
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: High Quality Jobs Program

The High Quality Jobs (HQJ) Program provides qualifying businesses with tax credits and direct financial assistance to encourage those businesses to locate, expand, or modernize a facility in Iowa. The amount of tax incentives awarded is dependent on the qualifying investment made. Actual award amounts will be based on the business's level of need, the quality of the jobs, the percentage of created jobs defined as high-quality, and the economic impact of the project. Businesses must meet additional program requirements, and the new and retained jobs must have a wage that is at least equal to the applicable laborshed wage and provide sufficient benefits to be eligible for the tax credits. Companies awarded tax incentives under this program agree to job creation, job retention, wage, and investment goals and are subject to six-month reviews toward meeting those goals.

Tax incentives available under the HQJ Program include:

- Investment Tax Credit (ITC) equal to a maximum of 1.0% to 10.0% of the new qualifying investment directly related to jobs created or retained by the business's project. The maximum credit percentage depends on the amount of pledged investment and jobs. One-fifth of the award can be claimed in each of the five years of the project. The ITC can be claimed against individual income, corporate income, insurance premium, franchise, and moneys and credits tax.
- Supplemental Research Activities Tax Credit (SRAC) available to a business increasing research and development activities in the State. The award is based on the ratio of Iowa qualified research expenses to total qualified research expenses. Claims to the expenditures in any tax year are a function of incremental qualifying research expenditures in that year. The SRAC can be claimed against individual income and corporate income tax.
- Sales and use tax refunds may be awarded for taxes paid on gas, electricity, water, sewer utility services, goods, wares, merchandise, or certain services related to the investment in construction or equipping of the facility covered under the HQJ Program contract. For distribution center projects, a refund of sales and use taxes paid on racks, shelving, and conveyor equipment can also be awarded, but claims for those refunds are limited to \$500,000 per fiscal year.
- Third-Party Developer Tax Credit (TPDC) in lieu of the sales and use tax refunds. The TPDC may be awarded for the sales and use taxes paid by a third-party developer on gas, electricity, water, sewer utility services, tangible personal property, or certain services related to the construction or equipping of the business's facility.
- Value-Added Property Tax Exemption provided by the participating local community by exempting all or a portion of the actual value added by improvements to real property from property taxation directly related to the new jobs created by the project. The exemption cannot exceed 20 years from the year the improvements are first assessed for taxation.

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/reports?term_node_tid_depth=79

Department of Revenue Tax Credit Review:

tax.iowa.gov/sites/default/files/2022-01/High%20Quality%20Jobs%20Program%20122021.pdf

Department of Revenue Tax Credit Users' Manual:

tax.iowa.gov/sites/default/files/2022-12/TaxCreditsUsersManual2022.pdf

Legislative Services Agency Individual Income Tax Guide:

legis.iowa.gov/docs/publications/LG/711304.pdf

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Tax Credit Background

- Enabling Legislation: 2005 Iowa Acts, chapter [150](#) (Development and Oversight of State and Local Economic, Cultural, Research, and Transportation-Related Resources Act)
- Iowa Code Citations:
 - Section [15.119](#) — Awards Limitation
 - Sections [15.326](#), [15.327](#), [15.329](#), [15.330](#), [15.330A](#), [15.331A](#), [15.331C](#), [15.332](#), [15.333](#), [15.333A](#), [15.335](#), [15.335A](#), [15.335B](#), [15.335C](#), and [15.336](#) — Program Description
 - Section [422.10](#)(5) — Individual Income Tax
 - Section [422.11F](#)(2) — Individual Income Tax
 - Section [422.33](#)(5) — Corporate Income Tax
 - Section [422.33](#)(12)(b) — Corporate Income Tax
 - Section [422.33](#)(19) — Corporate Income Tax
 - Sections [422.60](#)(5)(b) and [422.60](#)(8) — Franchise Tax
 - Section [432.12C](#)(2) — Insurance Premium Tax
 - Sections [533.329](#)(2)(d) and [533.329](#)(2)(e) — Moneys and Credits Tax
- Administrative State Agencies: Iowa Economic Development Authority (IEDA) and Iowa Department of Revenue (IDR)
- Sunset Date: None
- Transferable: No
- Refundable:
 - Local Property Tax Exemption is nonrefundable.
 - Sales Tax Refund is refundable.
 - Corporation Tax Credit for Third Party Sales Tax, including racks, shelving, and conveyor equipment, is refundable.
 - Investment Tax Credit is nonrefundable.
 - Supplemental Research Activities Tax Credit is refundable.
- Carryforward: Corporation Tax Credit for Third Party Sales Tax and Investment Tax Credit may be carried forward for up to seven years.
- Tax Review Committee Review Year: 2026

Legislative History

The HQJ Program went into effect on July 1, 2005. Effective July 1, 2009, a \$185.0 million cumulative tax credit cap was established for certain tax credits awarded by IEDA, including those under the HQJ Program, and the name of the program was changed from the High Quality Job Creation Program to the High Quality Jobs Program to allow for retained jobs to be included as qualifying toward job requirements. Effective April 15, 2010, the provision allowing up to \$4.0 million in refundable investment tax credit awards per fiscal year for projects involving value-added agricultural products or biotechnology-related processes was repealed. The cumulative tax credit was reduced to \$120.0 million, effective July 1, 2010.

The IEDA tax credit award cap was increased to \$170.0 million effective July 1, 2012, and IEDA was given the option to issue tax credits in excess of \$170.0 million, but not to exceed an additional \$34.0 million, which would be counted against the total amount of tax credits that can be authorized for a subsequent fiscal year. In addition, any tax credits authorized and awarded by IEDA during a fiscal year that are irrevocably declined by the awarded business on or before June 30 of the next fiscal year may be reallocated, authorized, and awarded during a fiscal year in which the decline occurs. During the 2014 Legislative Session, the Enterprise Zone Program was eliminated.

During the 2016 Legislative Session, the cap for the HQJ Program was lowered to \$105.0 million for fiscal years 2017 through 2021 to offset the fiscal impact of the Renewable Chemical Production Tax Credit. During the 2021 Legislative Session, the tax credit cap was lowered to \$70.0 million for FY 2022. The

HQJ Program tax credit cap was lowered again during the 2022 Legislative Session to \$68.0 million for FY 2023 and after. Effective January 1, 2023, the HQJ Program is required to prioritize awards for the SRAC.

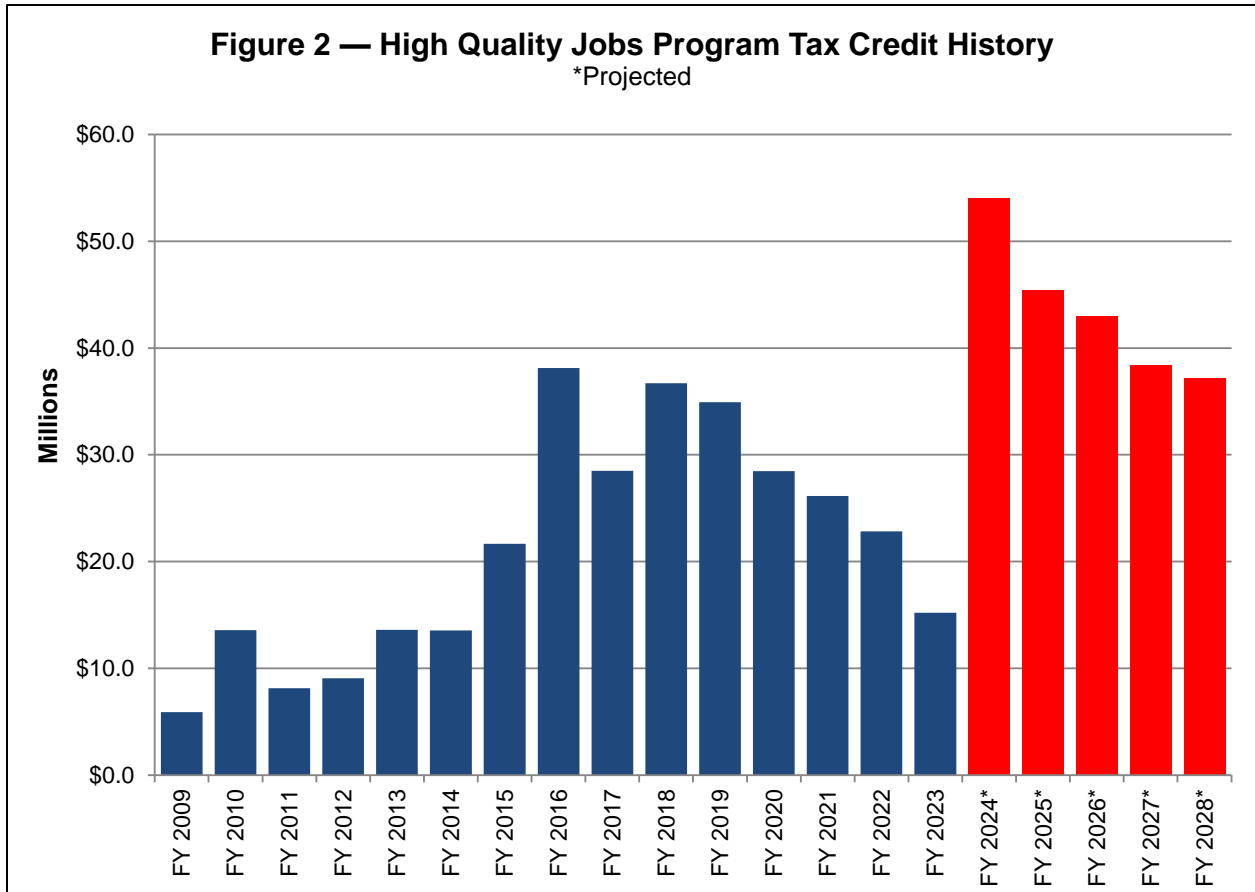
Tax Credit Review, Usage, and Future Liability

The following is based on a Department of Revenue [review](#) of the HQJ Program released in December 2021:

- For tax incentives claimed between fiscal years 2011 and 2021, 46.3% were for Investment Tax Credits, 39.0% were for sales and use tax refunds, and 14.7% were for Supplemental Research Activities Tax Credits.
- For total incentives claimed between fiscal years 2011 and 2021, 47.2% were against corporation income tax, 39.0% were against sales and use tax, and 9.4% were against individual income tax.

The IDR reports on the annual credit usage for the High Quality Jobs Program Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 9 of the report, the following table and graph provide credit redemption history and projections for the program on a fiscal year basis. The blue bars of the graph indicate the actual credit redemptions, while the red bars are the IDR projections of future redemptions.

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2009	\$ 5,887,527	FY 2019	\$ 34,933,553
FY 2010	13,565,264	FY 2020	28,465,957
FY 2011	8,133,327	FY 2021	26,157,105
FY 2012	9,071,571	FY 2022	22,820,190
FY 2013	13,597,872	FY 2023	15,217,259
FY 2014	13,543,712	FY 2024*	54,059,365
FY 2015	21,666,523	FY 2025*	45,396,043
FY 2016	38,111,696	FY 2026*	42,924,720
FY 2017	28,496,522	FY 2027*	38,427,141
FY 2018	36,688,404	FY 2028*	37,143,532



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