A BILL FOR

An Act modifying the endow Iowa tax credit to allow the credit for endowment gifts to an endow Iowa scholarship fund, and including retroactive and other applicability provisions.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
1 Section 1. Section 15E.302, Code 2015, is amended to read
2 as follows:
3 15E.302 Purpose.
4 The purpose of this division is to enhance the quality
5 of life for citizens of this state through increased access
6 to higher education by providing scholarships and tuition
7 grants in an effort to reduce higher education costs and debt
8 burdens for the citizens of this state and through increased
9 philanthropic activity by providing capital to new and existing
10 citizen groups of this state organized to establish endowment
11 funds that will address community needs. The purpose of this
12 division is also to encourage individuals, businesses, and
13 organizations to invest in community foundations and endowed
14 scholarship funds.
15 Sec. 2. Section 15E.303, subsection 5, Code 2015, is amended
16 to read as follows:
17 5. "Endowment gift" means an irrevocable contribution to an
18 endow Iowa scholarship fund or to a permanent endowment held by
19 an endow Iowa qualified community foundation.
20 Sec. 3. Section 15E.303, Code 2015, is amended by adding the
21 following new subsections:
22 NEW SUBSECTION. 4A. "Endow Iowa scholarship fund" means
23 a fund that meets the requirements of section 15E.304A,
24 subsection 2, and that is registered with the authority
25 pursuant to that section.
26 NEW SUBSECTION. 7. "Qualified postsecondary educational
27 institution" means any of the following:
28 a. A community college established under chapter 260C.
29 b. A nonprofit accredited private institution in this state
30 that meets the requirements in section 261.9, subsection 1,
31 and the requirements of the provisions of the federal Higher
32 Education Act of 1965, as amended, for student participation in
33 the federal interest subsidy program.
34 Sec. 4. NEW SECTION. 15E.304A Endow Iowa scholarship funds.
35 1. An entity that establishes a fund meeting all of the
requirements of subsection 2 may register the fund with
the authority as the endow Iowa scholarship fund of a named
qualified postsecondary educational institution. The authority
shall not register more than one endow Iowa scholarship fund
per qualified postsecondary educational institution.
2. An endow Iowa scholarship fund shall meet all of the
following requirements:
   a. The fund shall be a permanent endowment fund.
   b. The fund shall be established by and under the control of
one of the following entities:
   (1) A qualified postsecondary educational institution.
   (2) A foundation that is organized under chapter 504, that
qualifies under section 501(c)(3) of the Internal Revenue Code
as exempt from federal income tax under section 501(a) of the
Internal Revenue Code, and that acts solely for the support of
a qualified postsecondary educational institution.
   c. The fund shall be established and used exclusively
to provide scholarships or tuition grants to Iowa residents
attending the qualified postsecondary educational institution.
   d. Scholarships and tuition grants shall be awarded and
paid exclusively from the earnings of the fund, and such
scholarships and tuition grants shall not exceed on an annual
basis an amount equal to five percent of the assets of the
fund.
Sec. 5. Section 15E.305, subsections 1 and 2, Code 2015, are
amended to read as follows:
1. For tax years beginning on or after January 1, 2003,
a tax credit shall be allowed against the taxes imposed in
chapter 422, divisions II, III, and V, and in chapter 432,
and against the moneys and credits tax imposed in section
533.329 equal to twenty-five percent of a taxpayer’s endowment
gift to an endow Iowa qualified community foundation or to an
endow Iowa scholarship fund. An individual may claim a tax
credit under this section of a partnership, limited liability
company, S corporation, estate, or trust electing to have
income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual’s earnings from the partnership, limited liability company, S corporation, estate, or trust. A tax credit shall be allowed only for an endowment gift made to an endow Iowa scholarship fund or made to an endow Iowa qualified community foundation for a permanent endowment fund established to benefit a charitable cause in this state. The amount of the endowment gift for which the tax credit is claimed shall not be deductible in determining taxable income for state income tax purposes. Any tax credit in excess of the taxpayer’s tax liability for the tax year may be credited to the tax liability for the following five years or until depleted, whichever occurs first. A tax credit shall not be carried back to a tax year prior to the tax year in which the taxpayer claims the tax credit.

2. a. The aggregate amount of tax credits authorized pursuant to this section for endowment gifts to an endow Iowa qualified community foundation shall not exceed a total of six million dollars annually.

b. The maximum amount of tax credits granted to a taxpayer for endowment gifts to an endow Iowa qualified community foundation shall not exceed five percent of the aggregate amount of tax credits authorized.

c. Ten percent of the aggregate amount of tax credits authorized for endowment gifts to an endow Iowa qualified community foundation in a calendar year shall be reserved for those endowment gifts in amounts of thirty thousand dollars or less. If by September 1 of a calendar year the entire ten percent of the reserved tax credits is not distributed, the remaining tax credits shall be available to any other eligible applicants.

Sec. 6. Section 15E.305, Code 2015, is amended by adding the following new subsection:

NEW SUBSECTION. 2A. a. The aggregate amount of tax credits
authorized pursuant to this section for endowment gifts to an
endow Iowa scholarship fund shall not exceed a total of three
million dollars annually.

b. The maximum amount of tax credits granted to a taxpayer
for endowment gifts to an endow Iowa scholarship fund shall not
exceed two and one-half percent of the aggregate amount of tax
credits authorized.

c. Ten percent of the aggregate amount of tax credits
authorized for endowment gifts to an endow Iowa scholarship
fund in a calendar year shall be reserved for those endowment
gifts in amounts of thirty thousand dollars or less. If by
September 1 of a calendar year the entire ten percent of the
reserved tax credits is not distributed, the remaining tax
credits shall be available to any other eligible applicants.

Sec. 7. Section 22.7, subsection 52, paragraph a,
unnumbered paragraph 1, Code 2015, is amended to read as
follows:

The following records relating to a charitable donation made
to a foundation acting solely for the support of an institution
governed by the state board of regents, to the board of the
Iowa state fair foundation when the record relates to a gift
for deposit in or expenditure from the Iowa state fairgrounds
trust fund as provided in section 173.22A, to a foundation
acting solely for the support of an institution governed by
chapter 260C, to a private foundation as defined in section
509 of the Internal Revenue Code organized for the support of
a government body, or to an endow Iowa qualified community
foundation, as defined in section 15E.303, organized for the
support of a government body, or to an endow Iowa scholarship
fund, as defined in section 15E.303:

Sec. 8. APPLICABILITY. This Act applies to endowment gifts
made to an endow Iowa scholarship fund on or after July 1,
2015.

Sec. 9. RETROACTIVE APPLICABILITY. This Act applies
retroactively to January 1, 2015, for tax years beginning on
or after that date.

EXPLANATION

The inclusion of this explanation does not constitute agreement with the explanation's substance by the members of the general assembly.

This bill modifies the types of endowment gifts that qualify for the endow Iowa tax credit. Under current law, the endow Iowa tax credit is available for 25 percent of a taxpayer's endowment gift to an endow Iowa qualified community foundation for a permanent endowment fund established to benefit a charitable cause in this state. The bill allows the tax credit for 25 percent of a taxpayer's endowment gift to an endow Iowa scholarship fund. In order to be an endow Iowa scholarship fund and qualify for the tax credit, a fund must meet several requirements. First, the fund must be a permanent endowment fund. Second, the fund must be established and held by a qualified postsecondary educational institution or a nonprofit, tax-exempt entity acting solely for the support of a qualified postsecondary educational institution. "Qualified postsecondary educational institution" means an Iowa community college or a nonprofit accredited private institution in this state that meets certain requirements specified in the bill. Third, the fund must be established and used exclusively to provide scholarships or tuition grants to Iowa residents attending the qualified postsecondary educational institution. Fourth, the scholarships and tuition grants must be paid exclusively from the earnings of the fund and must not exceed five percent of the fund assets per year. The entity establishing the endow Iowa scholarship fund must register the fund with the economic development authority (EDA), and the EDA shall not register more than one endow Iowa scholarship fund per qualified postsecondary educational institution.

In addition to the $6 million that may be authorized per calendar year under current law for endowment gifts to endow Iowa qualified community foundations, the bill provides that up to $3 million in tax credits may be authorized per year.
for endowment gifts to endow Iowa scholarship funds. Of that $3 million, not more than 2.5 percent ($75,000) shall be
granted to any one taxpayer, and 10 percent ($300,000) shall be reserved for endowment gifts in amounts of $30,000 or less. If
by September 1 of any calendar year this entire $300,000 is not distributed, the remaining amount shall be available for any
other endowment gift to an endow Iowa scholarship fund.
The bill modifies the purpose of the endow Iowa program Act to include as a purpose the increased access to higher education by providing scholarships and tuition grants in an effort to reduce higher education costs and debt burdens for the citizens of Iowa.
The bill adds charitable donations made to an endow Iowa scholarship fund to the list of donations for which certain public records shall be kept confidential under Code chapter 22 (examination of public records).
The bill applies to endowment gifts made to an endow Iowa scholarship fund on or after July 1, 2015. The bill applies retroactively to January 1, 2015, for tax years beginning on or after that date.