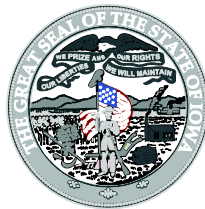


2015  
Legislative Summaries  
Emphasizing Tax Issues



Iowa Department of  
**REVENUE**

<https://tax.iowa.gov>

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## HOMESTEAD CREDIT FOR CERTAIN DISABLED VETERANS

### Prior Law

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Owners of homesteads were eligible for a homestead tax credit equal to the entire tax value assessed to the homestead if they fell into one of the following categories:

- Veterans of any of the military forces of the United States who acquired the homestead under 38 U.S.C. Sections 21.801, 21.802 or 38 U.S.C. Sections 2101, 2102;
- Veterans (as defined in Iowa Code section 35.1) of any branch of the U.S. Military with a service-connected disability rating of 100%, as certified by the U.S. Department of Veterans Affairs;
- Former members of the national guard of any state, who otherwise meet the Iowa definition of veteran, with a service-connected disability rating of 100%, as certified by the U.S. Department of Veterans Affairs; and
- Surviving spouses and children of veterans who are receiving dependency and indemnity compensation under 38 U.S.C. section 1301 *et seq.*

### New Provisions

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The Act modified the eligible owners in the following ways:

- Veterans or former members of the national guard who qualify by having a service-connected disability must have a permanent disability rating to be eligible.
- Veterans or former members of the national guard who do not have a service-connected disability rating of 100%, but have a permanent and total disability rating based on individual employability and are paid at the 100% disability rate, are also eligible for the credit.
- Surviving spouses and children receiving dependency and indemnity compensation are eligible only if their compensation is certified by the U.S. Department of Veterans Affairs.
- Surviving spouses who remarry remain eligible for the credit as long as they continue to receive dependency and indemnity compensation as certified by the United States Department of Veterans Affairs.
- HF 616 amends HF 166 to provide that veterans who qualify under the new language, and who apply for the credit before July 1, 2015, shall receive the credit for fiscal year 2015, taxes due and payable in 2015 and 2016.

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

2015 Iowa Acts House File 166 amends Section 425.15, Code 2015. House File 616 amends House File 166, section 6.

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

HF 166: March 5, 2015; HF 616: June 18, 2015, retroactive to March 5, 2015

**15 HF 166**

## SELF-PAY WASHERS AND DRYERS EXEMPT

### Prior Law \_\_\_\_\_

Iowa imposes sales and use tax on certain enumerated services. One taxable service is “dry cleaning, pressing, dyeing, and laundering.” Previously, this taxable service included the use of self-pay washers and dryers.

### New Provisions \_\_\_\_\_

2015 Iowa Acts House File 603 excludes the use of self-pay washers and dryers from the list of taxable services. House File 603 also adds a corresponding sales and use tax exemption to Iowa Code section 423.3.

### Sections Amended \_\_\_\_\_

Section 1 of 2015 Iowa Acts House File 603 amends section 423.2, subsection 6, paragraph a, Code 2015. Section 2 of House File 603 amends section 423.3, Code 2015, by adding new subsection 101.

### Effective Date \_\_\_\_\_

July 1, 2015

**15 HF 603**

## BUSINESS PROPERTY TAX CREDIT

### Prior Law

---

Applications for the Business Property Tax Credit (“BPTC”) were to be filed on or before March 15 preceding the fiscal year during which the taxes to which the credit was applied were due and payable. A property that had a primary use as commercial, industrial, or railway, and a portion of the property was used for human habitation was given a dual classification under Iowa Code section 441.21. The commercial, industrial or railway portion of a property that received a dual classification was eligible for the BPTC.

### New Provisions

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Section 2 of the Act changes the application deadline to July 1 preceding the fiscal year during which the taxes for which the credit is claimed are due and payable, beginning with credits claimed against taxes due and payable beginning July 1, 2017. The application deadline remains March 15 for credits claimed against taxes due and payable before July 1, 2017. Accordingly, applications for credits claimed against taxes due and payable in the fiscal year beginning July 1, 2016, are due March 15, 2016. Applications for credits claimed against taxes due and payable in the fiscal year beginning July 1, 2017, are due July 1, 2016.

Section 3 of the Act designates a parcel that has a primary use as multiresidential property and has commercial or industrial portions shall receive a dual classification under Iowa Code section 441.21(13). Railway property is no longer eligible for dual classification. Section 1 of the Act redefines “parcel” to add the commercial and industrial portions of property newly designated as dual classification as eligible parcels for the BPTC.

### Section Amended

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House File 616, sections 1 and 2 amend Iowa Code sections 426C.1 and 426C.3.

### Effective Date

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July 1, 2015

### 15 HF 616-A

## PROPERTY TAX DATE CHANGES

### **Prior Law**

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Assessment notices are due on April 1. The assessor could not change the assessment rolls after April 1. Taxpayers could request an informal review of an assessment from the assessor between April 1 and May 4 and file a protest against the assessment with the board of review on or after April 7, to and including May 5, of the assessment year. The assessor could file a recommendation with the local board of review related to the informal review.

The county auditor was required to give notice of equalization orders by publication in an official newspaper of general circulation before October 15. The board of review heard equalization order protests from October 15 to November 15. The board of review accepted protests only during the first ten days of the period for hearing protests.

In non-assessment years, the board of review meets to determine if any assessment values should be changed. The board was required to give notice if the assessment of all property in any taxing district was raised. Such notice was published in a newspaper located in the taxing district.

Boards of review that authorized electronic filing of protests of assessment were required to provide notice of the availability of electronic filing in the published equalization order notice.

### **New Provisions**

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Section 4 of the Act requires the notice advising taxpayers of their appeal rights that is included with the notice of assessment to be updated with the new dates for informal review and protest to the board of review.

Section 5 of the Act requires the notice advising taxpayers of their appeal rights that is included with the notice of assessment to state that the county auditor shall publish and mail notices of assessment changes due to equalization on or before October 8. Section 5 also requires that the board of review be in session from October 10 to November 15 to consider protests of assessment related to the equalization orders.

Section 6 permits the assessor to change the assessment rolls after April 1 if there is a written agreement between the taxpayer and assessor under Iowa Code section 441.30.

Section 7 changes the period that a taxpayer may request an informal review from the assessor to be on or after April 2, to and including April 25, of the year of the assessment. The assessor must file its recommendation with the board of review related to the informal review on or before April 25. The assessor may enter into a signed written agreement with the property



owner or aggrieved taxpayer authorizing the assessor to correct or modify the assessment according to the agreement of the parties.

Section 8 requires the board of review to give notice required under Iowa Code section 441.36 by publication in one of the official newspapers of the taxing district for any revaluation and reassessment of all of the property in a taxing district.

Section 9 changes the period for filing protests of assessment with the board of review to be on or after April 2, to and including April 30, of the year of the assessment.

Section 10 requires boards of review that authorized electronic filing of protests of assessment to provide notice of the availability of electronic filing in the published equalization order notice and also in any equalization order notice mailed to a taxpayer or property owner.

Section 11 requires the county auditor to notify individual property owners and taxpayers whose valuation has been increased by the final equalization order by mail postmarked on or before October 8. The notice must include a new statement informing the taxpayer or property owner that protests of the adjusted assessments must be filed with the board of review on or after October 9, to and including October 31. The local board of review must reconvene to consider protests of assessment related to equalization orders beginning October 10 to November 15. The board shall accept protests on and after October 9, to and including October 31.

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

House File 616, sections 4 through 11 amend Iowa Code sections 441.26, 441.28, 441.30, 441.35, 441.37, and 441.49.

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

June 18, 2015

**15 HF 616-B**

## Classification Change - Multiresidential Property

### **Prior Law**

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Properties that had a primary use of commercial, industrial, or railway, but also had a use for human habitation, were given a dual classification for property tax purposes regardless of the number of dwelling units in the property. Properties that had a primary use of human habitation consisting of three or more dwelling units were classified as multiresidential regardless of whether there was also a commercial, industrial, or railway use of the property. Properties that had a primary use for human habitation consisting of fewer than three dwelling units were classified residential.

### **New Provisions**

---

Section 3 of the Act designates a parcel that has a primary use for human habitation consisting of three or more dwelling units and also has commercial or industrial portions shall receive a dual classification under Iowa Code section 441.21(13). The human habitation portion of the property shall be classified as multiresidential and the commercial or industrial use of the property shall be classified accordingly. Railway property is no longer eligible for dual classification.

Property that has a primary use for human habitation but contains fewer than three dwelling units continues to receive a residential classification. Property that has a primary use of commercial or industrial, but also has a use for human habitation, continues to receive a dual classification, regardless of the number of dwelling units.

### **Section Amended**

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House File 616, sections 1 and 2 amend Iowa Code sections 426C.1 and 426C.3.

### **Effective Date**

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June 18, 2015

**15 HF 616-C**

## PRESERVE WHITETAIL DEER ARE LIVESTOCK

### Prior Law

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“Livestock” includes ostrich, rhea, emu, bison or farm deer. There are a number of exemptions that relate to livestock; however, the sale of preserve whitetail deer is subject to sales and use tax.

### New Provisions

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2015 Iowa Acts House File 616 amends the definition of “livestock” to include preserve whitetail deer as defined in Iowa Code section 484C.1. “Preserve whitetail” means whitetail deer kept on a hunting preserve. “Whitetail” means “an animal belonging to the cervidae family and classified as part of the virginianus species of the odocoileus genus.”

In addition, a new sales tax exemption was added for the sale of preserve whitetail deer, if the sale occurred between July 1, 2005, and December 31, 2015. While previous sales of whitetail deer are exempt, going forward preserve whitetail deer will be considered livestock. Exemptions from sales tax relating to livestock include the sales price of the following: agricultural breeding livestock, items related to disease control, weed control, insect control or health promotion of livestock, tangible personal property consumed as fuel in livestock buildings, implements of husbandry, and farm machinery and equipment, among others.

No refunds of taxes, interest, or penalties for previous sales of preserve whitetail deer are allowed.

### Section Amended

---

Section 14 of 2015 Iowa Acts House File 616 amends Section 423.1, subsection 25, Code 2015. Section 15 amends Section 423.3, by adding new subsection 3A, Code 2015. Sections 17 and 18 address refunds relating to the act. Sections 19 and 20 provide for an effective date and retroactivity to July 1, 2005.

### Effective Date

---

June 18, 2015; retroactive to July 1, 2005

## 15 HF 616-D

## ATVS EXEMPT IF USED PRIMARILY IN AGRICULTURAL PRODUCTION

### Prior Law

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All-terrain vehicles (ATVs) and off-road utility vehicles (ORUVs) are exempt from sales and use tax if they are used directly and primarily in agricultural production. Department rules define “agricultural production,” “directly used,” and “primarily used.” “Agricultural production” means “farming operation undertaken for profit by the raising of crops or livestock, not including clearing or preparation of previously uncultivated land, creation of farm ponds, and erection of machine sheds, confinement facilities, storage bins or other farm buildings.” “Directly used” means the ATV is used to initiate, sustain, or terminate an exempt activity. In determining whether the ATV is directly used, the Department looks at a number of factors including the physical proximity of the ATV to other property that is clearly exempt, the chronological proximity of the use of the ATV to the use of property that is clearly exempt, and the active causal relationship between the use of the ATV and agricultural production. “Primarily used” means the ATV is used in agricultural production more than 50 % of its total time of use.

The requirement that ATVs be used directly in agricultural production has created an issue for farmers, many of whom purchase ATVs to use in their farm operations but do not use the ATV in a manner similar to a tractor, tiller, or combine, which are all machines that are directly used in agricultural production. While the ATV is proven to be useful on a farm, in most situations it is used to carry people and supplies to remote areas of a farmer’s field or to provide transportation from the field for rocks that have been picked up by the farmer and placed on the ATV. Multiple administrative law judges have confirmed that these types of activities, while performed on a farm, do not directly produce agricultural products, and are one step removed from agricultural production.

### New Provisions

---

2015 Iowa Acts HF 616 eliminates the “directly” test for ATVs and ORUVs. ATVs and ORUVs now must only be used primarily in agricultural production to be exempt. ATVs and ORUVs are defined as they are in Iowa Code section 321.1.

### Section Amended

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Section 16 of 2015 Iowa Acts House File 616 amends Section 423.3, subsection 8, paragraph d, Code 2015.

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

July 1, 2015

**15 HF 616-E**

## **IDR DIRECTOR – FLOOD MITIGATION BOARD MEMBER**

### **Prior Law**

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The Flood Mitigation Board administers the Flood Mitigation Program and approves sales tax increment financing for flood mitigation projects in accordance with Iowa Code chapter 418. The Board consists of nine voting members and four nonvoting, ex officio members. The nine voting members are: two general public members with experience or expertise in the field of natural disaster recovery; two general public members with experience or expertise in the field of flood mitigation; the Director of the Department of Natural Resources or the Director's designee; the Secretary of Agriculture or the Secretary's designee; the Treasurer of the State or the Treasurer's designee; the Director of the Homeland Security and Emergency Management Department or the Director's designee; the Executive Director of the Iowa Finance Authority or the Executive Director's Designee. The four ex officio members are members of the General Assembly with one each appointed by the Majority Leader of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leader of the House of Representatives.

### **New Provisions**

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The Flood Mitigation Board now will consist of nine voting members and five nonvoting, ex officio members. The fifth ex officio member will be the Director of the Department of Revenue or the Director's designee.

### **Section Amended**

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Section 26 of 2015 Iowa Acts House File 616 amends Section 418.5, subsections 1 and 6, Code 2015.

### **Effective Date**

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July 1, 2015

**15 HF 616-F**

## CHURCH AND CEMETERY PROPERTY TAX EXEMPTION

### Prior Law

---

The property of cemetery associations was required to be used exclusively for the maintenance and care of the cemeteries devoted to interment of human bodies and human remains in order to be exempt from property tax.

The property of religious, literary, and charitable societies was required to be used solely for their appropriate objects and not leased or otherwise used with a view to pecuniary profit in order to be exempt from property tax.

### New Provisions

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Section 24 of the Act permits a cemetery association to receive the exemption if it leases agricultural land to another person for agricultural use, and the revenues resulting from the lease are used exclusively for the maintenance and care of cemeteries owned by the cemetery association and devoted to interment of human bodies and human remains.

Section 24 of the Act also permits a religious institution or society to receive the exemption on grounds not exceeding a total of fifty acres even if the land is leased or not used for its appropriate objects, so long as all profits resulting from the use or lease of the grounds are used exclusively by the religious institution or society for its appropriate objects.

### Section Amended

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Section 24 of 2015 Iowa Acts House File 616, amends Iowa Code section 427.1, subsections 6 and 8, 2015.

### Effective Date

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July 1, 2015

### 15 HF 616-G

## **INCOME TAX RECIPROCITY AND WITHHOLDING EXEMPTION FOR UTILITY WORKERS**

### **Prior Law** \_\_\_\_\_

Nonresident electric utility workers were required to pay individual income tax the same as other nonresidents. In addition, nonresident electric utility workers were subject to withholding requirements the same as other nonresidents with Iowa source income.

### **New Provisions** \_\_\_\_\_

The income a nonresident individual earns for performing emergency response work for an electric utility in Iowa under a mutual aid agreement between Iowa and the state in which the nonresident lives is excluded from Iowa individual income tax. Income received by a nonresident individual for training by an electric utility in Iowa is also excluded.

In addition, if a nonresident qualifies for the income exclusions above, the nonresident is not subject to withholding by the electric utility for those sources of income. The electric utility must apply to the Department for an exemption from withholding and the Department must determine that the income exclusion applies to the nonresident.

The new provision defines “electric utility” the same as defined in Iowa Code section 476.22. “Electric utility” includes a public utility furnishing electricity as defined in Iowa Code section 476.1 and a city utility as defined in Iowa Code section 390.1.

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

Section 27 of 2015 Iowa Acts House File 616 amends Section 422.7, Code 2015 by adding new subsection 57. Section 28 amends Section 422.16, subsection 1, Code 2015, by adding new paragraph (f).

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

Retroactive to January 1, 2015 for tax years beginning on and after that date.

**15 HF 616-H**



## 2015 STREAMLINED SALES TAX BILL

### Prior Law

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Iowa is a full member state in the Streamlined Sales and Use Tax Agreement. As a full member, Iowa must keep its statutes in compliance with the Agreement.

Sales of food and food ingredients are generally exempt from Iowa sales and use tax. However, sales of prepared food are not exempt from sales and use tax. The Iowa Department of Revenue did not consider “take-and-bake” pizzas to be prepared food under the statute, and therefore they were exempt from sales and use tax.

Iowa Code section 423.52 provides relief from liability for sellers and certified service providers for incorrectly charging or collecting sales or use tax in certain circumstances.

### New Provisions

---

2015 Iowa Acts House File 621 clarifies that food that ordinarily requires additional cooking by the consumer prior to consumption is not taxable as “prepared food.” “Take-and-bake” pizzas are still exempt from sales tax; it is now explicitly in the statute.

House File 621 also provides liability relief for sellers and certified service providers consistent with the Streamlined Sales and Use Tax Agreement. Sellers and certified service providers are now relieved from liability for charging and collecting the incorrect amount of sales and use tax based on erroneous data provided in the state’s taxability matrix.

### Sections Amended

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Section 1 of 2015 Iowa Acts House File 621 amends Section 423.3, subsection 57, paragraph f, subparagraph (3), Code 2015, by adding new subparagraph division (e). Section 2 amends section 423.52, Code 2015, by adding new subsection 3.

### Effective Date

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July 1, 2015

### 15 HF 621

## CUSTOM FARMING CONTRACT TAX CREDITS

### Prior Law

---

A custom farming contract tax credit is available for individual and corporation income taxes. The credit is available for landowners who hire a beginning farmer to do custom work, and it allows the landowner to claim 7% of the value of the contract as a tax credit. If the beginning farmer is a veteran, the credit is 8% for the first year. The credit is administered by the Iowa Finance Authority (IFA) and the Iowa Department of Revenue.

The custom farming contract between the taxpayer and the beginning farmer must be for a term of no more than 12 months. The taxpayer must pay the beginning farmer a cash payment equal to at least \$1,000.

### New Provisions

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The maximum length of a custom farming contract between the taxpayer and the beginning farmer is now 24 months, rather than 12 months. The taxpayer must pay the beginning farmer a cash payment of at least \$1,000 for each tax year for which the tax credit is claimed. A tax credit certificate must be obtained for each tax year for which the credit is claimed.

The taxpayer may submit a single application to IFA for either one or two years depending on the length of the custom farming contract. Additionally, either or both parties to the contract must notify IFA of any amendment or material change that affects the application or contract. IFA has the ability to require the parties to provide additional information.

### Section Amended

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Sections 1 and 2 of 2015 Iowa Acts House File 624 amend section 16.81, Code 2015.

### Effective Date

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Retroactive to January 1, 2015, for tax years beginning on or after that date.

**15 HF 624**

## REPEAL OF STATE BOARD OF TAX REVIEW

### Prior Law

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The State Board of Tax Review (“State Board”) consisted of three appointed members who each served a six-year term. The State Board could review actions taken by the Director of Revenue on its own motion or on appeal by any affected taxpayer. The State Board’s decisions were subject to judicial review under the Iowa Administrative Procedure Act (Iowa Code chapter 17A). Either the taxpayer or the Director could appeal a decision of the State Board to District Court. The State Board was the court of original jurisdiction on the following decisions made by the Director:

- The disallowance of a claim for the Homestead Tax Credit under Iowa Code chapter 425;
- The denial or recalculation of a Rent Reimbursement claim or claim for the Elderly and Disabled Property Tax Credit under Iowa Code chapter 425;
- The disallowance of the Military Service Tax Credit under Iowa Code chapter 426A;
- The denial or recalculation of the Business Property Tax Credit under Iowa Code chapter 426C;
- Central assessments under Iowa Code chapters 428, 433, 434, 437, and 438. The State Board considered evidence from both the taxpayer and the Department;
- Determination of noncompliance of the conference board with the plan of action for the assessor to comply with the rules of the Department relating to valuation of property or the Real Property Appraisal Manual; and
- Issuance of final equalization orders to cities or counties.

### New Provisions

---

Section 1 of the Act extends the sunset provision for the Property Assessment Appeal Board (PAAB) from July 1, 2018, to July 1, 2021.

Section 2 of the Act repeals the State Board of Tax Review effective upon the earlier of:

- (1) The final disposition by the State Board of all cases pending before it on the effective date of the Act;
- (2) or July 1, 2016.

Under section 2 of the Act, effective May 22, 2015 the State Board may not accept any new appeals.

Sections 3 through 74 of the Act insert the Director of Revenue in place of the State Board in the areas where the State Board was the court of original jurisdiction. These sections also insert the Department of Revenue in place of the Director of Revenue in order to avoid the conflict of interest that would result from the Director hearing an appeal of his or her own

decision. Unless otherwise noted below, the Director must grant a hearing within 30 days of the decision that is being appealed. The Director's decisions in these instances are subject to judicial review under Iowa Code chapter 17A.

The areas where the Director will now hear appeals in place of the State Board are:

- The disallowance of a claim for the Homestead Tax Credit under Iowa Code chapter 425. (Section 7);
- The denial or recalculation of a Rent Reimbursement claim or claim for the Elderly and Disabled Property Tax Credit under Iowa Code chapter 425. (Section 11);
- The disallowance of the Military Service Tax Credit under Iowa Code chapter 426A. (Section 14);
- The denial or recalculation of the Business Property Tax Credit under Iowa Code chapter 426C. (Section 15);
- Central assessments under Iowa Code chapters 428, 433, 434, 437, and 438. The Director shall grant a hearing within one year of the taxpayer's request for hearing and will only consider evidence presented by the taxpayer. (Sections 20-21);
- A determination of noncompliance of the conference board with the plan of action for the assessor to comply with the rules of the Department relating to valuation of property or the Real Property Appraisal Manual. The conference board may also seek judicial review of the Director's decision from the initial hearing on assessor compliance. (Section 64); and
- Issuance of final equalization orders to cities or counties. Appeals on final equalization orders to the Director are now subject to the provisions of the Iowa Administrative Procedures Act under Iowa Code chapter 17A that establish the procedure for informal settlement and contested cases. (Sections 5 & 74).

### **Sections Amended**

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Section 1 of 2015 Iowa Acts House File 626 amends 2005 Iowa Acts, chapter 150, section 134, as amended by 2013 Iowa Acts, chapter 123, section 62.

Sections 2 through 74 of House File 626 amend 2015 Iowa Code sections 421.1, 68B.35, 421.17, 421.60, 425.7, 425.17-18, 425.26-27, 425.29, 425.31, 426A.6, 426C.7-8, 428.28-29, 429.1-3, 433.1-5, 433.7-9, 434.2, 434.12, 434.14-17, 434.22, 437.2, 437.4-10, 437.12, 438.3-9, 438.11-15, 440.2, 440.5-7, 441.17, 441.21, 441.24, 441.47-49.

### **Effective Date**

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The amendments to Iowa Code sections 68B.35 and 421.60 are effective July 1, 2016. The remainder of the Act is effective May 22, 2015.

**15 HF 626**

## RENEWABLE ENERGY TAX CREDITS

### Prior Law

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The cumulative value of solar energy system tax credits claimed annually by applicants cannot exceed \$4.5 million. The state solar energy system tax credit is equal to 60% of the federal credit amount.

The renewable energy tax credit is limited to no more than 167 billion British Thermal Units (BTUs) of heat for a commercial purpose for all tax credit applicants, and no more than 55 billion BTUs for any single applicant.

The maximum energy production capacity that may be approved for renewable energy tax credits that are facilities other than wind facilities is 53 megawatts.

### New Provisions

---

Effective January 1, 2015, the cumulative value of solar energy system tax credits that can be claimed annually by applicants is increased to \$5 million.

For installations occurring on or after January 1, 2016, the credit is reduced to 50% of the federal credit amount.

For all tax credit applicants, the renewable energy tax credit is limited to no more than 167 billion BTUs of heat for a commercial purpose annually, rather than lifetime. The credit is limited to 55 billion BTUs annually for any single applicant.

Effective January 1, 2015, the maximum energy production capacity that may be approved for renewable energy tax credits that are facilities other than wind facilities is 63 megawatts. Of those 63 megawatts, 10 megawatts of capacity are reserved for solar facilities contracted or owned by utility companies.

### Sections Amended

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Sections 1 and 2 of 2015 Iowa Acts House File 645 amend section 422.11L, subsections 1 and 4, Code 2015. Sections 3 and 4 amend sections 422.33 and 422.60, Code 2015. Sections 5 through 7 amend section 476C.1, .3, and .5, Code 2015. section 8 amends section 533.329, subsection 2, Code 2015.

## **Effective Date**

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The amendments to Iowa Code sections 476C.1, subsection 6; 476C.3, subsection 4, paragraph b, unnumbered paragraph 1; and 476C.3, subsection 4, paragraph b, subparagraph (3), apply retroactively to January 1, 2015 for tax years beginning on or after that date. The amendments to the remainder of Iowa Code section 476C.3, subsection 4, paragraph b, and the amendments to Iowa Code section 476C.5 apply retroactively to January 1, 2014, for tax years beginning on or after that date.

The amendments to Iowa Code sections 422.11L, subsection 4, paragraph a; and 533.329, subsection 2, paragraph 1, apply retroactively to January 1, 2015, for tax years beginning on or after that date.

The remainder of the Act is effective June 26, 2015.

## **FLOOD MITIGATION — ORDER OF FUNDS TRANSFER**

### **Prior Law** \_\_\_\_\_

Subsequent to the deposit of sales tax funds in the Iowa General Fund, the Department of Revenue transfers specific sales tax amounts into the funds of several specific programs. In the order of funds transferred, Reinvestment District sales tax increment funds were transferred immediately after Flood Mitigation sales tax increment funds.

### **New Provisions** \_\_\_\_\_

Reinvestment District sales tax increment funds will now be transferred immediately prior to transfers of Flood Mitigation sales tax increment funds.

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

Sections 21 and 22 of 2015 Iowa Acts House File 655 amend section 423.2, subsection 11, paragraph b, Code 2015.

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

July 1, 2015

**15 HF 655-A**

## PROPERTY TAX INCENTIVES FOR BROADBAND INFRASTRUCTURE

### Prior Law

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Broadband infrastructure that is not considered telephony is assessed by the local county or city assessor. A telephone or telegraph company centrally assessed by the Iowa Department of Revenue (IDR) under Iowa Code chapter 433 may also have broadband infrastructure property. The value of the broadband infrastructure of such companies is typically picked up in the unit value calculated by IDR. There is no property tax exemption for broadband infrastructure.

### New Provisions

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Among other things, 2015 Iowa Acts House File 655 creates a ten-year property tax exemption for companies that build broadband infrastructure in “Targeted Service Areas.” A Targeted Service Area is defined as a United States Census Bureau census block located in this state, including any crop operation located within the census block, within which no communications service provider offers or facilitates broadband service at or above 25 megabits per second of download speed and three megabits per second of upload speed.

After receiving certification from the Office of the Chief Information Officer (OCIO), the company seeking the exemption must first certify to the appropriate county assessors that the project will take place within a targeted service area. In addition, the company must submit an application either to IDR or to the local county board of supervisors, as appropriate. The application must provide, at a minimum, the following information:

- The nature of the broadband infrastructure installation;
- The percentage of homes, farms, schools, and businesses in the targeted service areas that will be provided access to broadband service;
- The actual cost of installing the broadband infrastructure under the project;
- The certification received from the OCIO;
- Certification of the date of commencement and the estimated date of completion; and
- A copy of any nonwireless broadband-related permit issued by a political subdivision.

The exemption is for 100% of the value added by the broadband infrastructure for ten years so long as the minimum download and upload speeds are maintained. The actual value added by the broadband infrastructure will be determined by the local assessor for companies not centrally assessed by IDR under Iowa Code chapter 433. IDR will determine the actual value added by the broadband infrastructure for companies assessed under Iowa Code chapter 433. New applications will not be accepted on or after July 1, 2020.

At any time after an exemption is granted, under the direction of the OCIO, IDR or the local county board of supervisors may require a company to substantiate that it is still providing the



required download and upload speeds.

**Sections Amended** \_\_\_\_\_

Division I of 2015 Iowa Acts House File 655 creates new Code chapter 8C. Division II amends Code chapters 8B and 8D. Division IV, sections 39 and 40 of the bill amend sections 421.1A, subsections 3 and 4; section 41 of the bill amends subsection 427.1 by creating new subsection 40; section 42 of the bill amends subsection 433.8.

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

Effective June 22, 2015 for assessment years beginning on or after January 1, 2016.

**15 HF 655-B**

## CHANGES TO PROBATE AND ESTATE-RELATED TAXES

### Prior Law

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Previously, a fiduciary could not deduct administrative expenses for Iowa income tax purposes beyond those expenses claimed for federal fiduciary income tax purposes.

The Iowa Code specified several individuals who are exempt from inheritance tax, including the surviving spouse, various lineal ascendants and descendants, and stepchildren.

### New Provisions

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2015 Iowa Acts House File 661 allows fiduciaries to deduct administrative expenses for Iowa income tax purposes that were not deducted for federal fiduciary income tax purposes.

House File 661 also replaces the list of individuals who are exempt from inheritance tax with “the surviving spouse, lineal ascendants, lineal descendants, and stepchildren.” Additionally, the Act adds an exemption for the lineal descendants of stepchildren. Finally, the Act clarifies that descendants by adoption are “lineal descendants” for purposes of the individual exemption from inheritance tax.

### Sections Amended

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Section 1 of 2015 Iowa Acts House File 661 amends Section 422.7, Code 2015 by adding new subsection 57. Section 2 of House File 661 amends Section 450.9, Code 2015.

### Effective Date

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The amendment to Iowa Code section 422.7 applies to Iowa fiduciary income tax returns filed for tax years ending on or after July 1, 2015.

The amendment to Iowa Code section 450.9 is effective July 1, 2016. The amendment applies to estates of decedents dying on or after July 1, 2016.

## 2015 IRC UPDATE BILL

### Prior Law

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References to the “Internal Revenue Code” mean the Internal Revenue Code as in effect on January 1, 2014.

### New Provisions

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The Act updates the Iowa Code so that all references to the “Internal Revenue Code” mean the Internal Revenue Code in effect on January 1, 2015. The Act also decouples Iowa income tax from the federal additional first-year depreciation allowance of section 168(k) of the Internal Revenue Code, which was extended through 2014 by the federal Tax Increase Prevention Act of 2014.

### Section Amended

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Section 1 of 2015 Iowa Acts Senate File 126 amends section 15.335, subsection 7, paragraph b, Code 2015. Section 2 amends section 422.3, subsection 5, Code 2015. Section 3 amends section 422.9, subsection 2, paragraph i, Code 2015. Section 4 amends section 422.10, subsection 3, paragraph b, Code 2015. Section 5 amends section 422.32, subsection 1, paragraph h, Code 2015. Section 6 amends section 422.33, subsection 5, paragraph e, subparagraph (2), Code 2015. Section 9 amends section 422.7, subsection 39A, unnumbered paragraph 1, Code 2015. Section 10 amends section 422.35, subsection 19A, unnumbered paragraph 1, Code 2015.

### Effective Date

The amendments decoupling bonus depreciation are effective for tax years ending on and after January 1, 2014. The remainder of the Act is effective for tax years beginning on and after January 1, 2014.

**15 SF 126**

## MODIFICATION OF EXCISE TAXES ON MOTOR FUEL AND SPECIAL FUEL

### Prior Law

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The excise tax rates for motor fuel (gasoline and ethanol blended gasoline) are based on the ethanol distribution percentage. The ethanol distribution percentage is the number of gallons of ethanol blended gasoline distributed in Iowa expressed as a percentage of the number of gallons of all motor fuel distributed in Iowa. The tax rate for ethanol blended gasoline varied between \$0.19/gallon and \$0.20/gallon, and the tax rate for gasoline varied between \$0.20/gallon and \$0.21/gallon.

When the ethanol distribution percentage was first implemented in 2001, the rate differential was scheduled to expire June 30, 2007. Iowa extended the rate differential for five years in 2007. Iowa again extended the rate differential for one year in 2012, 2013, and 2014. These extensions prevented the rate differential from expiring. If the rate differential had expired, the tax rate for all motor fuel would have been \$0.20/gallon.

### New Provisions

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As of March 1, 2015, the excise tax rates for fuels are as follows:

Fuel Type	Prior to March 1, 2015	Beginning March 1, 2015
Gasoline	\$0.21/gallon	\$0.31/gallon
Ethanol Blended Gasoline (Including E85) and Alcohol	\$0.19/gallon	\$0.29/gallon
Diesel (Including Biodiesel)	\$0.225/gallon	\$0.325/gallon
Aviation Gasoline	\$0.08/gallon	\$0.08/gallon
Aviation Jet	\$0.03/gallon	\$0.05/gallon
Liquefied Petroleum Gas	\$0.20/gallon	\$0.30/gallon
Liquefied Natural Gas	\$0.225/gallon	\$0.325/gallon
Compressed Natural Gas	\$0.21/gallon	\$0.31/gallon

The tax rates for motor fuel are still based on the ethanol distribution percentage. The tax rate for ethanol blended gasoline varies between \$0.29/gallon and \$0.30/gallon, and the tax rate for gasoline varies between \$0.30/gallon and \$0.31/gallon.

On and after July 1, 2015, the excise tax rates for diesel fuel are based on the new biodiesel distribution percentage. The biodiesel distribution percentage is the number of gallons of biodiesel rated B11 or higher expressed as a percentage of the number of gallons of all biodiesel and diesel distributed in Iowa. The tax rate for biodiesel rated B11 or higher varies between \$0.295/gallon and \$0.325/gallon, and the tax rate for all other biodiesel and diesel is

\$0.325/gallon. Beginning July 1, 2015, the tax rate for biodiesel rated B11 or higher is \$0.295/gallon, and the tax rate for all other biodiesel and diesel is \$0.325/gallon.

The motor fuel and diesel rate differentials will expire on June 30, 2020. Upon expiration, the tax rate for all motor fuel will be \$0.30/gallon, and the tax rate for all biodiesel and diesel fuel will be \$0.325/gallon. A legislative interim committee will review the excise tax rates on motor fuel and diesel at least every six years, with the committee's first report due January 1, 2020.

There is no inventory tax associated with the excise tax rate increases contained in 2015 Iowa Acts Senate File 257.

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

Sections 5 through 10 of 2015 Iowa Acts Senate File 257 amend Section 452A.3, Code 2015.

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

March 1, 2015

**15 SF 257**

## INCOME APPORTIONMENT FOR BROADCASTERS

### Prior Law

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A radio or television company doing business within and without Iowa is required to apportion its business income to Iowa in the same proportion that the Iowa population served by its broadcasting bears to the total population served by its broadcasting, looking at all the residents of the applicable broadcasting area, regardless of whether the resident individuals elect to receive the broadcasts. In other words, “broadcasters” had their income apportioned using the audience factor methodology; that is, they were only taxed on the portion of their total income that is attributed to their audience in Iowa.

### New Provisions

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A radio or television company doing business within and without Iowa apportions its business income to Iowa in the same proportion that the broadcaster’s gross receipts from broadcasting derived from customers whose commercial domicile is in Iowa bears to the broadcaster’s total gross receipts from broadcasting, except that when the income is from national or political advertising directed exclusively at one or more markets in Iowa, all gross receipts from advertising are apportioned to Iowa. In other words, “broadcasters” now have their income apportioned based on their customers’ locations. Revenue received from an advertiser with a commercial domicile outside of Iowa will be sourced outside of Iowa to the advertiser’s state of commercial domicile. Receipts broadcasters receive from Iowa customers will be considered Iowa receipts. When the income is from national or political advertising, all receipts are apportioned to Iowa.

The bill also defines broadcaster, broadcasting, customer, and gross receipts from broadcasting.

“Broadcaster” is defined to mean a taxpayer engaged in the business of broadcasting, including a television network, a cable program network, and a television distribution company. A television network is a national network consisting of traditional free-over-the-air national networks, such as CBS, ABC, NBC, and Fox, and cable television networks, such as ESPN, MTV, TBS, Showtime, etc. A cable program network is a content producer that distributes its programming to a national audience through licensing arrangements with cable operators, direct satellite operators, and various streaming licenses. A television distribution company produces content that it licenses to television networks and television stations.

“Broadcaster” does not include a cable system operator, a direct broadcast satellite system operator, or a television or radio station licensed by the FCC. A cable system operator licenses programming content from cable networks and national broadcast networks, such as Comcast, Time Warner Cable, Cox Communications, etc. A television station is a local television channel

licensed to operate in a specific geographic area and that is confined to a local geographical area.

“Broadcasting” is defined to mean the transmission of television programs or films by electronic or other signal through any means of communication directly or indirectly to viewers or listeners.

“Customer” is defined to mean the person the broadcaster contracts with for advertising, licensing or distribution of content. The broadcaster receives income for advertising and licensing from its customer.

“Gross receipts from broadcasting” is defined to mean gross receipts of a broadcaster from transactions and activities in the regular course of its business, including but not limited to advertising, licensing, and distribution, but not including gross receipts from the sale of real property or tangible personal property.

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

Section 1 of 2015 Iowa Acts Senate File 479 amends section 422.33, subsection 2, paragraph a, subparagraph (2), Code 2015 by adding new subparagraph division 0e. Section 2 amends section 422.33, subsection 2, paragraph a, subsection (2), subparagraph division (e), Code 2015.

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

Retroactive to January 1, 2015 for tax years beginning on or after that date.

## RAFFLE SALES TAX EXEMPTION

**Prior Law** \_\_\_\_\_

Previously, the sales price of raffle tickets was exempt from sales and use tax if the raffle was licensed to be conducted at a fair under Iowa Code section 99B.5.

**New Provisions** \_\_\_\_\_

The Act reorganizes and modifies several provisions relating to games of skill or chance as well as raffles. The sales price of raffle tickets is now exempt from sales and use tax if the raffle is licensed and conducted at a fair under Iowa Code section 99B.24.

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

Section 54 of 2015 Iowa Acts Senate File 482 amends Section 423.3, subsection 62, Code 2015.

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

July 1, 2015



## IOWA ABLE SAVINGS PLAN TRUST

### Prior Law \_\_\_\_\_

No prior law.

### New Provision \_\_\_\_\_

An Iowa ABLE (Achieving a Better Life Experience) savings plan trust is created. As part of the federal Tax Increase Prevention Act of 2014, a federal ABLE Act was enacted, which allows states to create programs to assist individuals in saving private funds for the purpose of supporting individuals with disabilities.

For tax purposes, the value of any interest in the trust of a decedent dying on or after July 1, 2015, is excluded from the Iowa inheritance tax. Contributions to the ABLE trust made on or after July 1, 2015, on behalf of a designated beneficiary are deductible from the Iowa individual income tax up to a maximum amount, \$3,163, allowed per beneficiary per year for purposes of the Iowa education savings plan trust in Iowa Code chapter 12D. Any amounts refunded to a taxpayer from the cancellation of a participation agreement or that are withdrawn for purposes other than the payment of qualified disability expenses of the designated beneficiary must be included in Iowa net income to the extent they were previously deducted by the taxpayer or any other person as a contribution. Income and earnings from ABLE are exempt from Iowa individual income tax.

### Section Amended \_\_\_\_\_

Section 83 of 2015 Iowa Acts Senate File 505 amends Code 2015 by adding new section 12I.8. Section 85 amends Code 2015 by adding new section 12I.10. Section 87 amends section 422.7, Code 2015, by adding new subsections 34 and 34A. Section 88 amends section 450.4, Code 2015, by adding new subsection 9.

### Effective Date \_\_\_\_\_

The amendments adding new Iowa Code Chapter 12I are effective July 1, 2015. The amendment to Iowa Code Section 422.7 applies to tax years beginning on or after January 1, 2016. The amendment to Iowa Code 450.4 applies to decedents dying on or after January 1, 2016.

**15 SF 505-A**

## HOME MODIFICATION ASSISTANCE PROGRAM STUDY

### Prior Law

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Iowa currently does not provide grants or individual income tax credits for expenses related to modifying a home to permit a person with a disability to remain in the home.

### New Provisions

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2015 Iowa Acts Senate File 505 requires the development of a Home Modification and Assistance Plan. The Plan will recommended guidelines for a program to provide grants and individual income tax credits for expenses related to modifying a home to permit a person with a disability to remain in the home. The Aging and Disability Resource Center and the Mental Health and Disability Services Commission will jointly develop the Plan with input from the Department of Revenue and other interested public and private stakeholders. The Plan will:

- Develop criteria and procedures for establishing eligibility of individuals with a disability under the program;
- Establish criteria for determining the type of home modification expenses that will be eligible for a grant or tax credit under the program;
- Develop criteria and procedures for receiving grants and tax credits under the program, including a maximum amount of grants and credits for an individual;
- Provide that an individual with a disability must use all available Medicaid funding before becoming eligible for the home modification assistance program;
- Provide that grants under the program will be available to individuals with a disability with annual incomes that do not exceed 250 percent of the federal poverty level, and that individual income tax credits under the program will be available to individuals with a disability with annual incomes exceeding 250 percent but not exceeding 450 percent of the federal poverty level; and
- Avoid placing unrealistic expectations and overly burdensome requirements on individuals with a disability and their families, particularly in rural areas.

The Plan is due December 15, 2015.

### Section Amended

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Section 108 of 2015 Iowa Acts Senate File 505 creates session law; that is, it is not codified.

### Effective Date

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July 2, 2015

**15 SF 505-B**

## FLOOD MITIGATION - 20-YEAR REMITTANCE LIMITATION

### Prior Law

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Under the Flood Mitigation Program, a governmental entity cannot receive remittances of sales tax increment financing more than 20 years after the date on which the project was approved by the Flood Mitigation Board.

### New Provisions

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A governmental entity may now receive remittances of sales tax increment financing under the Flood Mitigation Program more than 20 years after the date on which the project was approved, so long as the remitted amount is attributed to sales that occurred before the expiration of the 20-year period. This change was necessary to account for the time it takes the Department of Revenue to process quarterly sales tax returns and to ensure that governmental entities can receive the full 20 years of sales tax increment financing when applicable.

### Section Amended

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Section 18 of 2015 Iowa Acts Senate File 510 amends section 418.15, subsection 1, Code 2015.

### Effective Date

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July 1, 2015

**15 SF 510-A**

## IOWA 529 PLAN CONTRIBUTION EXTENSION

**Prior Law** \_\_\_\_\_

A contribution to the Iowa College Savings 529 plan must be made during the calendar year in order to be deductible for Iowa income tax purposes for that tax year.

**New Provisions** \_\_\_\_\_

Contributions to the Iowa College Savings 529 Plan made on or before the Iowa income tax return filing deadline (April 30), excluding extensions, can be treated as though made on the last day of the preceding calendar year, allowing the participant to claim the deduction from income tax for the most recently completed tax year.

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

Section 72 of 2015 Iowa Acts Senate File 510 amends section 422.7, subsection 32, paragraph a, Code 2015.

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

Retroactive to tax years beginning on or after January 1, 2015

**15 SF 510-B**

## COLLECTION OF COURT DEBT

### Prior Law

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The Iowa Department of Revenue operates the Centralized Collection Unit (“CCU”). Other state agencies may use the CCU to collect debts owed to the agencies. The CCU may add a fee onto the debt assigned to it to recover the costs of collection.

Previously, the Iowa Code generally required the Judicial Branch to assign unpaid court debts to the CCU 30 days after assessment of the debt. The Iowa Code explicitly allowed the Department of Revenue to impose a fee for processing the court debts assigned to it. Prior to July 1, 2015, the Department of Revenue added a 15% fee for processing onto the court debt. After one year, the Judicial Branch must reassign the court debt from the CCU to a private collection designee if the debt has not been paid or placed in an established payment plan. Under Iowa Code section 602.8107(5)(b), the contract between the Judicial Branch and a private collection designee must provide for a collection fee of up to 25% of the court debt.

### New Provisions

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The Act removes the CCU from the collection of court debt. Under the Act, the Judicial Branch generally must assign unpaid court debts to a private collection designee 30 days after assessment of the debt.

### Sections Amended

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Section 89 of 2015 Iowa Acts Senate File 510 amends section 321.40, subsection 9, Code 2015. Section 90 amends section 321.210A, subsection 2, Code 2015. Section 91 amends section 321.210B, Code 2015. Sections 92-96 amend section 602.8107, Code 2015.

### Effective Date

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July 1, 2015

### 15 SF 510-C

## ANGEL INVESTOR TAX CREDITS

### Prior Law

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An angel investor tax credit is available for equity investments in a qualifying business or a community-based seed capital fund. The credit is available for individual income, corporation income, franchise, and the moneys and credits tax. The credit is not refundable but may be carried forward for up to five years.

The amount of the tax credit shall equal 20% of the taxpayer's equity investment. The maximum amount of a tax credit for an investment by an investor in any one qualifying business is \$50,000. An investor and any affiliate of an investor shall not claim tax credits for more than five different investments in five different businesses.

### New Provisions

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A tax credit claimed against individual income tax is now refundable. Tax credits claimed against corporation income tax, franchise tax, and the moneys and credits tax may only be carried forward for three years. A tax credit may not be carried back to a tax year prior to the tax year in which the taxpayer redeems the credit.

Investments in community-based seed capital funds no longer qualify for the tax credit. The eligibility requirements for a qualifying business are modified.

The amount of the credit is increased from 20% to 25% of the taxpayer's equity investment. The maximum tax credit limitations have been changed. The maximum tax credit that may be claimed per investment per year by any natural person, the person's spouse, or dependent shall not exceed \$100,000. The maximum amount of tax credits that may be issued for equity investments in any one qualifying business shall not exceed \$500,000.

### Sections Amended

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Section 107 of 2015 Iowa Acts Senate File 510 amends section 2.48, Code 2015. Section 108 amends section 15.119, Code 2015. Sections 109 through 119 amend sections 15E.41, .42, .43, .44, .46, and .52, Code 2015. Sections 120 through 122 amend sections 422.11F, .33, and .60, Code 2015. Section 123 amends section 432.12C, Code 2015. Section 124 repeals section 15E.45, Code 2015.

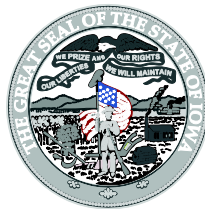
### Effective Date

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July 1, 2015, for equity investments made on or after that date and applications submitted to the Iowa Economic Development Authority on or after that date.

**15 SF 510-D**

2015  
Legislative Summaries  
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