

Judge  
Sexton  
Rittner

SSB. 3033  
Small Business, Economic  
Development & Tourism  
SENATE/HOUSE FILE Succeeded By  
BY (PROPOSED DEPARTMENT OF 2283  
ECONOMIC DEVELOPMENT BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to insurance premium tax credits for the creation  
2 of new jobs.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 15.333A, subsection 2, Code 1999, is  
2 amended by striking the subsection.

3 Sec. 2. Section 422.11A, Code 1999, is amended to read as  
4 follows:

5 422.11A NEW JOBS TAX CREDIT.

6 The taxes imposed under this division, less the credits  
7 allowed under sections 422.12 and 422.12B, shall be reduced by  
8 a new jobs tax credit. An industry which has entered into an  
9 agreement under chapter 260E and which has increased its base  
10 employment level by at least ten percent within the time set  
11 in the agreement or, in the case of an industry without a base  
12 employment level, adds new jobs within the time set in the  
13 agreement is entitled to this new jobs tax credit for the tax  
14 year selected by the industry. In determining if the industry  
15 has increased its base employment level by ten percent or  
16 added new jobs, only those new jobs directly resulting from  
17 the project covered by the agreement and those directly  
18 related to those new jobs shall be counted. The amount of  
19 this credit is equal to the product of six percent of the  
20 taxable wages upon which an employer is required to contribute  
21 to the state unemployment compensation fund, as defined in  
22 section 96.19, subsection 37, times the number of new jobs  
23 existing in the tax year that directly result from the project  
24 covered by the agreement or new jobs that directly result from  
25 those new jobs. The tax year chosen by the industry shall  
26 either begin or end during the period beginning with the date  
27 of the agreement and ending with the date by which the project  
28 is to be completed under the agreement. An individual may  
29 claim the new jobs tax credit allowed a partnership,  
30 subchapter S corporation, or estate or trust electing to have  
31 the income taxed directly to the individual. The amount  
32 claimed by the individual shall be based upon the pro rata  
33 share of the individual's earnings of the partnership,  
34 subchapter S corporation, or estate or trust. Any credit in  
35 excess of the tax liability for the tax year may be credited

1 to the tax liability for the following ten tax years or until  
2 depleted, whichever is the earlier. For purposes of this  
3 section, "agreement", "industry", "new job" and "project" mean  
4 the same as defined in section 260E.2 and "base employment  
5 level" means the number of full-time jobs an industry employs  
6 at the plant site which is covered by an agreement under  
7 chapter 260E on the date of that agreement. If the tax credit  
8 authorized under this section is claimed, the tax credit  
9 authorized under section 432.15 shall not be claimed or  
10 allowed for any tax year during the term of the agreement.

11 Sec. 3. NEW SECTION. 432.15 NEW JOBS TRAINING PROGRAM  
12 PREMIUM TAX CREDIT.

13 An insurance company which has entered into an agreement  
14 under chapter 260E and which has increased its base employment  
15 level by at least ten percent within the time set in the  
16 agreement or, in the case of an insurance company without a  
17 base employment level, adds new jobs within the time set in  
18 the agreement is entitled to a new jobs insurance premium tax  
19 credit for the tax year selected by the insurance company. In  
20 determining if the insurance company has increased its base  
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31 year chosen by the insurance company shall either begin or end  
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5 insurance company site which is covered by an agreement under  
6 chapter 260E on the date of that agreement. If the tax credit  
7 authorized under this section is claimed, the tax credit  
8 authorized under section 422.11A shall not be claimed or  
9 allowed for any tax year during the term of the agreement.

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EXPLANATION

11 This bill strikes the second subsection of Code section  
12 15.333A and moves it to Code chapter 432. The moved  
13 subsection relates to one of two insurance premium tax credits  
14 under the new jobs and income program. The bill amends the  
15 insurance premium tax credit to make it available to an  
16 insurance company, rather than limiting it to eligible  
17 businesses as defined under the new jobs and income program.

18 The bill amends the insurance premium tax credit to allow  
19 the credit to be carried over for a period of 10 years or  
20 until depleted, whichever occurs earlier, rather than seven  
21 years as provided under the new jobs and income program.

22 The bill provides that if the insurance premium tax credit  
23 is claimed, the new jobs tax credit authorized under Code  
24 section 422.11A shall not be claimed or allowed for any tax  
25 year during the term of the agreement, with the reverse also  
26 applying.

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**TO: General Assembly**  
**FROM: Georgia Soliday, IDED Legislative Liaison**  
**DATE: November 19, 1999**  
**RE: New Jobs Training Program Premium Tax Credit Amendment**

Iowa's insurance companies are not subject to Iowa's corporate income taxes. Instead, they pay Iowa insurance premium taxes. As such, Iowa insurance companies who participate in the Iowa New Jobs Training Program are not able to use the Iowa New Jobs Training Program Tax Credit that other, non-insurance companies with 260E training agreements routinely receive. Such a credit is worth \$990 per job created during 1999. Due to the way this is calculated, the credit per job created will increase to \$1,038 in the year 2000.

By extending the tax credit to premium taxes, the proposed legislation would provide equity to the program by allowing insurance companies to receive the same tax benefits previously available only to non-insurance companies who use the Iowa New Jobs Training Program. Second, such a premium tax credit would be an incentive for Iowa insurance companies to hire and train new workers. At the very least, such a premium tax credit would offset some of the costs associated with attracting and training expanding workforces at Iowa insurance companies during times of tight labor markets.

Legislation addressing this issue exists in Ch 1084, 1998 Acts creating a new section in 15.333A. The corrections we are proposing to this legislation will identify insurance companies and associations and will add a new section to Ch 432, Insurance Companies Tax.

**THOMAS J. VILSACK, GOVERNOR**

**DAVID J. LYONS, DIRECTOR**

2/28/00 Wyp & mean

FILED FEB 23 2000

SENATE FILE 2283

BY COMMITTEE ON SMALL BUSINESS,  
ECONOMIC DEVELOPMENT AND TOURISM

(SUCCESSOR TO SSB 3033)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
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**SENATE FILE 2283  
FISCAL NOTE**

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A fiscal note for Senate File 2283 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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Senate File 2283 makes insurance companies eligible for a credit against insurance premium taxes for the creation of new jobs under terms of a Chapter 260E Agreement. To qualify for the credit an insurance company must increase its base employment by at least 10%, or when no base employment level exists, add new jobs within the time set in the 260E Agreement. The amount of the credit equals 6.0% of the taxable wages upon which an employer is required to contribute to the State Unemployment Compensation Fund. Any credit in excess of the company's premium tax liability for the tax year may be carried over for up to ten years.

**ASSUMPTIONS**

1. Approximately 500 new workers each year in Iowa's insurance industry would qualify for the credit.
2. The credit amounts per worker would be \$1,038 for 2000, \$1,086 for 2001, and \$1,134 for 2002.
3. Each new insurance industry worker would be paid an average of \$2.00 more per hour than in previous employment.
4. The marginal tax rate that would apply to the increased worker income is 6.12%.

**FISCAL IMPACT**

Senate File 2283 will result in a net decrease in State General Fund revenues equal to \$404,000 for FY 2001 and equal to \$428,000 for FY 2002.

**SOURCE**

Iowa Department of Economic Development

(LSB 5329SV, MAL)

FILED FEBRUARY 28, 2000

BY DENNIS PROUTY, FISCAL DIRECTOR