

## INNOVATION FUND TAX CREDIT CHANGES

### **Prior Law**

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An innovation fund tax credit is available for Iowa individual income, corporation income, franchise, insurance premium, and money and credits tax. The credit equals 20% of the investment made in an innovation fund certified by the Iowa Economic Development Authority (Authority). The Authority issues tax credit certificates for investors in the fund, and the credit can not be claimed until the third year following the year in which the investment was made. Any tax credit in excess of the tax liability can be credited to the tax liability for the following five years or until depleted, whichever is earlier. The credit is not transferable, and the credit is capped at \$8 million per fiscal year.

No tax credits were ever issued by the Authority since this tax credit was enacted in 2011.

### **New Provisions**

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The innovation fund tax credit is now 25% of the investment made in the innovation fund. The Authority will issue the tax credit certificates on a first-come, first serve basis, and the Authority cannot issue any tax credit certificates before September 1, 2014. The tax credit can now be claimed in the year in which the investment was made, and any credit in excess of the tax liability can be carried forward for five years. The tax credits continue to be capped at \$8 million per fiscal year. The Authority will not certify any innovation funds after June 30, 2018.

The credit is now transferable. The original owner of the certificate has 90 days of the date of the transfer to surrender the original certificate to the Department of Revenue. Within 30 days of receiving the transferred certificate, the Department of Revenue will issue a replacement certificate to the purchaser of the tax credit. Any consideration received for the transfer of the tax credit is not income for Iowa individual income, corporation income, and franchise tax. Any consideration paid for the transfer of the tax credit is not allowed as a deduction for Iowa individual income, corporation income, and franchise tax.

The Iowa Economic Development Authority Board, in conjunction with the Department of Revenue, shall submit annual reports to the General Assembly and the Governor regarding the amounts of tax credits issued each fiscal year, along with the amounts of tax credits that are transferred. In addition, the innovation fund tax credit will be reviewed by the Legislative Tax Expenditure Committee in 2017.

**Section Amended** \_\_\_\_\_

Section 1 of 2013 Iowa Acts House File 615 amends section 2.48, subsection 3, Code 2013, by adding new paragraph f. Section 2 amends section 15E.52, subsection 3, Code 2013. Section 3 amends section 15E.52, subsection 5, Code 2013. Section 4 amends section 15E.52, subsection 6, Code 2013. Section 5 amends section 15E.52, subsection 6, Code 2013, by adding new paragraphs d, e, f and g. Section 6 amends section 15E.52, Code 2013, by adding new subsections 8, 9, 10, 11, 12 and 13.

**Effective Date** \_\_\_\_\_

Retroactive to January 1, 2013, for tax years beginning on or after that date and for equity investments in an innovation fund made on or after that date.