Legislative Fiscal Bureau
Fiscal Note

HF 679 - New Jobs & Income Program (NJIP) (LSB 1263 HZ)
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Fiscal Note Version — New

Description

House File 679 allows the Department of Economic Development to reduce or eliminate incentives for a business or group of businesses under the New Jobs and Income Program prior to the awarding of such incentives if the business or group of businesses experiences a layoff or closes a facility within the State. If the business or group of businesses receives incentives and later experiences a layoff or closes a facility within the State, the business or group of businesses may be subject to repayment of part or all of the incentives received. Under current law, a business participating in the New Jobs and Income Program may receive a tax credit of up to 10.0% of the new investment directly related to new jobs created by the location or expansion of an eligible business. Currently, the tax credit may be used to offset corporate income tax, insurance premium tax, and personal income tax liability assuming an individual is a partner, shareholder, member, in a limited partnership, limited liability corporation, (LLC), S-corporation, cooperative, which has been awarded investment tax credits. House File 679 allows a business to use the tax credit to offset franchise tax liability.

Assumptions

1. There are approximately eight projects on average per year under the New Jobs and Income Program.
2. Projects under the New Jobs and Income Program utilize a total of approximately $5.0 million in tax credits or refunds annually.
3. The average tax credit utilization per project per year is approximately $625,000.
4. The Department of Economic Development estimates an increase of one project in FY 2004 as a result of the purposed legislation, and an increase of one project every other year after FY 2004. The impact would therefore occur starting in FY 2005. In considering making awards to projects, the Department of Economic Development must consider the effects the award would have on competing businesses so no one business has an unfair advantage over its competition. Additional projects would likely result from a company locating or expanding its headquarters in Iowa and/or large processing facilities locating or expanding operations in the State.
5. An eligible business must utilize the tax credit awarded against not more than one of its tax liabilities. The additional project as a result of HF 679 would not be able to utilize the tax credit or participate in the Program but for the inclusion of the franchise tax credit as specified in the Bill.

Fiscal Impact

House File 679 would reduce General Fund revenues by approximately $625,000 starting in FY 2005. This reduction in General Fund revenues will occur every other year starting in FY 2005.

Source

Iowa Department of Economic Development

/s/ Dennis C Prouty

April 15, 2003

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.