



SF 574 – Economic Development Authority, Major Economic Growth Attraction Program (LSB1228SV)

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Fiscal Note Version – New

Description

[Senate File 574](#) creates the Major Economic Growth Attraction (MEGA) Program under the Iowa Economic Development Authority (IEDA). The Bill allows foreign businesses to acquire agricultural land in Iowa and receive tax credits if the foreign business is from an allied country, the land is a certified MEGA site, and the business meets necessary requirements set by the IEDA. Program tax credits under the Bill include a Qualifying Investment Tax Credit, a sales tax refund, and a withholding tax credit. The [IEDA Board](#) may not authorize tax incentives available under the Program, or an exemption to restrictions on agricultural land holdings pursuant to Iowa Code section [91.3](#), for more than two eligible businesses, or on or after January 1, 2026, whichever occurs first.

Applications for the MEGA Program will be submitted to the IEDA and must include an application fee set by the IEDA. The terms and value of tax incentives under the Program may be negotiated by the IEDA and the eligible business. If the eligible business fails to comply with requirements of the Program or agreements with the IEDA, the eligible business may be required to repay tax incentives or may be subject to a reduction or elimination of tax incentives.

To be eligible for the MEGA Program, businesses must meet all of the following requirements:

- The proposed project must be located at a certified site greater than 250 acres.
- The business's investment in the proposed project must exceed \$1.000 billion.
- The community in which the proposed project is located must approve the project.
- The business must be primarily engaged in advanced manufacturing, biosciences, or research and development.
- The business must not be solely relocating operations from one area of the State to another.
- The business must create jobs that pay at least 140.0% of the qualifying wage threshold as part of the proposed project.
- The business must provide comprehensive benefits to each employee in a project job.
- The business must not have a record of violations of the law or regulations, as determined by the IEDA.

The following criteria will be used by the IEDA to determine whether a business is eligible to participate in the MEGA Program:

- The quality of jobs created as a result of the project.
- The project's impact on the business's existing competitors within the State.
- The project's impact on the State economy.

The IEDA may authorize an investment tax credit for an eligible business of up to 5.0% of the business's qualifying investment in a certified site. The tax credit is allowed against individual and corporate income taxes, the franchise tax, the insurance premiums tax, and the moneys

and credits tax. The tax credit may not be claimed until after the project has been placed in service and at least 50.0% of the project jobs specified in the contract have been created.

An eligible business that has been issued a tax incentive under the Program will receive a refund of the sales and use taxes paid for gas, electricity, water, and sewer utility services; tangible personal property; or services rendered, furnished, or performed that contributed to the construction or equipping of the facility. The refund will be paid by the Iowa Department of Revenue (IDR) equally over five years. A contractor or subcontractor who willfully makes a false report of tax paid under the Program commits an aggravated misdemeanor.

An eligible business may claim a withholding tax credit of up to 3.0% of the gross wages paid to each employee in a project job that pays at least the qualifying wage threshold under the agreement. If the amount withheld is less than 3.0% of the gross wages, the business will receive a credit against the remaining withholding tax due, or the business may carry forward the credit up to five consecutive years or until depleted.

An eligible business may apply for additional federal, State, and local incentives except for those under the [High Quality Jobs Program](#), the [Targeted Jobs Withholding Tax Credit](#), or other incentives at the discretion of the IEDA.

A community in which an eligible business's project is located may grant the eligible business a property tax exemption for a portion of the actual value added by improvements to real property directly related to the eligible business's project jobs. The exemption is not applied to levies on school districts within the taxing jurisdiction.

Background

Under current law, a foreign business may not acquire agricultural land in the State except as stated in Iowa Code section 91.3(3). A foreign business is defined under Iowa Code section [91.1](#) as a corporation incorporated under the laws of a foreign country, or a business entity whether or not incorporated, in which a majority interest is owned directly or indirectly by nonresident aliens. Legal entities, holding companies, multiple corporations, and other business arrangements do not affect the determination of ownership or control of a foreign business. There is currently one development-ready MEGA site in the State.

An aggravated misdemeanor is punishable by confinement for no more than two years and a fine of between \$855 and \$8,540.

Assumptions

Correctional Impact Assumptions

- The following will not change over the projection period: charge, conviction, and sentencing patterns and trends; prisoner length of stay (LOS); revocation rates; plea bargaining; and other criminal justice policies and practices.
- A lag effect of six months is assumed from the effective date of this Bill to the date of first entry of affected offenders into the correctional system.
- Marginal costs for county jails cannot be estimated due to a lack of data. For purposes of this analysis, the marginal cost for county jails is assumed to be \$50 per day.

Fiscal Impact Assumptions

- The Program will be enacted on July 1, 2023; the first agreement will be entered into by the IEDA during FY 2024; and the first claims will be made in FY 2027.
- Because there are no program caps in the Bill, it is assumed that the full amount of the award will be made for each of the tax credits proposed and that all credits will be fully refunded rather than carried forward against future tax liability.

- All credits will be remitted in the same year they are claimed.
- Up to three projects may qualify under the terms of the Bill over the next five years.
- The IEDA will allocate the full amount of the award in the first year of the project, but claims will not be made until three years after the award is granted, upon project completion.
- The 50.0% requirement for jobs created will be met in the first year of the project completion.
- The withholding tax credit will be remitted over a maximum of five years due to the restriction of not withholding more than 3.0% of wages in any one year.
- An amount equal to 25.0% of a project investment will be subject to sales tax and sales tax refund.

Correctional Impact

Senate File 574 establishes a new criminal offense, and the correctional impact cannot be estimated due to a lack of existing conviction data. A conviction for a simple misdemeanor does not result in a prison sentence but does carry the possibility of confinement for up to 30 days. Marginal county jail costs are estimated to be \$50 per day. Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Cost Estimates Used for Correctional Impact Statements](#), dated January 20, 2023, for information related to the correctional system.

Minority Impact

Senate File 574 creates a new criminal offense. As a result, the minority impact cannot be estimated due to a lack of existing conviction data. Refer to the LSA memo addressed to the General Assembly, [Minority Impact Statement](#), dated January 20, 2023, for information related to minorities in the criminal justice system.

Fiscal Impact

The Bill is estimated to reduce General Fund revenue by \$18.2 million to \$18.9 million per project per year when fully phased in. The fiscal impact of the property tax exemption will be borne by the local government authority and is unknown.

Table 1 shows the estimated fiscal impact of the MEGA Program for one project over the five-year period.

Table 1 — MEGA Program Award and Claim Assumptions (in Millions)								
	Qualifying Investment Tax Credit*		Sales and Use Tax Refund**		Withholding Tax Refund***		Total Tax Credits/Refunds	
Award in Year 0	\$	50.0	\$	15.0	\$	27.7	\$	92.7
Claims by Year								
FY 2025	\$	0.0	\$	0.0	\$	0.0	\$	0.0
FY 2026		0.0		0.0		0.0		0.0
FY 2027		10.0		3.0		5.2		18.2
FY 2028		10.0		3.0		5.4		18.4
FY 2029		10.0		3.0		5.5		18.5
FY 2030		10.0		3.0		5.7		18.7
FY 2031		10.0		3.0		5.9		18.9

*Qualifying Investment Tax Credit = 5.0% of \$1.000 billion investment, claimed over five years.

**Sales Tax Refund = 6.0% of 25.0% of the \$1.000 billion investment, claimed over five years.

***Withholding Tax Refund = 3.0% of withholding, claimed over five years.

Sources

Department of Revenue
Iowa Economic Development Authority
Legislative Services Agency

/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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