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## FISCAL TOPICS

Fiscal Services Division

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## Tax Credit: Iowa New Jobs Training Program

To support new employee training, the Iowa New Jobs Training Program allows a diversion of State withholding tax to assist qualified businesses that are creating new positions. Businesses participating in the Program may also be eligible for the New Jobs Tax Credit.

A participating business partners with a community college, which sells bonds to finance the cost of the newly established training. The business diverts 1.5% of gross payroll from the State withholding taxes generated by the new positions to the community college to retire the bonds. Participating businesses must remit payments to the community colleges before making claims to the withholding tax credit. A Supplemental New Jobs Withholding Tax Credit is also available to businesses that have an Enterprise Zone Program award from the Iowa Economic Development Authority (IEDA) or that pass the established wage threshold. If eligible, the business diverts an additional 1.5% of gross payroll from the State withholding taxes generated by the new positions.

The New Jobs Tax Credit allows a 6.0% credit of the taxable wages for the new jobs up to the amount on which the employer is required to contribute to the State Unemployment Compensation Fund. The tax credit can be claimed in any tax year that either begins or ends during the term of the [260E](#) agreement and is available for corporate and individual income tax. The qualifying new job can only be claimed for the maximum of one year's employment wages. For a taxpayer to be eligible, the following requirements must be met:

- The new jobs are a direct result of the project covered by the agreement.
- Any new support role jobs plus the newly created jobs result in the company increasing employment at the agreement location by at least 10.0%.
- The new jobs plus the current-year total employment at the agreement location exceed the base employment as of the agreement date.

### Tax Credit Background

- Enabling Legislation: 1983 Iowa Acts, chapter [171](#) (Job Training Programs at Area Schools Act)
- Iowa Code Citations:
  - Chapter [260E](#) — Program Description
  - Section [422.11A](#) — Individual Income Tax
  - Section [422.33](#)(6) — Corporate Income Tax
  - Sections [15A.7](#), [15A.8](#) and [422.16A](#) — Withholding Tax
- Administrative State Agencies: IEDA and Iowa Department of Revenue (IDR)
- Sunset Date: None

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### More Information

Department of Revenue Contingent Liabilities Report: [tax.iowa.gov/reports?term\\_node\\_tid\\_depth=79](http://tax.iowa.gov/reports?term_node_tid_depth=79)

Department of Revenue Tax Credit Evaluation Study: [tax.iowa.gov/sites/default/files/2021-01/New%20Jobs%20Tax%20Credit%20Evaluation%20Study%202020.pdf](http://tax.iowa.gov/sites/default/files/2021-01/New%20Jobs%20Tax%20Credit%20Evaluation%20Study%202020.pdf)

Department of Revenue Tax Credits Users' Manual: [tax.iowa.gov/sites/default/files/2022-12/TaxCreditsUsersManual2022.pdf](http://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](http://legis.iowa.gov/docs/publications/LG/711304.pdf)

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- Transferable: No
- Refundable: No
- Carryforward: Any income tax credits in excess of tax liability can be carried forward for up to 10 years.
- Tax Review Committee Review Year: 2025

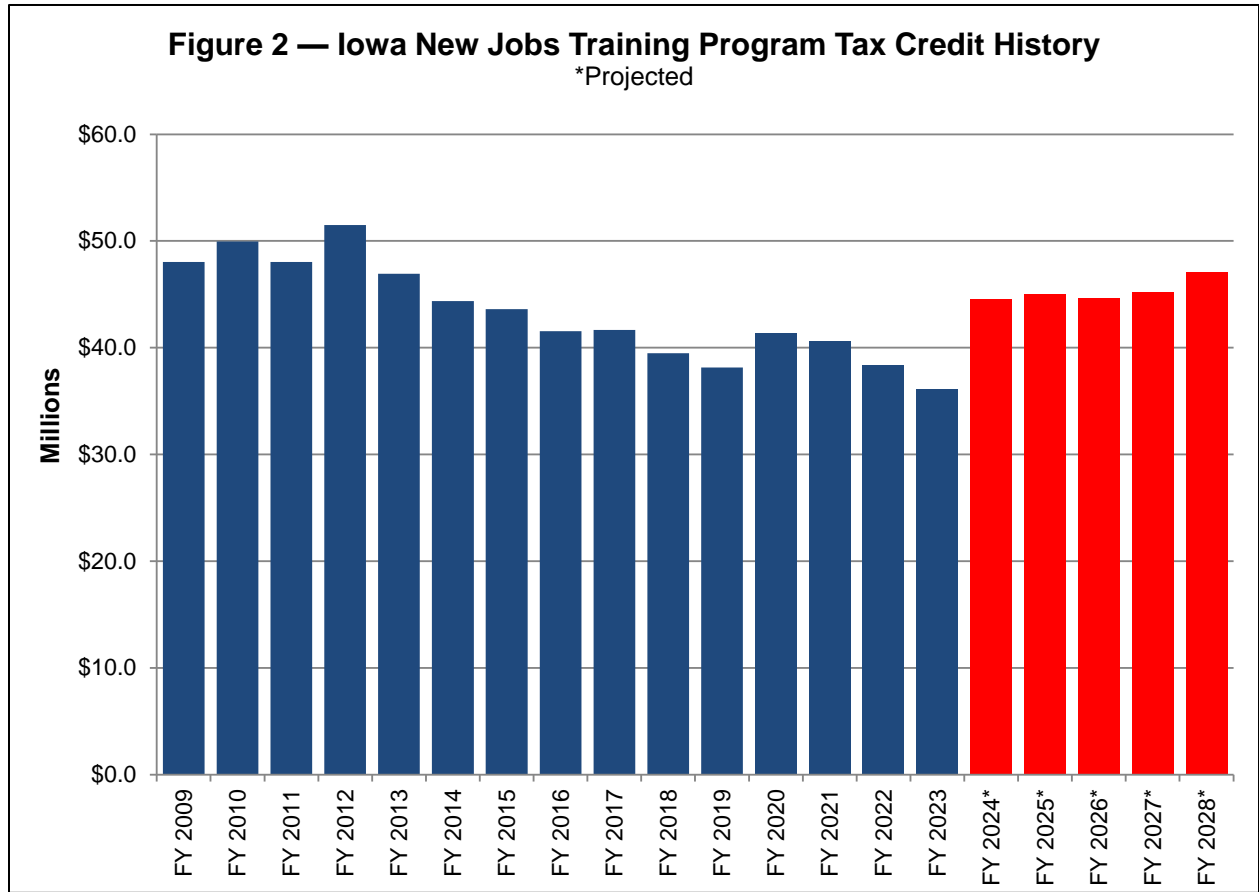
### Legislative History

The Iowa New Jobs Training Program went into effect on July 1, 1983. During the 2012 Legislative Session, it was codified that for the purposes of this Program, an employee does not include a person not subject to the withholding of Iowa income tax due to a reciprocal agreement.

### Tax Credit Review, Usage, and Future Liability

The IDR reports on the annual credit usage for the Iowa New Jobs Training Program in its periodic [Contingent Liabilities Report](#). Based on Table 9 of the report, **Figure 1** provides credit redemption history and projections for the Program on a fiscal year basis. The blue bars of **Figure 2** indicate the actual credit redemptions, while the red bars are the IDR projections of future redemptions.

*Projected			
Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2009	\$ 48,033,011	FY 2019	\$ 38,143,923
FY 2010	49,958,842	FY 2020	41,383,175
FY 2011	48,032,817	FY 2021	40,660,943
FY 2012	51,487,759	FY 2022	38,343,325
FY 2013	46,936,497	FY 2023	36,130,490
FY 2014	44,359,819	FY 2024*	44,558,441
FY 2015	43,606,086	FY 2025*	45,033,667
FY 2016	41,536,337	FY 2026*	44,659,738
FY 2017	41,673,751	FY 2027*	45,158,988
FY 2018	39,483,082	FY 2028*	47,042,917



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