
4 allowed to graze.

5 c. "Livestock producer" means a person who is the owner
6 and operator of livestock subject to care and feeding at a
7 livestock operation in which the person holds a legal
8 interest. The person may own the livestock or own the
9 livestock jointly with another person. The person must be
10 actively engaged in the livestock operation by making
11 management decisions and performing physical work relating to
12 the care and feeding of the livestock on a regular,
13 continuous, and substantial basis in a manner that is
14 essential to the success of the livestock operation.

15 d. "Methane gas conversion property" means personal
16 property, real property, and improvements to real property
17 used in an operation to collect methane gas or other gases
18 produced as a by-product of waste decomposition from a
19 livestock operation and to convert the gas to energy to be
20 used to generate electricity.

21 Sec. 2. Section 422.33, Code Supplement 2005, is amended
22 by adding the following new subsection:

23 NEW SUBSECTION. 20. a. The taxes imposed under this
24 division shall be reduced by a methane gas conversion tax
25 credit. The amount of the credit equals twenty-five percent
26 of the cost of the acquisition and installation of methane gas
27 conversion property by a livestock producer for the purpose of
28 converting methane gas into electricity. A taxpayer claiming
29 the tax credit allowed under this subsection shall not be
30 eligible to claim a tax credit under chapter 476C with respect
31 to the methane gas conversion property.

32 b. Any credit in excess of the taxpayer's tax liability
33 shall be refunded. In lieu of claiming a refund, the taxpayer
34 may elect to have the overpayment shown on the taxpayer's
35 final, completed return credited to the tax liability for the

1 following tax year.

2 c. A taxpayer claiming a tax credit under this subsection
3 shall not be precluded, in computing taxable income, from
4 using the entire cost of the purchase or installation of the
5 methane gas conversion property in determining the amount of
6 depreciation or expense deduction under any section of the
7 Internal Revenue Code.

8 d. For purposes of this subsection:

9 (1) "Livestock" means an animal belonging to the bovine,
10 caprine, equine, ovine, or porcine species, ostriches, rheas,
11 emus, farm deer as defined in section 170.1, or poultry.

12 (2) "Livestock operation" means an animal feeding
13 operation as defined in section 459.102 in which livestock is
14 provided care and feeding, or any other area which is used for
15 raising crops or other vegetation and upon which livestock is
16 fed or allowed to graze.

17 (3) "Livestock producer" means a person who is the owner
18 and operator of livestock subject to care and feeding at a
19 livestock operation in which the person holds a legal
20 interest. The person may own the livestock or own the
21 livestock jointly with another person. The person must be
22 actively engaged in the livestock operation by making
23 management decisions and performing physical work relating to
24 the care and feeding of the livestock on a regular,
25 continuous, and substantial basis in a manner that is
26 essential to the success of the livestock operation.

27 (4) "Methane gas conversion property" means personal
28 property, real property, and improvements to real property
29 used in an operation to collect methane gas or other gases
30 produced as a by-product of waste decomposition from a
31 livestock operation and to convert the gas to energy to be
32 used to generate electricity.

33 Sec. 3. Section 437A.6, subsection 1, paragraph d, Code
34 2005, is amended to read as follows:

35 d. Methane gas conversion property subject to section

1 427.1, subsection 29, or eligible for a tax credit under
2 section 422.11M or section 422.33, subsection 20.

3 Sec. 4. RETROACTIVE APPLICABILITY DATE. This Act applies
4 retroactively to January 1, 2006, for tax years beginning on
5 or after that date.

6 EXPLANATION

7 This bill provides an income tax credit under the
8 individual and corporate income taxes equal to 25 percent of
9 the cost to a livestock producer of the acquisition and
10 installation of methane gas conversion property. Methane gas
11 conversion property is personal and real property that is used
12 to convert the gas produced from livestock waste decomposition
13 into electricity.

14 The bill applies retroactively to January 1, 2006, for tax
15 years beginning on or after that date.

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