



**IOWA  
ASSOCIATION  
OF BUSINESS  
AND INDUSTRY**

# BUSINESS

APRIL 2023

MONTHLY

## EXPERTS AGREE: Iowa's business climate is improving



STORY ON PAGE 4

### CALENDAR OF EVENTS - 2023

**APRIL 13**  
Connecting Statewide Leaders  
SIOUX CITY

**APRIL 13-14**  
Leadership Iowa: Economic  
Development & Workforce  
SIOUX CITY

**APRIL 21**  
Legislative Update  
(Members Only)  
VIRTUAL  
*Continues every other Friday during  
session*

**MAY 11-12**  
Leadership Iowa:  
Manufacturing & Transportation  
BURLINGTON

**JUNE 13-15**  
Taking Care of Business  
Conference  
CEDAR RAPIDS

**JUNE 13-15**  
Leadership Iowa:  
ABI Conference & Graduation  
CEDAR RAPIDS

**JULY 16-20**  
Business Horizons  
DRAKE UNIVERSITY, DES MOINES

**AUGUST 3-4, 2023**  
Executive Forum  
OKOBOJI

**AUG. 6-10**  
Leadership Iowa University  
DES MOINES

### INSIDE

<b>FROM THE CHAIR</b> Kim Augspurger .....	2
<b>TAXES TAKE CENTER STAGE</b> JD Davis.....	2
<b>STRONG M&amp;A OPPORTUNITIES SHOULD CONTINUE IN 2023</b> Tom Cavanagh .....	3
<b>EVENT REWIND</b> Leadership Iowa.....	3
<b>IS AN ESOP RIGHT FOR YOUR COMPANY?</b> Debra Linder.....	6
<b>REGISTER FOR BUSINESS HORIZONS 2023</b> Kendall Antle .....	7
<b>GET READY FOR SECTION 174 CAPITALIZATION</b> Tyler Lind .....	8

### MEET ABI'S NEWEST MEMBERS

Meet ABI's Newest Members: Visit our newest members' websites, and see how their products and services can benefit you:

LeMar Industries | Des Moines | [www.lemarindustries.com](http://www.lemarindustries.com)

Legacy Bridge Private Family Offices | West Des Moines | [www.legacybridgepfo.com](http://www.legacybridgepfo.com)

Faith Baptist Bible College & Seminary | Ankeny | [www.faith.edu](http://www.faith.edu)

VISIT [WWW.IOWAABI.ORG](http://WWW.IOWAABI.ORG) AND CLICK THE "EVENTS"  
TAB FOR DETAILS ON ALL UPCOMING EVENTS.

Learn more about how ABI membership could benefit your company by visiting  
[www.iowaabi.org/membership/why-abi](http://www.iowaabi.org/membership/why-abi).



FROM THE CHAIR:

# Wrapping Up Business Day and Looking Ahead to Conference

Welcome to another edition of ABI's Business Monthly. The cover story looks at Iowa's business taxes in transition. Settle in for an informative and interesting read.

Last month's inaugural Business Day in Des Moines was a huge success. Thank you to those who participated from all across our state. This event provided yet another opportunity for ABI members to thank state officials for their service and to discuss pending legislation. Whether a business owner or a legislator, we all want to help make Iowa a better place to live, work, and raise a family.

Be sure to check ABI's online events calendar ([www.iowaabi.org/events](http://www.iowaabi.org/events)) for upcoming events this spring you or your team could benefit from.

As we look ahead to summer, we are excited to head to Cedar Rapids, June 13-15, for the 2023 Taking Care of Business Conference, ABI's 120th annual convention. Two hotels are already sold-out. The good news is that there are still other lodging options remaining!

The hospitality, speakers, venues, and networking at this conference are



**Kim Augspurger**  
ABI Chair  
Pigott, Des Moines

the best you will find anywhere in the state. If you and your team attend only one event this year, this is the one that will undoubtedly give you a return on your investment in terms of time, money, connections, and resources. Please consider this your personal invitation to attend, and I look forward to seeing you and your colleagues in June.

For more information or to register, visit: [www.ABITakingCareOfBusiness.com](http://www.ABITakingCareOfBusiness.com) **ABI**

## Business Day in Des Moines a Huge Success – Taxes Take Center Stage In Remarks

If you were among the 190+ participants at the March 7, 2023 Inaugural ABI Business Day in Des Moines, you received a glimpse into the crystal ball of future tax policy in Iowa.

The crowd assembled was treated to remarks by Governor Reynolds and legislative leadership from both parties. View photos of the event here: [www.iowaabi.org/events/photos](http://www.iowaabi.org/events/photos). On taxes, Governor Reynolds reminded attendees of all that had been achieved in income tax reform and reduction in 2018, 2021 and 2023. A great cover story in this publication goes into detail on how that policy will affect business taxpayers. The Governor ended her remarks on taxes by teasing what she is yet to propose on income tax policy during the 2024 session. (More income tax relief?)

House Speaker Grassley and Senate Majority Leader Whitver shared the podium and explained how their respective chambers are both considering measures to control the cost to individuals and businesses when property valuations spike. The approaches are not the same, but there is a desire in both chambers to limit the manner in which increased assessments drive budget growth at the local government level. The next weeks will tell the tale of whether they can harmonize the competing approaches and deliver more certainty and potential relief to property taxpayers.

From the income rate reductions al-



**JD Davis**  
Vice President of Public Policy  
ABI  
[jddavis@iowaabi.org](mailto:jddavis@iowaabi.org)

ready passed, to the focus on property taxes, ABI public policy priorities have outlined how prudent tax policy can lead to prosperity for businesses and individuals. The involvement of ABI members in events like the Business Day in Des Moines let policymakers get real-time feedback on policies they are considering. At other times of the year, during regional meetings, the meetings of the ABI policy committees or the January Legislative Briefing and Reception, members can shape policy with their participation.

Help ABI be successful in policy advocacy by getting more involved in policy development and promotion by going to our events page at <https://www.iowaabi.org/events/> and signing up for a committee or policy event. **ABI**

**HON.**

Make your space work®

### Voted Best Overall Office Chair

Ignition 2.0



**Forbes**  
VETTED

2022

**BEST OVERALL OFFICE CHAIR**



Governor Kim Reynolds addresses attendees at ABI's Inaugural Business Day in Des Moines.



Pat Grassley, Speaker of the House, and Jack Whitver, Senate Majority Leader, take questions from the crowd.



# Strong M&A Opportunities Should Continue in 2023

In some years, M&A activity is driven in part by planned or anticipated changes to capital gains or other tax policies that might impact a business owner's after-tax proceeds received for a sale. At least at this point, that hasn't been the case in 2023, but it doesn't make the M&A environment any less interesting.

One of the challenges in the current market is that sellers are finding it difficult to communicate their earnings expectations due to a range of factors, such as supply chain disruptions, rising wages, inflation, and geopolitical uncertainty. This type of uncertainty often leads to roadblocks in reaching a mutually agreeable valuation for mergers and acquisitions, resulting in a decrease in M&A activity.

However, despite these challenges, buyers with strong balance sheets are actively seeking acquisitions as a means to achieve growth results, given the lack of organic growth opportunities due to the shortage of employees. We have observed a significant



**Tom Cavanagh**  
Vice President & Shareholder  
BCC Advisers  
tom@bccadvisers.com

increase in businesses looking to proactively pursue acquisitions, despite concerns of an impending recession later in 2023. If business owners are willing to be flexible with pricing and structure, 2023 could present excellent opportunities for attractive ownership transitions. **ABI**

We have observed a significant increase in businesses looking to proactively pursue acquisitions, despite concerns of an impending recession later in 2023.



## EVENT REWIND

**Leadership Iowa**  
2022-23 Class | March 2-3 | Waverly

The Leadership Iowa 2022-23 class completed its fifth session in Waverly and explored topics relating to education in Iowa.

Some of the session highlights included:

- Visits to the Waterloo Career Center, Central Rivers Area Education Agency, and the Waverly-Shell Rock Middle and High Schools.
- Conversations with subject-matter experts such as Dr. Brad Buck (Waukee Community School District), Shawn Snyder (Iowa Association of School Boards), Dr. Todd Holcomb (Hawkeye Community College), Dr. Debora Johnson-Ross (Wartburg College), Dr. Mark Wiederspan (Iowa College Aid), and Dr. Liang Chee Wee (formerly Northeast Iowa Community College).

WOMEN LEAD CHANGE

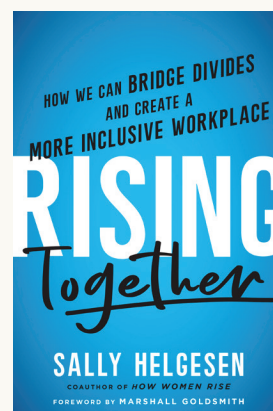
**A** ADVOCATES  
& ALLIES

# VIRTUAL SPEAKER SERIES

**MAY 4**

Noon–1 p.m. CST

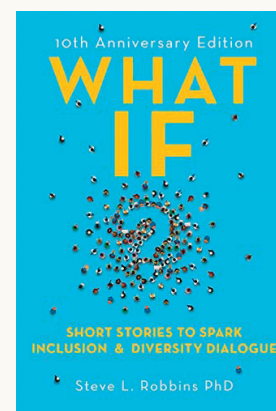
Sally Helgesen  
*Rising Together*



**MAY 11**

Noon–1 p.m. CST

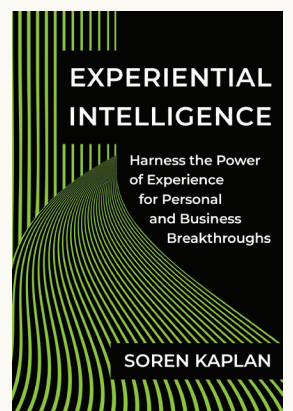
Dr. Steve Robbins  
*What If*



**MAY 18**

Noon–1 p.m. CST

Soren Kaplan  
*Experiential Intelligence*



**Register here!**

The first 100 to register receive free copies of *Rising Together* & *Experiential Intelligence*

Register by April 20 to receive your books in the mail



### TICKETS

\$199 per person includes access to all sessions

[wlcglobal.org/events/2022-advocates-and-allies](http://wlcglobal.org/events/2022-advocates-and-allies)



This program is valid for 4 PDCs for the SHRM-CP® or SHRM-SCP® (Activity 23-T5EZ4).



COVER STORY FROM PAGE 1

# EXPERTS AGREE: Iowa's business climate is improving

By Emery Styron

news@coridorbusiness.com

Thanks to changes implemented by Gov. Kim Reynolds and the Republican-controlled Iowa Legislature, Iowa's business climate is seeing major and long overdue improvements, according to Tax Foundation analyst Jared Walczak and two Iowa Association of Business and Industry leaders long involved with tax policy.

In a March 14 article posted on the Tax Foundation website, Mr. Walczak, vice president of state projects, described the "ongoing transformation of Iowa's tax code" as "certainly remarkable." As recently as 2018, the state had a nine-bracket individual income tax with a top marginal rate of 8.98% and a graduated corporate income tax with a top rate of 12%, both with alternative minimum taxes. The Iowa tax code at that time also included an inheritance tax and what Mr. Walczak describes as "a well-intentioned but distortive policy of federal deductibility."

Once reforms enacted in H.F. 2317 take

effect, building on others adopted in 2018 and 2021, Iowa's individual income tax rate will drop to a single-bracket 3.9% and its corporate rate to a flat 5.5%, with no inheritance or alternative minimum taxes.

Getting taxes as low as possible is "good for Iowa business and good for Iowa," says ABI President Mike Ralston. "I believe most tax experts would say the goal of any sound tax reform is to eliminate as many deductions and credits as possible to make the base as broad as possible. That makes it possible to squeeze rates down as low as possible. That seems to be what the Governor and General Assembly are doing. As long as Iowa can provide the services needed by its citizens (and benchmarking against other states is one way to determine if the funds exist to do that), that's good."

Joe Kristan, a CPA and member of the ABI tax policy committee, applauds the changes but would like to see more aggressive reforms targeted to help corporations. "Corporate rates are important for businesses. Iowa has traditionally had one of the worst corporate tax rates in the country. I think corporate rates

needed fixing even more than the individual side," said Mr. Kristan, who also blogs on tax policy at <https://www.eidebailly.com/insights>.

Mr. Kristan notes that his comments for this article reflect only his personal views and not those of the accounting and consulting firm, Eide Bailly, of which he is a partner.

Mr. Walczak said Iowa's 2018, 2021 and 2022 reforms generally follow the blueprint created by the Tax Foundation in a 2016 study commissioned by the Future of Iowa Tax Foundation. Cumulatively, they will drastically improve Iowa's ranking in the Tax Foundation's State Business Tax Climate Index, a measure of state tax structure, he said. Before the reforms of 2018 took effect, Iowa ranked 46th, but would improve 31 places to 15th overall with the full phase-in of the newly enacted reforms — an improvement of 31 places, according to Mr. Walczak. This would tie North Carolina for the largest improvement in the Index's history.

## Corporate, individual income tax cuts both affect business

House File 2317, the legislation signed by Gov. Reynolds on March 1, 2022, enacts contingent tax cuts in the state's corporate income tax rate and phased reductions of the individual income tax rate, along with making changes to the state's research activities tax credit and treatment of retirement income, according to a summary published by Ernst & Young.

"ABI has never debated elimination of income taxes. The general principle is that taxes should be as low as possible. I think the legislature has taken a pretty cautious approach," said Mr. Ralston. "Our general thing is that government costs money. It needs to have resources. We get the need for taxes. We just don't want to collect a penny more than necessary," he said.

The cautious approach is reflected in the trigger mechanism built into HF 2317's corporate tax cuts. The state's 2021-2022 corporate income tax rate is 5.5% on the first \$100,000 of taxable income, 9% on taxable income from \$100,001 to \$250,000 and 9.8% on taxable income greater than \$250,000.

If both the Iowa Department of Revenue and the Iowa Department of Management determine by Nov. 1 in a given year that net corporate income tax receipts in the prior fiscal year exceeded \$700 million, the 9% and 9.8% rate brackets will be dropped to generate \$700 million in net corporate income tax receipts. Those rates will apply to tax years beginning on or after the next Jan. 1, but can't fall below 5.5%, according to the Ernst & Young summary.

In fact, we're already going to see re-

ductions in the corporate rate for Tax Year 2023. Income up to \$100,000 will be taxed at 5.5% while income past that will be taxed at 8.4%. Going from a top rate of 9.8% to 8.4% is a drop of 14.2%, which is very significant for corporate tax filers.

Also reflecting legislative caution, HF 2317 designates the Taxpayer Trust Fund, expected to hold \$2 billion by the end of FY 2023, to facilitate tax relief if needed, although current projections show state revenue growth may be sufficient.

Mr. Kristan believes legislators "probably had more incentive to reduce individual rates than corporate rates" as there are a lot more voters who own smaller businesses and see their income taxed at individual rates.

"The reduction in tax rates on individuals is good news for Iowa's tax climate. Most businesses are pass-through entities, which means the owners pay the business taxes on their own returns," he said. "Lower individual taxes mean lower business taxes, which, everything else being equal, makes Iowa more attractive for commerce."

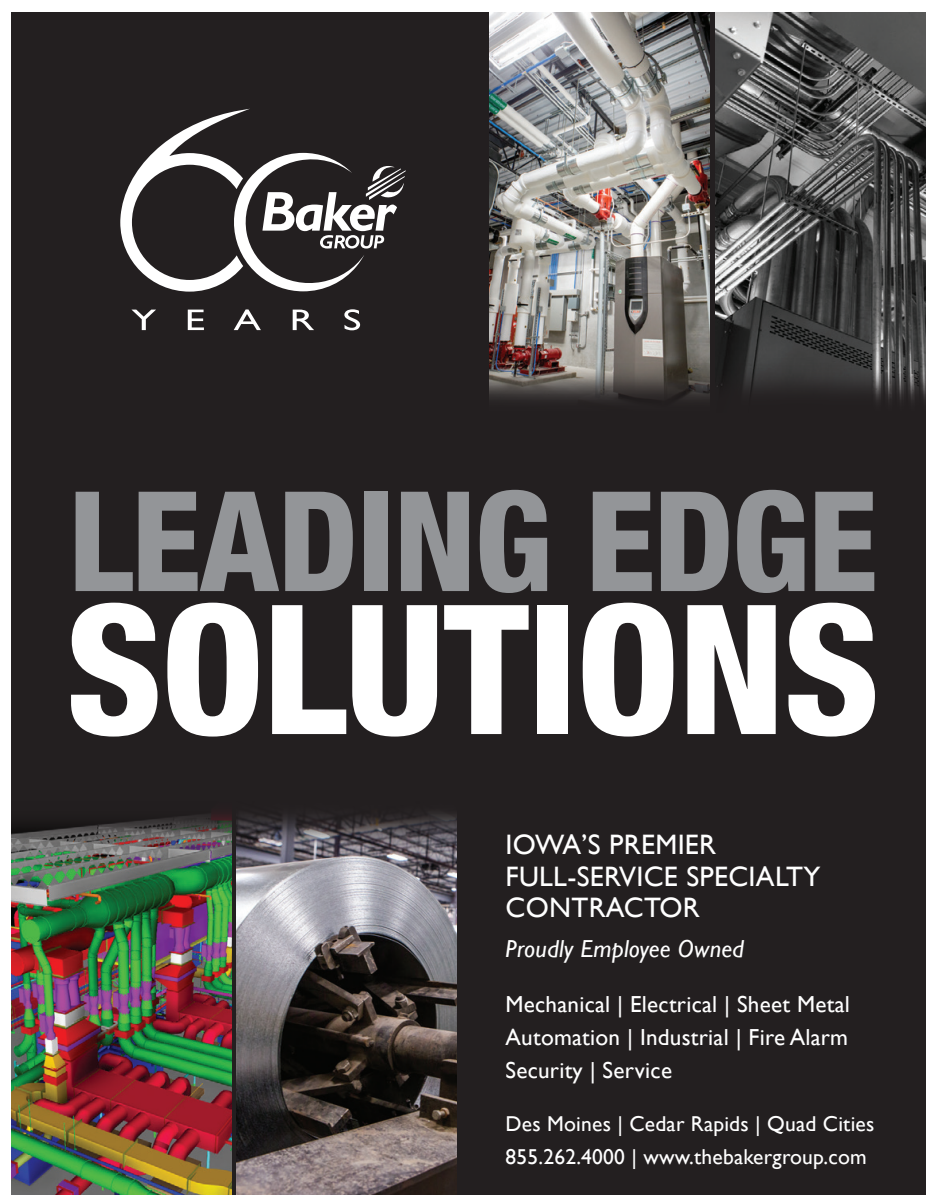
"In general, when it comes to pass-through, it's important for folks to understand that simply means taxes are paid by individuals (the owners) on their income, rather than the business. It's a choice to have one's business designated in a certain way (such as an S corporation). Owners typically choose a pass-through designation if the goal is to put as much profit as possible back into the business to grow it as quickly as possible," added Mr. Ralston. "Whatever the rate is, they want to put it back into the corporation. All things being equal, rates would be similar."

## Retirement income tax relief

Along with scaling back Iowa's individual income tax rate to a flat 3.9% by 2026, HF 2317 excludes taxation the retirement income of persons who are disabled, at least 55 years old or are the surviving spouse of someone who would have qualified for the exclusion. Previously, Iowa only excluded Social Security or retirement income of \$6,000 or less.

Retirement income is broadly defined as "the total amount received from all governmental or other pension or retirement plans, including defined benefit or contribution plans, annuities, individual retirement accounts, plans maintained or contributed to by an employer or by a self-employed person as an employer, and deferred compensation plans," according to Ernst & Young.

"The full exclusion of retirement income, while undoubtedly appreciated by retirees, does little to benefit the state's overall economic competitiveness. It may induce more retirees to stay in state, potentially a welcome policy goal in its own



**60 YEARS**

**LEADING EDGE SOLUTIONS**

**IOWA'S PREMIER FULL-SERVICE SPECIALTY CONTRACTOR**

*Proudly Employee Owned*

Mechanical | Electrical | Sheet Metal  
Automation | Industrial | Fire Alarm  
Security | Service

Des Moines | Cedar Rapids | Quad Cities  
855.262.4000 | [www.thebakergroup.com](http://www.thebakergroup.com)



right, but that is separate from any goal of promoting economic growth," Mr. Walczak commented in his article.

He observed that most economists believe that retirement income should be taxed — on the way in as in Roth IRAs, or on the way out as in traditional IRAs. Iowa's changes will leave retirement income untaxed, coming or going.

The 2022 law also establishes a three-year phase-in of a one-time irrevocable election to exclude net capital gain from the sale of a qualified corporation's capital stock to qualified employee-owners. Retired farmers get a similar capital gain break and a lease income exclusion under the new law.

### Tax credit reforms

HF 2317 implements major changes to Iowa's refundable research activities tax credit, which previously stood at 6.5% of Iowa's apportioned share of qualifying expenditures for increasing research activities. Iowa's research activities credit is based on the federal research tax credit and is calculated using the ratio of Iowa research activities to total research expenditures.

The new law limits the amount of credit in excess of the tax liability that can be refunded, phasing the refundable portion of the credit down 10% per year for five years beginning in 2023. That means 90% of the excess credit can be refunded this year, but only 50% by 2027, according to Ernst & Young. There's also

no provision in HF 2317 allowing taxpayers to carry forward unused portions of refundable tax credits.

The changes also phase out the eligibility of payments for supplies over five years, limit the eligibility of wage expenses and require that the research credit be calculated using the same method on both state and federal returns.

In addition to the research activities credit, refundable tax credits for historic preservation, redevelopment, assistive devices and third-party development will phase down and be capped at 75% for tax years beginning on or after January 1, 2027.

Mr. Ralston said that "rather than trying to incentivize certain behaviors," it's best for the state and its businesses to just get tax rates as low as possible.

"Having said that," he adds "economic developers will say (and they are correct) that it's also important to have diverse tools in Iowa's economic development toolbox, such as incentives now in place related to world-class research and development occurring in Iowa." Iowa's Research Activities Credit "is a model other states have envied," he noted.

### Unemployment Insurance Tax changes

Recent legislation and action by Gov. Reynolds also affected the state's unemployment insurance system by reducing the eligibility period for unemployment beneficiaries before they are required to



accept lower paying jobs, using federal pandemic relief dollars to replenish the unemployment trust fund and reduce unemployment insurance tax rates paid by employers.

"ABI advocated hard for the changes to the trust fund and to the use of federal dollars to replenish the fund," noted Mr. Ralston. "ABI is deeply grateful to Governor Reynolds for her leadership in doing so. Her action was one of the reasons Iowa has been able to recover more quickly from the COVID-19 pandemic than some other states and she deserves the credit for this swift action. Unemployment is low and the Iowa unemployment insurance trust fund is sound. That's good for employer taxpayers, for unemployed Iowans, and for the state in general."

Improving Iowa's competitiveness

In a time of tax reform in states across the nation, the scope of Iowa's tax relief measures is likely to stand out," wrote Mr. Walczak. "With H.F. 2317, Iowa lawmakers have made a significant invest-

ment in a more competitive tax climate for an increasingly competitive era."

Mr. Kristan, however, points out "Taxes aren't the only thing that is important to business climate. Iowa needs to be able to convince businesses that we can attract highly-skilled and well-educated employees. Iowa also needs to keep its reputation for good governance. Whether the current legislative climate is suited to do so is an open question."

Overall, he sees Iowa's business climate improving. Taxes aren't everything, said Mr. Kristan, "but they are definitely a thing, and a much better thing in Iowa than they were a few years ago."

Looking at the broad picture of tax reforms and unemployment changes, Mr. Ralston concurs. "All of these things together, with the leadership of the Governor, the General Assembly, and Iowa Economic Development Authority Director Debi Durham, have made Iowa a great place to own a business and employ people." ABI

# Looking to electrify your fleet?

## We do that, too.

ELECTRIC VEHICLE CHARGING INFRASTRUCTURE

**SHIVEHATTERY**  
ARCHITECTURE+ENGINEERING



Scan to learn more





# Q and A: Is an ESOP Right for Your Company?



By Debra Linder  
Shareholder  
Fredrikson  
dlinder@fredlaw.com

More business owners are nearing retirement and need a plan for the succession of their company. While various options are available, including a sale to a strategic buyer or private equity, owners may want to consider employee ownership through an employee stock ownership plan (ESOP). This article will provide general information about ESOPs and highlight some of the issues that business owners will need to consider when exploring that option.

## What is an ESOP?

An ESOP is a type of qualified defined contribution plan, like a profit sharing plan, that is designed to invest primarily in “qualifying employer securities.” Generally, “qualifying employer securities” are shares of common stock issued by the company.

## Who is a typical ESOP candidate?

The typical ESOP candidate is a C or an S corporation that has a stable workforce that is motivated by the potential growth in the company’s value. Usually, the owner(s) are nearing retirement age and have a strong management team in place to take over the day-to-day running of the company. Finally, the owners must be willing to embrace an employee ownership culture, which includes sharing information about the company’s financial performance.

## What rules apply to an ESOP?

As a qualified plan, the ESOP must comply with numerous requirements imposed by the Internal Revenue Code of 1986 and The Employee Retirement Income Security Act of 1974 (“ERISA”). For example, the investment of employees’ retirement accounts in company stock must satisfy ERISA’s fiduciary standards, which require that the investment is prudent and for the exclusive benefit of employees and their beneficiaries. The ESOP also must comply with many of the same eligibility, vesting and nondiscrimination requirements, compensation limits and deduction limits that apply to other qualified retirement plans.

Special rules also apply to an ESOP. For example, employees approaching retirement have the right to diversify the investment of their accounts in the ESOP. An employee who is age 55 and who has 10 years of participation in the ESOP may diversify 25% of his or her account into other investment options, with that percentage increasing to 50% at age 60. In some cases, employees have the right to receive distributions from the ESOP in the form of stock, which they can then require the company to repurchase. Distributions of employees’ accounts usually occur over a five-year period; however, some ESOPs permit a lump sum distribution if the account is under a specified dollar amount. Finally, the shares held by the ESOP must be valued at least annually by an independent appraiser.

## Who votes the shares held by the ESOP?

In most cases, the trustee of the ESOP votes the shares, such as for the annual election of the board of directors. But, for major corporate events, such as a merger or a sale of the company’s assets, the employees have the right to vote the shares held in their accounts.

## Is setting up an ESOP expensive?

Because ESOPs are heavily regulated by the IRS and the Department of Labor, it is critical to have experienced financial and legal advisors involved in the design of the ESOP and the structure of the ESOP transaction. As a first step, the company and selling shareholders often engage a financial advisor to do a feasibility study and develop alternative transaction structures. If they decide to move forward, an independent trustee will be appointed by the company’s board of directors. The trustee will hire its own valuation expert and legal counsel, who will evaluate the company and negotiate the terms of the transaction. The company will need to engage experienced legal counsel to negotiate the transaction and create the necessary documents. Finally, the selling shareholders may want their financial advisors to review the transaction terms. Consequently, the initial set up of an ESOP can be expensive.

Going forward, the ESOP must have its shares valued by an independent appraiser at least annually. The company often retains the independent trustee, who must comply with ERISA’s fiduciary requirements. The company will also need to engage an experienced third-party administrator to ensure compliance with the various IRS rules and help the company manage the ESOP’s cash flow needs. While these fees can be a bit more expensive than the typical 401(k) or profit sharing plan, the advantages often outweigh those additional costs.

## What are some of the advantages of an ESOP?

Allowing employees to share in the company’s profits and financial growth can improve their motivation and productivity. An ESOP can also provide a ready market for selling shareholders, as well as a tax-favored source of capital for acquisitions and expanding the business.

If certain conditions are met, the selling sharehold-

ers can defer all or a portion of the gain on the sale of their stock by reinvesting the proceeds from the sale in “qualifying replacement securities” through a “1042 rollover.” And, for S corporations, the portion of the company’s net income that is allocated to the ESOP is not subject to income tax, allowing the company to use that cash for expansion or other business needs.

## What are some of the disadvantages of an ESOP?

The company will need to carefully consider and project the ESOP’s cash flow needs. For example, the ESOP usually finances the purchase of employer securities with a loan, and the payments on that loan are made from tax-deductible contributions made by the company. The ESOP will also need cash to fund employees’ distributions and diversification elections, and that cash must come from either contributions or dividends made by the company to the ESOP.

In addition, the ESOP may be subject to restrictions on how the shares are allocated. For example, the family members of selling shareholders who elect a 1042 rollover cannot receive an allocation of shares inside the ESOP. And, an ESOP sponsored by an S corporation is subject to complex rules designed to ensure broad participation, rather than having the ESOP’s shares concentrated in the hands of a few.

## Where can I find more information?

Business owners who are interested in exploring an ESOP can find a wealth of information through The National Center for Employee Ownership (<https://www.nceo.org/>), The ESOP Association (<https://www.esopassociation.org/>) and the Iowa-Nebraska Chapter of The ESOP Association (<https://www.esopassociation.org/chapters/iowa-nebraska>). These organizations maintain an extensive library of publications explaining nearly every aspect of ESOPs and employee ownership, and sponsor several meetings throughout the year where business owners can learn about other ESOP companies’ experiences.

In summary, with thoughtful planning, an ESOP can provide a great alternative for a business owner to consider when it is time to sell. At the same time, selling the company to the employees through an ESOP can preserve the company’s culture, reward employees for their contributions and efforts in the company’s success and, at the same time, enhance employees’ retirement benefits. **ABI**





## BUSINESS HORIZONS

# Register High School Students for Business Horizons 2023

Business Horizons, a program of the Iowa Association of Business and Industry (ABI) Foundation, invites Iowa high school students to join for the "best week of summer" July 16-20 at Drake University.

Business Horizons enables participants to confidently forge connections between concepts learned in the classroom through real-world application. The five-day program combines hands-on, entrepreneurial experiences with team-oriented challenges to demonstrate how business and leadership skills are applicable to any career.

In this action-packed week, students work in teams to identify a real-world problem to solve, then create and continuously refine a product or service as basis for a new business venture. At the end of the week, teams will participate in investor pitches, infomercial screenings, and a trade show in front of live judging panels. Iowa industry professionals are brought in to provide mentorship and facilitate dynamic workshops. Additional highlights include leadership development activities, local business tours, on-campus living experiences, and 'after hours' socializing with new friends from across the state.

"Business Horizons is a program that gives you so many opportunities," said 2022 participant Brekin Downey of Maquoketa Community High School. "You listen to amazing speakers, meet new people, and just have the best week of summer. It made me realize that being part of different programs like this allow me to learn about who I am and what I want to do in the future."

This summer signifies 40 years of Business Horizons, and since its inaugural program in 1984, more than 5,000 Iowans have taken advantage of this opportunity. Business Horizons continues to serve as an economic catalyst for Iowa's future workforce. From forward-thinking students who are eager to set themselves apart and thrive in new situations, to those who show leadership potential but are unsure of their direction after high school: everyone has something to gain from Business Horizons.

"The program challenged me to always be open to different perspectives," said 2022 participant Nyalib Chambang of Storm Lake High School. "One thing everyone should know about Business Horizons is that it is an investment in shaping the future of our state's youth." ABI



**Kendall Antle**

Programs & Engagement Coordinator  
ABI Foundation  
KAntle@iowaabi.org

tives," said 2022 participant Nyalib Chambang of Storm Lake High School. "One thing everyone should know about Business Horizons is that it is an investment in shaping the future of our state's youth." ABI

## Business Horizons 2023 Program

**WHO:** Iowa high school students currently in grades 9-12

**WHEN:** July 16-20

**WHERE:** Drake University

**PARTICIPATION FEE:** \$400\*

\*Includes all meals, lodging, and activities.

\*Register by May 29th to receive a \$50 discount. Need-based financial assistance is available and can be requested through the online application form.

REGISTER TODAY:



[www.IADG.com](http://www.IADG.com)

## Low-Cost Financing for Business Energy Efficiency Projects



Modernization



Process Improvement

### Low Interest Revolving Loan Fund:

Finance energy efficiency and renewable energy projects through the **IADG Energy Bank**. With qualified energy improvement projects, facilities need no upfront or additional capital. Loan payments can be flexible and arranged to meet your energy savings.

### Energy Bank Parameters:

- Loans: \$50,000-\$300,000
- Rate: 1%
- Term: Up to 10 Years
- Origination Fee: 1%

### Services Provided:

- Easy Application and Approval Process
- Independent and Unbiased Project Review
- Customized Financing Solutions
- Project Implementation Assistance
- Ongoing Project Monitoring and Support

### Eligible Borrowers:

The IADG Energy Bank is focused on making loans to businesses and industries for energy efficiency improvements and renewable energy projects. Preference will be given to manufacturers.



Lighting



Equipment Upgrades

### MORE DETAILS:

For a program overview, related requirements, and ensure availability of funds visit:

[IADG.com/EnergyBank](http://IADG.com/EnergyBank)

**Contact:**  
**Bruce Nuzum**  
**800-888-4743**





# Manufacturers: Get Ready for Section 174 Capitalization

The research and development (R&D) tax credit has historically been a key tax provision benefitting the manufacturing industry. Through tax credits at the federal and state level, it incentivizes organizations to invest in developing and designing new or improved products, processes, and formulas.

Up until 2022, taxpayers have been able to deduct expenditures related to research and development in the year the costs were incurred. This included all Section 174 research and experimentation expenses, which includes the subset of research costs ultimately used to calculate the R&D tax credit.

Beginning in 2022, Section 174 costs will no longer be deductible in the year they are incurred. Instead, organizations will be required to capitalize and amortize these costs over a five-year period. For companies in some industries, the impact may be minor. But for other industries, like manufacturing, the financial impact is likely to be significant, resulting in increases to taxable income.

For months, there had been hope Congress would overturn this new

capitalization requirement — and there appeared to be bipartisan support to enact the change. That hope slowly faded as the IRS issued new guidance on compliance procedures for the new tax rules. Business and individual tax deadlines are approaching, which leaves taxpayers no choice but to prepare accordingly.

For business leaders in the manufacturing industry, it's important to have a plan to address the impact on your company. Start with identifying the types of costs that will have a different tax treatment than they have in the past. Consider working with professional advisors who can help you leverage federal, state, and local credits and incentives to potentially lower your tax burden.

For more information on inventory management in Iowa, contact Tyler Lind at [tyler.lind@CLAconnect.com](mailto:tyler.lind@CLAconnect.com) or 515-346-3645.

The information contained herein is general in nature and is not intended, and should not be construed, as legal, accounting, investment, or tax advice or opinion provided by CliftonLarsonAllen LLP (CliftonLarson-



**Tyler Lind**  
Principal  
CLA  
[tyler.lind@CLAconnect.com](mailto:tyler.lind@CLAconnect.com)

Allen) to the reader. For more information, visit [CLAconnect.com](http://CLAconnect.com).

CLA exists to create opportunities for our clients, our people, and our communities through our industry-focused wealth advisory, outsourcing, audit, tax, and consulting services. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. **ABI**



JUNE 13-15, 2023 | CEDAR RAPIDS



**KEYNOTE SPEAKER**

**Cy Wakeman**  
International Leadership Speaker  
NY-Times Bestselling Author

Visit the website for additional speaker details.



#ABICON23

**REGISTER BEFORE APRIL 21 & SAVE \$200**

**FOR MORE INFORMATION, VISIT [ABITakingCareOfBusiness.com](http://ABITakingCareOfBusiness.com)**



APRIL 2023 | VOL 13 | #4

The Iowa Association of Business and Industry (ABI) is the voice of Iowa business. It is Iowa's oldest and largest business network, representing 1,500 businesses that employ more than 333,000 Iowans. ABI benefits members by advocating on their behalf at the statehouse, connecting them with decision-makers to share ideas and services, offering solutions and best practices for issues that affect their businesses and developing our state's business and civic leaders.

**PRESIDENT:** Michael Ralston  
**EXECUTIVE VICE PRESIDENT:** Nicole Crain  
**VICE PRESIDENT, PUBLIC POLICY:** JD Davis  
**DIRECTOR, PUBLIC POLICY:** Brad Hartkopf  
**MEMBER PROGRAMS DIRECTOR:** Holly Mueggenberg  
**ABI FOUNDATION – DIRECTOR, PROGRAMS:** Jessi McQuerrey  
**MARKETING AND COMMUNICATIONS DIRECTOR:** Kelsey O'Connor  
**MEMBER SERVICES COORDINATOR:** Levi Lefebure  
**EXECUTIVE ADMINISTRATIVE ASSISTANT:** Michelle Vollstedt  
**ABI FOUNDATION – ADMINISTRATIVE ASSISTANT:** Jane Galloway  
**ABI FOUNDATION – PROGRAMS & ENGAGEMENT COORDINATOR:** Kendall Antle  
**COMMUNICATIONS & MARKETING CONSULTANT:** Katelyn Adams  
**MEMBERSHIP DEVELOPMENT SERVICES:** Kerry Servas

**Iowa Association of Business and Industry**  
400 East Court Avenue,  
Suite 100  
Des Moines, IA 50309  
515-280-8000  
or 800-383-4224  
[abi@iowaabi.org](mailto:abi@iowaabi.org)  
[www.iowaabi.org](http://www.iowaabi.org)

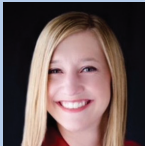
# ADVISORY COUNCIL



**SARAH MILLER**  
Anthologic



**JACK CARRA**  
AssuredPartners



**JAYME FRY**  
Bankers Trust



**JIM NALLEY**  
BCC Advisers



**DREW LARSON**  
BrownWinick  
Law Firm



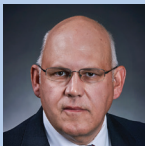
**MIKE O'DONNELL**  
CIRAS



**DAVID WEBER**  
CLA



**AMY FERGUSON**  
EMC Insurance



**MICHAEL TEACHOUT**  
Focus OneSource |  
G&A Partners



**KENDRA SIMMONS**  
Fredrikson & Byron



**BRIAN CROTTY**  
HDH Advisors



**LANCE GARDNER**  
Principal® Financial  
Network of Central  
Iowa



**JODI SCHWEIGER**  
The Iowa Clinic



**DEAN GILKES**  
Wellmark Blue Cross  
and Blue Shield



**CASEY CASON**  
Wells Fargo