

2016 Legislative Summaries

Emphasizing Tax Issues



Iowa Department of
REVENUE

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2016 IOWA LEGISLATURE TAX RELATED ACTIONS

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2016 INTERNAL REVENUE CODE UPDATE BILL

Prior Law _____

References in the Iowa Code to the “Internal Revenue Code” mean the Internal Revenue Code as it existed on January 1, 2015.

New Provisions _____

2016 Iowa Acts House File 2433 updates the Iowa Code so that all references to the “Internal Revenue Code” mean the Internal Revenue Code in effect on January 1, 2016. For tax year 2015, Iowa did not couple with bonus depreciation under IRC section 168(k) but coupled with many of the IRC provisions extended either temporarily or permanently by the Protecting Americans from Tax Hikes Act of 2015, including:

- The IRC § 179 expense deduction
- Deduction of educator expenses
- Tuition and fees deduction for higher education
- Election to deduct state sales/use tax as an itemized deduction in lieu of state income tax
- Treatment of mortgage insurance premiums as qualified residence interest
- Tax free distribution from an IRA to certain charities for individuals 70 and a half and older.

Sections Amended _____

Sections 1 to 5 of 2016 Iowa Acts House File 2433 amends Sections 15.335, 422.3, 422.10, 422.32, and 422.33, Code 2016.

Effective Date _____

March 21, 2016, retroactive to the tax year beginning January 1, 2015.

HF 2433-A

REPLACEMENT PARTS AND SUPPLIES

Prior Law

Sales of computers, machinery, and equipment, including replacement parts, and materials used to construct or self-construct computers, machinery, and equipment were exempt from sales tax if the items were used for any of the following purposes:

- (1) Directly and primarily used in processing by a manufacturer.
- (2) Directly and primarily used to maintain the integrity of the product or to maintain unique environmental conditions required for either the product or the computers, machinery, and equipment used in processing by a manufacturer, including test equipment used to control quality and specifications of the product.
- (3) Directly and primarily used in research and development of new products or processes of processing.
- (4) Computers used in processing or storage of data or information by an insurance company, financial institution, or commercial enterprise.
- (5) Directly and primarily used in recycling or reprocessing of waste products.
- (6) Pollution-control equipment used by a manufacturer, including but not limited to that required or certified by an agency of this state or of the United States government.

Previously, exempt replacement parts were presumed to have a useful life of at least one year.

The Department promulgated new administrative rules in ARC 2349C, which contained changes to the Department's interpretation of the sales tax exemption for certain computers, machinery, and equipment used for manufacturing purposes. ARC 2349 would have applied to items sold under a contract entered into on or after July 1, 2016.

New Provisions

2016 Iowa Acts House File 2433 amends the sales tax exemption, beginning July 1, 2016, to apply to computers, machinery, equipment, replacement parts, supplies, and materials used to construct or self-construct computers, machinery, equipment, replacement parts, and supplies if the item is used for any of the above purposes.

Under House File 2433, "replacement part" means tangible personal property other than computers, machinery, equipment, or supplies, regardless of the cost or useful life of the item, that meets all of the following conditions:

- (a) The item replaces a component of a computer, machinery, or equipment, which component is capable of being separated from the computer, machinery, or equipment;
- (b) The item performs the same or similar function as the component it replaced; and
- (c) The item restores the computer, machinery, or equipment to an operational condition, or upgrades or improves the efficiency of the computer, machinery, or equipment.

Also under House File 2433, “supplies” means tangible personal property, other than computers, machinery, equipment, or replacement parts, that meets one of the following conditions:

- (a) The item is to be connected to a computer, machinery, or equipment and requires regular replacement because the property is consumed or deteriorates during use, including but not limited to saw blades, drill bits, filters, and other similar items with a short useful life;
- (b) The item is used in conjunction with a computer, machinery, or equipment and is specially designed for use in manufacturing specific products and may be used interchangeably and intermittently on a particular computer, machine, or piece of equipment, including but not limited to jigs, dies, tools, and other similar items;
- (c) The item comes into physical contact with other tangible personal property used in processing and is used to assist with or maintain conditions necessary for processing, including but not limited to cutting fluids, oils, coolants, lubricants, and other similar items with a short useful life; or
- (d) The item is directly and primarily used in an activity described in Iowa Code section 423.3(47)“a”, subparagraphs (1) through (6), including but not limited to prototype materials and testing materials.

Additionally, House File 2433 rescinds the changes to administrative rules contained in ARC 2349C. Because ARC 2349C was rescinded before its applicability date, ARC 2349C will not apply to any sales.

Sections Amended _____

Sections 6 and 7 of 2016 Iowa Acts House File 2433 amend changes to the Administrative Code contained in ARC 2349C. Sections 8 and 9 of House File 2433 amend Section 423.3, Code 2016.

Effective Date _____

Sections 6 and 7 of 2016 Iowa Acts House File 2433, rescinding changes to the Administrative Code contained in ARC 2349C, are effective March 21, 2016. Sections 8 and 9 of House File 2433, amending Section 423.3, Code 2016, are effective July 1, 2016.

HF 2433-B

HISTORIC PRESERVATION TAX CREDIT TRANSITION

Prior Law_____

The Department of Cultural Affairs was responsible for overseeing the Historic Preservation and Cultural Entertainment District Tax Credit Program.

Historic Preservation and Cultural Entertainment District credits are refundable or transferable. Transferees must use the tax credit against tax liability; they may not receive a refund of the tax credit. Refundable credits may be carried forward as an overpayment.

New Provisions_____

Effective August 15, 2016, administrative oversight of the program is transferred from the Department of Cultural Affairs to the Economic Development Authority. The change does not affect the Department of Revenue's role in the program. The Economic Development Authority will consult with the Department of Cultural Affairs during the application process.

For eligible taxpayers that enter into agreements with the Department of Cultural Affairs or with the Economic Development Authority on or after July 1, 2014, the credit is refundable to the applicant or to a transferee. At the election of the taxpayer, the credit may be claimed as a nonrefundable tax credit and carried forward up to 5 years, or until depleted or, in the case of a refundable credit, carried forward as an overpayment. The credit may not be carried back to a prior year.

Section Amended_____

2016 Iowa Acts House File 2443 amends multiple sections of 2016 Iowa Code chapter 404A.

Effective Date_____

August 15, 2016

The provision of the Act allowing the credit to be carried forward five years instead of only one applies retroactively to agreements entered into by an eligible taxpayer on or after July 1, 2014.

HF 2443-C

INCOME TAX CHECKOFF CHANGES

Prior Law _____

Only four income tax return checkoffs are allowed on the income tax return. When the same four checkoffs are on the return for two years in a row, the two checkoffs with the least amount contributed are automatically repealed. The income tax checkoffs on the 2015 individual income tax return were Fish and Game Protection Fund, Iowa State Fair Foundation Fund, Veterans Trust Fund and Volunteer Fire Fighter Preparedness Fund, and Child Abuse Prevention Program Fund.

New Provisions _____

2016 Iowa Acts House File 2459 provides that the same checkoffs that were on the 2015 individual income tax return will be in place until January 1, 2018, for the 2016, 2017 and 2018 individual income tax returns. Therefore, the income tax checkoffs will be Fish and Game Protection Fund, Iowa State Fair Foundation Fund, Veterans Trust Fund and Volunteer Fire Fighter Preparedness Fund, and Child Abuse Prevention Program Fund, no matter the amount of contribution, on the 2016, 2017, and 2018 individual income tax returns.

After January 1, 2019, only four income tax return checkoffs will be allowed on the income tax return, and for tax years beginning on or after January 1, 2017, the automatic repeal provisions that were previously in place will be applicable again.

Section Amended _____

Sections 33 to 35 of 2016 Iowa Acts House File 2459 amend Section 422.12E, Code 2016.

Effective Date _____

July 1, 2016, retroactive to January 1, 2016, for tax years beginning on or after that date.

HF 2459-A

FLOOD MITIGATION PROGRAM CHANGES

Prior Law

The Code limited the amount of revenue accruing to the sales tax increment fund, or to accounts within the fund to the lesser of \$30 million or the amount necessary to fulfill the purposes of the program. Any excess monies were required to be credited to the general fund of the state.

In general, government entities could only receive remittances of sales tax increment revenue through the program for 20 years, beginning on the date that the Flood Mitigation Board approved the project. However, entities could receive remittances after the expiration of the 20-year period if those amounts were sales tax increment revenue that was collected from sales that occurred before the expiration of the 20-year period.

New Provisions

The limit on the amount of revenue accruing to the fund, or to accounts within the fund is still the lesser of \$30 million or the amount necessary to fulfill the purposes of the program. However, the Code now specifies that the limit applies *for a fiscal year*.

Government entities participating in the program may apply to the Board for an extension of the 20-year period in which the government entity may receive funds through the program. Applications for extension must be submitted to the Board before the 20-year period expires. The Board may approve applications for an additional period of consecutive years following the end of the 20-year period if the applicant meets the following criteria:

- The amount of funding the applicant received through the program during the 20-year period was less than the amount the applicant was approved to receive.
- The amount the applicant will receive in each additional year approved by the Board does not exceed \$15 million or 70% of the increased sales tax revenue for the area that is used to fund the program for that year, whichever is less.
- The total amount received by all government entities approved for the program will not exceed \$30 million in any fiscal year.
- The total amount that the applicant will receive during the extension period does not exceed the difference between the amount the applicant actually received during the 20-year period (before the extension) and the total amount the applicant was approved to receive.

Sections Amended

Section 16 of 2016 Iowa Acts House File 2459 amends Section 418.12, Code 2016. Section 36 of House File 2459 amends Section 418.15, Code 2016.

Effective Date_____

July 1, 2016

HF 2459-B

SOLAR ENERGY SYSTEM TAX CREDIT

Prior Law

The Code required that applications be filed by May 1 of the year following the year in which the solar energy system was installed. However, the Code did not address the order in which applications for the credit should be reviewed, or how timely applications should be handled if the amount of credits applied for exceeded the annual program cap.

By rule, the Department provided that if the applications for credits received in a year exceeded the cap for that year, the applications would be prioritized by the date on which they were received, and that those who did not receive credits for one year would be placed on a wait list for the next year's allocations. Only timely applications were placed on the wait list.

References to the Internal Revenue Code referred to the Internal Revenue Code as defined in Iowa Code Section 422.3(5).

New Provisions

All applications must still be filed by May 1 of the year after the solar energy system is installed. The Code now provides that applications for the credit must be reviewed on a first-come, first-served basis until the cap for the year is reached. Once the cap is reached, other applications that are timely filed will be placed on a wait list in the order in which the applications are received. Applicants on the wait list will be given priority for having their applications approved in future years. However, being placed on the wait list is not a guarantee that an applicant will receive the credit in the future. Receipt of a tax credit in future years is dependent upon the availability of the credit in that year.

While the May 1 deadline remains in place, a short-term, retroactive exception has been codified. Applications for solar energy systems installed in 2014 that are received after May 1, 2015 and applications for systems installed in 2015 that are received after May 1, 2016 are still eligible for the credit. Such applications must be accepted and approved on a first-come, first-served basis and are eligible for approval during the tax year in which the application is received. However, applications filed after May 1, 2015, for systems installed in 2014 shall not be eligible for the credit before the tax year beginning January 1, 2016, and applications for systems installed in 2015 that are filed after May 1, 2016, shall not be eligible for the credit before the tax year beginning January 1, 2017. Systems installed in 2016 or later must comply with the May 1 application deadline.

House File 2468 amended references to the Internal Revenue Code, refer to the Internal Revenue Code as amended up to and including January 1, 2016.

HF 2459-C

REPEAL ENVIRONMENTAL PROTECTION CHARGE

Prior Law

Code Chapter 424 grants the Iowa Department of Revenue the responsibility to collect an Environmental Protection Charge (“EPC”) based on petroleum diminution from certain storage tanks. The EPC is imposed on all petroleum products deposited into non-exempt storage tanks in Iowa. The EPC funds the Iowa Comprehensive Petroleum Underground Storage Tank Fund. Code Chapter 424 was scheduled for repeal on June 30, 2016.

New Provisions

2016 Iowa Acts House File 2464 repeals Code Chapter 424 on December 31, 2016. EPC licensees must continue to collect the EPC and file EPC returns for periods ending on or before December 31, 2016. The final EPC return for the quarter ending December 31, 2016, is due January 31, 2017. EPC licensees must stop collecting the EPC for periods beginning on or after January 1, 2017.

Section Amended

Section 18 of 2016 Iowa Acts House File 2464 amends Section 424.19, Code 2016.

Effective Date

May 4, 2016, for repeal of the Environmental Protection Charge on December 31, 2016.

HF 2464

IDR'S BACKGROUND CHECK REQUIREMENTS

Prior Law _____

IDR conducts background checks on any candidate prior to an offer of employment.

New Provisions _____

2016 Iowa Acts House File 2468 allows IDR to conduct background checks and run fingerprints through the FBI on any employee, contractor, vendor, or other individual performing work for IDR at least once every ten years. IDR is required to perform background checks and fingerprinting to comply with the Internal Revenue Service's tax information security guidelines that safeguard and protect federal tax returns and return information. The results of the background check and fingerprinting are not public records under Iowa Code Chapter 22.

Section Amended _____

Section 1 of 2016 Iowa Acts House File 2468 creates new section 421.48, Code 2016.

Effective Date _____

May 27, 2016

HF 2468-A

REPLACEMENT TAX TASK FORCE EXTENSION

Prior Law_____

The Replacement Tax Task Force is charged with studying the effects of the replacement taxes under Code Chapters 437A and 437B and making recommendations to further the purposes of maintaining tax neutrality for local governments, taxpayers, and consumers. The Replacement Tax Task Force expired on January 1, 2016.

2015 Iowa Acts House File 626 changed Iowa Code section 429.2 so that in the appeal of central property tax assessments, the Director of Revenue could only consider evidence and witnesses presented by the taxpayer.

New Provisions_____

The Replacement Tax Task Force has been extended until January 1, 2019.

The Director of Revenue now must consider all evidence and witnesses presented by the Department and the taxpayer for appeals of central property tax assessments.

Sections Amended_____

Sections 7, 8, and 9 of 2016 Iowa Acts House File 2468 amends Sections 429.2, 437A.15, and 437B.11, Code 2016.

Effective Date_____

May 27, 2016.

HF 2468-B

REINVESTMENT DISTRICT CLARIFICATION

Prior Law _____

Iowa provides a sales tax exemption for certain building materials, supplies, and equipment used in the performance of a construction contract with a designated exempt entity. Previously, “designated exempt entity” only included the entities defined in Code Section 423.4, subsections 1 and 6.

New Provisions _____

2016 Iowa Acts House File 2468 expands the definition of “designated exempt entity” to include an entity that is an instrumentality of a county or municipal government, including an agent of the entity, if the instrumentality or agent was created for the purpose of owning real property located within a reinvestment district established under Iowa Code Chapter 15J. Such entities are entitled to a sales tax exemption on building materials, supplies, or equipment that are completely consumed in the performance of a construction contract to construct a project, which project has been approved by the economic development authority board in accordance with Chapter 15J.

Section Amended _____

Section 6 of 2016 Iowa Acts House File 2468 amends Section 423.3, Code 2016.

Effective Date _____

May 27, 2016, applicable to purchases made on or after May 27, 2016.

HF 2468-C

RENEWABLE ENERGY TAX CREDIT

Prior Law

In order to qualify for the credit, a renewable energy facility must have been placed into service before January 1, 2017.

Of the maximum amount of energy production capacity of all facilities eligible for the credit, 10 megawatts of nameplate generating capacity or energy production equivalent was reserved for solar facilities with a generating capacity of 1 ½ megawatts or less that are owned or contracted for by certain types of electric cooperative associations described in the statute.

An owner could not own more than two of any type of renewable energy facility and still qualify for the credit. An owner with an equity interest of 51% or more in one renewable energy facility could not have more than a 10% equity interest in any other renewable energy facility.

Renewable energy tax credit certificates were not to be issued for renewable energy purchased or produced for on-site consumption after December 31, 2026.

New Provisions

Facilities placed in service before January 1, 2018 may now be eligible for the credit.

The Act clarifies that a solar facility qualifies for part of the 10 megawatts of generating capacity reserved for solar facilities as long as it is located within this state; has a generating capacity of 1 ½ megawatts or less (but not less than ¾ megawatts if all or part of the energy is for on-site consumption); is owned in whole or in part, directly or indirectly by one of the electric cooperatives described in the statute; and is placed in service between July 1, 2005 and January 1, 2018. A solar facility that meets these criteria is eligible for the credit even if it does not meet the other requirements found in the definition of “eligible renewable energy facility.”

An electric cooperative association described in the statute may have an ownership interest in up to four solar energy facilities with a generating capacity of 1 ½ megawatts or less, as long as the facility meets the other criteria listed above.

Renewable energy tax credit certificates may not be issued for renewable energy purchased or produced for on-site consumption after December 31, 2027.

Sections Amended

Section 10 of 2016 Iowa Acts House File 2468 amends Section 476C.1, Code 2016. Sections 11 and 12 of House File 2468 amend Section 476C.3, Code 2016. Section 13 of 2016 House File 2468 amends Section 476C.5, Code 2016.

Effective Date_____

May 27, 2016

Sections 10 and 13 of the Act apply retroactively to January 1, 2016.

Sections 11 and 12 of the Act apply retroactively to January 1, 2015, and to applications for the credit made on or after June 26, 2015.

HF 2468-D

Geothermal Tax Credit

Prior Law

Iowa provides a geothermal heat pump tax credit (the “20% credit”) for Iowa individual income tax liability equal to 20% of the federal residential energy efficient property tax credit allowed for geothermal heat pumps in residential property located in Iowa. The federal credit is set to expire December 31, 2016.

New Provisions

If the federal income tax credit is not extended beyond December 31, 2016, an Iowa income tax credit (the “10% credit”) will become available that is not based on the federal credit amount. The credit will be equal to 10 % of the taxpayer’s qualified expenditures on equipment that uses the ground or groundwater as a thermal energy source to heat the taxpayer’s dwelling, or as a thermal energy sink to cool the dwelling. The equipment must meet the federal energy star program requirements in effect at the time the expenditure is made. The dwelling must be the taxpayer’s residence and be located in Iowa.

For the 10% credit, expenditures are deemed to have been made on the date that installation is complete, or, in the case of new construction, the date the taxpayer begins using the structure.

When multiple housing cooperatives or horizontal property regimes incur expenses that qualify for the 10% credit, taxpayers owning and living in the units are treated as having made their proportionate share of any qualified geothermal heat pump property expenditures made by the cooperative or regime.

The 10% credit is not refundable, but it may be carried forward up to ten years, or until depleted, whichever is earlier.

The 10% credit is not available in years in which the federal residential energy efficient property tax credit for geothermal heat pumps is available. Expenditures used to calculate the federal credit may not be used to calculate the 10% credit. However, the 20% credit has not been repealed, and it will be available in years in which the federal credit is available if the federal credit is extended beyond December 31, 2016.

Section Amended

Section 2 of 2016 Iowa Acts House File 2468 adds new Section 422.10A, Code 2016.

Effective Date _____

January 1, 2017

The credit is applicable to qualified expenditures incurred on or after January 1, 2017.

HF 2468-E

ADOPTION TAX CREDIT INCREASE

Prior Law _____

Iowa provides an adoption tax credit for individual income tax, equal to the amount of qualified adoption expenses paid or incurred by the taxpayer during the tax year in connection with the adoption of a child. Previously, the credit could not exceed \$2,500 per adoption.

New Provisions _____

2016 Iowa Acts House File 2468 increases the limit on the adoption tax credit to \$5,000 per adoption.

Section Amended _____

Section 5 of 2016 Iowa Acts House File 2468 amends Section 422.12A, Code 2016.

Effective Date _____

January 1, 2017

HF 2468-F

RENEWABLE CHEMICAL PRODUCTION TAX CREDIT PROGRAM

Prior Law

Iowa had no Renewable Chemical Production Tax Credit Program prior to the enactment of this law.

New Provisions

A Renewable Chemical Production Tax Credit Program is established. Eligible businesses can apply to the Economic Development Authority for the credit, which is equal to \$0.05 per pound of renewable chemicals produced from biomass feedstock in this state. A business shall not receive a tax credit for renewable chemicals produced before the date the business first qualified as an “eligible business” pursuant to Code Section 15.317. The maximum amount of credit that may be issued to an eligible business that has been in operation in the state for five years or less is \$1 million. The maximum amount of credit that may be issued to an eligible business that has been in operation in the state for more than five years is \$500,000. An eligible business shall only receive a tax credit for renewable chemicals produced in a calendar year to the extent such production exceeds the eligible business’s pre-eligibility production threshold. An eligible business shall not receive more than five tax credits under the program.

The credit is available for renewable chemicals produced on or after January 1, 2017, and on or before December 31, 2026. The credit may be applied to individual or corporation income taxes. The credit is refundable, or it may be credited against the following year’s tax liability as an overpayment. The Economic Development Authority may issue up to \$10 million in renewable chemical production credits per fiscal year.

The Economic Development Authority Board, in cooperation with the Department of Revenue, must submit a report describing the activities of the program for the most recent calendar year by January 31, 2019, and by the same date each year after that.

The new Code provisions related to this credit in Code Sections 15.315 through 15.321 are repealed effective January 1, 2030.

The new Code provisions related to this credit in Code Sections 422.10A and 422.33 are repealed effective January 31, 2033.

Sections Amended

Section 2 of 2016 Iowa Acts Senate File 2300 amends Section 2.48, Code 2016. Section 3 amends Section 15.119, Code 2016. Section 4 adds new Section 15.315, Code 2016. Sections 5 through 11

add new Sections 15.316 through 15.322, Code 2016. Section 12 of adds new Section 422.10A, Code 2016. Section 13 amends Section 422.33, Code 2016.

Effective Date _____

April 6, 2016

The Act applies to renewable chemicals produced on or after January 1, 2017. The Economic Development Authority will not issue any renewable chemical tax credits before July 1, 2018. Taxpayers may not claim renewable chemical tax credits before September 1, 2018.

SF 2300

529 PLAN CHANGES

Prior Law_____

The Iowa College Savings 529 Plan encourages individuals to save for an individual's college by allowing individuals who contribute to receive a deduction against their individual income tax and exempts earnings from Iowa tax, along with other benefits. The contributors to an individual's Iowa College Savings 529 Plan are limited to an individual, individual's legal representative, trust or estate.

New Provisions_____

2016 Iowa Acts House File 2301 adds tax-exempt, nonprofit organizations under IRC section 501(c)(3) to the list of entities that can contribute to an individual's Iowa College Savings 529 Plan and allows the tax deduction for the contribution.

Sections Amended_____

Sections 1 and 2 of 2016 Iowa Acts Senate File 2301 amend Section 12D.1, Code 2016. Section 3 of Senate File 2301 amends Section 422.9, Code 2016. Section 4 of Senate File 2301 amends 422.35, Code 2016.

Effective Date_____

May 25, 2016, retroactive to January 1, 2016, for tax years beginning on or after that date.

SF 2301

RAPID RESPONSE TO STATE DISASTERS

Prior Law

The income a nonresident individual receives for performing emergency response work for an electric utility under a mutual aid agreement between Iowa and the state the nonresident lives in, or for training by the electric utility is excluded from Iowa individual income tax. In addition, that nonresident is not subject to withholding by the electric utility for those sources of income.

New Provisions

2016 Iowa Acts Senate File 2306 is enacted to facilitate rapid response by out-of-state businesses and employees to state-declared and presidential-declared major disasters. An out-of-state business that performs disaster and emergency-related work, which includes fixing or building critical infrastructure that has been damaged or destroyed by the declared state disaster or emergency, that relates to a state-declared or presidential-declared disaster is exempt from the following:

- Income tax;
- Corporate income tax;
- Withholding and remitting income tax from out-of-state employees;
- Being included in a consolidated return;
- Collecting and remitting any tax imposed on another person or filing a related tax return or obtaining a tax permit, except for sales tax, if the out-of-state business is registered voluntarily as a seller under the Streamlined Sales and Use Tax Agreement;
- Use tax or equipment tax under code chapter 423D, on property purchased outside the state and brought into the state during the disaster response period; and
- Property taxes on property brought into the state to aid in the performance of the disaster.

An out-of-state employee performing disaster or emergency-related work during a disaster response period does not establish residency or a level of presence that would subject the employee to any of the following:

- Obtaining any state or local registration, license, or permit;
- Income tax, including increasing the amount of net income the out-of-state employee allocates and apportions to the state;
- Withholding tax,
- Use tax or equipment tax under code chapter 423D, on property purchased outside the state and used in the state for related work if it is removed after the disaster response period ends;

The disaster response period starts ten days before the state-declared or presidential-declared disaster and ends sixty days after the end of the declared state disaster or emergency.

Sections Amended_____

Sections 1 of 2016 Iowa Acts Senate File 2306 amends Section 29C.1, Code 2016. Section 2 creates new section 29C.24, Code 2016. Sections 4 to 8 amends chapter 422, Code 2016. Sections 9 to 11 amends Chapter 423. Section 12 amends section 423D.3, Code 2016. Section 13 of amends section 427.1, Code 2016.

Effective Date_____

April 21, 2016, retroactive to January 1, 2016, for tax years beginning on or after that date.

SF 2306

RENEWABLE FUELS TAX CREDITS

Prior Law

The E-15 Plus Gasoline Promotion Tax Credit and the E-85 Gasoline Promotion Tax Credit provide income tax credits for retail dealers based on the total number of gallons sold of gasoline blended with specified amounts of ethanol. The E-15 Plus Gasoline Promotion Tax Credit requires an ethanol content between 15% and 69% per gallon. The E-85 Gasoline Promotion Tax Credit requires an ethanol content between 70% and 85% per gallon. Previously, both credits were scheduled to expire January 1, 2018.

The Biodiesel Blended Fuel Tax Credit provides income tax credits for retail dealers based on the total number of gallons sold of diesel fuel that contains at least 5% biodiesel. Since 2013, the Biodiesel Blended Fuel Tax Credit has been 4.5 cents per gallon of diesel fuel rated B-5 or higher. The Biodiesel Blended Fuel Tax Credit was also scheduled to expire January 1, 2018.

The Ethanol Promotion Tax Credit provides income tax credits for retail dealers who sell a specified number of gallons of biofuels during a determination period. The Ethanol Promotion Tax Credit is scheduled to expire January 1, 2021.

Iowa provides a sales and use tax refund for biodiesel production. The refund is available to biodiesel producers in an amount equal to 2 cents per gallon of biodiesel produced, up to 25 million gallons each calendar year at each facility. Previously, the refund was scheduled to expire January 1, 2018.

New Provisions

2016 Iowa Acts Senate File 2309 extends the expiration dates of the E-15 Plus Gasoline Promotion Tax Credit, the E-85 Gasoline Promotion Tax Credit, the Biodiesel Blended Fuel Tax Credit, and the sales and use tax refund for biodiesel production. All four biofuel tax programs now expire January 1, 2021.

Senate File 2309 also changes the credit amount of the Biodiesel Blended Fuel Tax Credit. Under the Act, diesel fuel rated B-5 or higher but less than B-11 receives a credit of 3.5 cents per gallon, and diesel fuel rated B-11 or higher receives a credit of 5.5 cents per gallon.

Additionally, Senate File 2309 deletes references to the Ethanol Promotion Tax Credit after it expires on January 1, 2021. The Ethanol Promotion Tax Credit is still scheduled to expire on January 1, 2021.

Sections Amended _____

2016 Iowa Acts Senate File 2309 amends Sections 422.11O, 422.11P, 422.11Y, and 422.33, Code 2016, and 2011 Iowa Acts, Chapter 113.

Effective Date _____

The E-15 Plus Gasoline Promotion Tax Credit, the E-85 Gasoline Promotion Tax Credit, the Biodiesel Blended Fuel Tax Credit, and the sales and use tax refund for biodiesel production are repealed effective January 1, 2025. References to the Ethanol Promotion Tax Credit are deleted effective January 1, 2021.

SF 2309

BASEBALL/SOFTBALL COMPLEX REBATE

Prior Law

A baseball and softball tournament facility and movie site was eligible to apply for a rebate of sales tax imposed by retailers on sales and services, as long as certain requirements were met, including construction on the facility and site had to begin before July 1, 2013 and the facility and movie site had to be a for-profit legal entity where more than 51% of its equity interests were owned by Iowa residents, an Iowa corporation, or a combination of both. A change of control, as defined under Iowa Code section 423.4(10), would stop the rebate. The rebate was capped at \$16.5 million for the entire rebate period.

New Provisions

2016 Iowa Acts House File 2312 expands the sales tax rebate for a baseball and softball complex as follows:

- An owner or operator of the complex must apply for financial assistance for a project under Iowa Code section 15F.202, community attraction and tourism program.
- The owner or operation is redefined to mean a legal entity in which more than 51% of its equity or voting interest is owned or controlled by Iowa residents, an Iowa corporation or a combination.
- An Iowa corporation is redefined to mean a corporation in which more than 51% of its equity or voting interests are owned or controlled by residents of Iowa.
- Upon completion, there will be a baseball and softball complex.
- The project must be completed after July 1, 2016
- The project must cost at least \$10 million.

The sales tax rebate is limited to \$2.5 million for one baseball and softball complex, capped at \$5 million in sales tax rebates total, and the rebate must be claimed no later than ten years after the project completion date.

Sections Amended

Section 1 of 2016 Iowa Acts Senate File 2312 creates new section 15F.207, Code 2016. Sections 2 and 3 of Senate File 2312 amend Section 423.2, Code 2016. Section 4 of Senate File 2312 amends 423.4, Code 2016.

Effective Date

July 1, 2016

SF 2312

2016 *Legislative Summaries*



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