RA 26-283

ECONOMIC DEVELOPMENT AUTHORITY[261]

Regulatory Analysis

Notice of Intended Action to be published: 261—Chapter 69
"Business Incentives for Growth (BIG) Program"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 15.106A, 15.503, and 15.505

State or federal law(s) implemented by the rulemaking: Iowa Code chapter 15, subchapter II, part 33, and section 15A.1

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

October 6, 2026 9:30 to 9:45 a.m.	Via Microsoft Teams Information about Teams participation can be found at opportunityiowa.gov/about/iowa-economic-development-authority/ieda-red-tape-review

Public Comment

Any interested person may submit written or oral comments concerning this Regulatory Analysis, which must be received by the Economic Development Authority (Authority) no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

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Purpose and Summary

The Authority proposes to amend Chapter 69. The chapter describes the policies and procedures applicable to the Business Incentives for Growth (BIG) Program. The program helps qualifying businesses offset some of the costs of locating, expanding, or modernizing a facility in Iowa. The amendments make the following changes:

- Remove references to 2025 Iowa Acts, Senate File 657, which has been codified since adoption of the chapter.
- Clarify the treatment of expenditures associated with the purchase of a business as a going concern.
- Establish parameters for the BIG Training Fund, which was created by 2026 Iowa Acts, House File 2799. The fund will provide reimbursement for eligible job training expenses.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**

- **Classes of persons that will bear the costs of the proposed rulemaking:**

Businesses interested in applying for or receiving assistance through the program will bear the costs of this proposed rulemaking.

- **Classes of persons that will benefit from the proposed rulemaking:**

Businesses interested in applying for or receiving assistance through the program will benefit from this proposed rulemaking.

2. **Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:**

- **Quantitative description of impact:**

Businesses applying for assistance may require staff time to complete an application. Businesses that are awarded tax incentives or financial assistance may similarly incur costs to administer an award. Some applicants may choose to rely on an external service provider to complete these tasks. The amount of the costs will vary depending on the compensation of staff or service providers. The current rules establish an application fee of 0.5 percent of the total amount of tax incentives recommended, not to exceed $10,000. The fee is unchanged by the proposed amendments.

- **Qualitative description of impact:**

The program provides a financial incentive to businesses relocating to Iowa from another state or expanding within the State.

3. **Costs to the State:**

- **Implementation and enforcement costs borne by the agency or any other agency:**

Authority staff time is required to review and approve applications, draft and execute program contracts, authorize utilization tax incentives, disburse financial assistance, monitor compliance with award terms, and communicate with program applicants and recipients.

- **Anticipated effect on State revenues:**

The proposed amendments have no anticipated impact on State revenues beyond that of 2026 Iowa Acts, House File 2799.

4. **Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:**

Only the entities that will potentially benefit from the program will bear the costs of the proposed rulemaking. The costs to the State to administer the program are proportional to the activities supported by the program.

5. **Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:**

The Authority has not identified any less costly methods or less intrusive methods for administering the program.

6. **Alternative methods considered by the agency:**

- **Description of any alternative methods that were seriously considered by the agency:**

The Authority did not consider any other methods.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

The Authority did not consider any other methods.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.

- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

This proposed rulemaking impacts only small businesses seeking financial assistance. The amendments regarding compliance and reporting requirements are no more stringent than necessary to implement the purposes of the program. The amendments do not establish schedules or deadlines. The rules do not establish design or operational standards.

Text of Proposed Rulemaking

ITEM 1. Amend rule **261—69.1(15)**, definitions of "Agreement," "Base employment level," "Benefits," "Community," "Created job," "Eligible business," "Financial assistance," "Full-time equivalent position," "Program," "Project," "Project completion date," "Qualifying investment," "Qualifying wage threshold," "Retained job" and "Tax incentive," as follows:

"Agreement" means an agreement entered into pursuant to Iowa Code section 15.506 ~~as enacted by 2025 Iowa Acts, Senate File 657~~.

"Base employment level" means the same as defined in Iowa Code section 15.503 ~~as enacted by 2025 Iowa Acts, Senate File 657~~.

"Benefits" means the same as defined in Iowa Code section 15.503 ~~as enacted by 2025 Iowa Acts, Senate File 657~~.

"Community" means the same as defined in Iowa Code section 15.503 ~~as enacted by 2025 Iowa Acts, Senate File 657~~.

"Created job" means the same as defined in Iowa Code section 15.503 ~~as enacted by 2025 Iowa Acts, Senate File 657~~.

"Eligible business" means a business that meets the requirements of Iowa Code section 15.504 ~~as enacted by 2025 Iowa Acts, Senate File 657~~.

"Financial assistance" means the same as defined in Iowa Code section 15.511 ~~as enacted by 2025 Iowa Acts, Senate File 657~~.

"Full-time equivalent position" means the same as defined in Iowa Code section 15.503 ~~as enacted by 2025 Iowa Acts, Senate File 657~~.

"Program" means the same as defined in Iowa Code section 15.503 ~~as enacted by 2025 Iowa Acts, Senate File 657~~.

"Project" means the same as defined in Iowa Code section 15.503 ~~as enacted by 2025 Iowa Acts, Senate File 657~~.

"Project completion date" means the same as defined in Iowa Code section 15.503 ~~as enacted by 2025 Iowa Acts, Senate File 657~~.

"Qualifying investment" means the same as defined in Iowa Code section 15.503 ~~as enacted by 2025 Iowa Acts, Senate File 657~~.

"Qualifying wage threshold" means the same as defined in Iowa Code section 15.503 ~~as enacted by 2025 Iowa Acts, Senate File 657~~.

"Retained job" means the same as defined in Iowa Code section 15.503 ~~as enacted by 2025 Iowa Acts, Senate File 657~~.

"Tax incentive" means a sales and use tax refund approved pursuant to Iowa Code section 15.507 ~~as enacted by 2025 Iowa Acts, Senate File 657;~~, a qualifying investment tax credit approved pursuant to Iowa Code section 15.508 ~~as enacted by 2025 Iowa Acts, Senate File 657;~~, or a combination of both.

ITEM 2. Amend rule 261—69.2(15) as follows:

261—69.2(15) Eligibility requirements.

69.2(1) *Community approval.* Community approval of the project by ordinance or resolution is required as specified in Iowa Code section 15.504 ~~as enacted by 2025 Iowa Acts, Senate File 657~~.

69.2(2) *Eligible businesses.*

a. For the purposes of determining whether a business is an eligible business type pursuant to Iowa Code section 15.504(1)*"b,"* ~~as enacted by 2025 Iowa Acts, Senate File 657,~~ "retail business" means any business primarily engaged in the business of sale at retail of tangible personal property or taxable services in this state or online. "Sale at retail" means the same as defined in Iowa Code section 423.1(46). A business obligated to collect sales or use tax under Iowa Code chapter 423 may be an ineligible retail business.

b. No change.

c. A business shall provide evidence that the business's primary operations are in a qualifying industry pursuant to Iowa Code section 15.504(1)*"b."* ~~as enacted by 2025 Iowa Acts, Senate File 657.~~ Such evidence may include but is not limited to whether the business has a North American industry classification system (NAICS) number aligned with the relevant industries as determined by the authority. Businesses with other NAICS numbers will be required to document to the authority's satisfaction that the business is primarily engaged in an applicable industry identified in Iowa Code section 15.504(1)*"b"* ~~as enacted by 2025 Iowa Acts, Senate File 657,~~ based on factors including but not limited to sources of revenue and customer base.

d. A business shall demonstrate it is not a data center business that is ineligible for the program pursuant to Iowa Code section 15.504(1)*"b."* ~~as enacted by 2025 Iowa Acts, Senate File 657.~~

e. No change.

(1) to (3) No change.

69.2(3) *Relocations and reductions in operations.* The authority will determine whether a business is ineligible due to a relocation or reduction in operations pursuant to Iowa Code section 15.504(1)*"c."* ~~as enacted by 2025 Iowa Acts, Senate File 657.~~ For the purposes of this subrule, "reduction in operations" includes but is not limited to a layoff during the 12 months before an application is submitted to the authority.

69.2(4) No change.

69.2(5) *Violations of law.* The authority will address violations of law as described in Iowa Code section 15.504(1)*"e."* ~~as enacted by 2025 Iowa Acts, Senate File 657.~~

69.2(6) *Sufficient economic impact.* The business shall demonstrate that the project has a sufficient economic impact as described in Iowa Code section 15.504(2)*"b."* ~~as enacted by 2025 Iowa Acts, Senate File 657.~~

69.2(7) to **69.2(9)** No change.

69.2(10) *Other factors.* The authority shall consider any applicable additional factors pursuant to Iowa Code section 15.504(2) ~~as enacted by 2025 Iowa Acts, Senate File 657,~~ to determine whether a business is an eligible business.

69.2(11) *Ineligible projects.*

a. The following activities are presumed by the authority to lack sufficient economic impact to accomplish the goals of the program and are not eligible for the program pursuant to Iowa Code section 15.504(2)*"b."* ~~as enacted by 2025 Iowa Acts, Senate File 657.~~

(1) and (2) No change.

b. A project representing solely acquisition of a business as a going concern that does not include creation or retention of jobs and qualifying investment at the acquired business facility is not eligible for the program. A qualified project that occurs following acquisition of a business as a going concern may be eligible for the program, but the purchase of a business as a going concern and its existing assets will not be included as an eligible business's qualifying investment.

c. No change.

69.2(12) No change.

ITEM 3. Amend subrule 69.3(3) as follows:

69.3(3) *Water conservation and waste reduction plan.*

a. To determine whether a water conservation and waste reduction plan is required pursuant to Iowa Code section 15.505(1)*“b,”* ~~as enacted by 2025 Iowa Acts, Senate File 657,~~ the authority will consider the following factors:

(1) to (5) No change.

b. If required, the water conservation and waste reduction plan required by Iowa Code section 15.505(1)*“b”* ~~as enacted by 2025 Iowa Acts, Senate File 657,~~ shall be submitted to the authority as an attachment to the standardized application developed by the authority. The plan should be developed by an employee or third-party provider with sufficient professional expertise to determine the anticipated water consumption and wastewater discharge for the project. The plan shall describe the impact of the project on the applicable water provider and the community or communities served by the applicable water provider and any measures to be taken by the business to mitigate its water consumption or wastewater discharge.

ITEM 4. Amend subrule 69.3(6) as follows:

69.3(6) *Investment requirements.* The investment requirements applicable to a project will be established at the time of application. Investment requirements are based on an eligible business’s estimates of total project costs and qualifying investment and will be utilized to determine the amount of tax incentives and financial assistance. For the purposes of determining whether an expenditure is a qualifying investment as defined in Iowa Code section 15.503 ~~as enacted by 2025 Iowa Acts, Senate File 657~~, the following are considered a capital investment in depreciable assets for use in the operation of an eligible business: machinery and equipment used in the manufacturing process, computer hardware, and furniture and fixtures. The following will not be considered a capital investment in depreciable assets for use in the operation of an eligible business: any other machinery and equipment, racking or shelving, computer software, and research and development.

ITEM 5. Amend paragraph **69.4(1)“a”** as follows:

a. *Economic impact.* The extent to which an eligible business’s proposed project demonstrates economic impact on the state based on the factors identified in Iowa Code section 15.504(2)*“b.”* ~~as enacted by 2025 Iowa Acts, Senate File 657.~~

ITEM 6. Amend subrule 69.4(4) as follows:

69.4(4) Only projects that demonstrate extensive economic impact will be awarded the maximum amounts of tax incentives allowed pursuant to Iowa Code section 15.505(3)*“a.”* ~~as enacted by 2025 Iowa Acts, Senate File 657.~~ Whether the project demonstrates extensive economic impact is within the sole discretion of the board.

ITEM 7. Amend subrule 69.4(5) as follows:

69.4(5) In addition to the considerations in subrules 69.4(1) through 69.4(4), award negotiations may be impacted by the available amount of investment tax credits allocated pursuant to Iowa Code section 15.119(2) ~~as amended by 2025 Iowa Acts, Senate File 657,~~ or the amount of financial assistance available pursuant to Iowa Code section 15.111 ~~as enacted by 2025 Iowa Acts, Senate File 657~~.

ITEM 8. Amend rule 261—69.5(15) as follows:

261—69.5(15) Tax incentives. The authority may approve a business to receive any combination of applicable tax incentives allowed through the program pursuant to Iowa Code section 15.507 or 15.508 ~~as enacted by 2025 Iowa Acts, Senate File 657~~. An approved business shall not claim a tax incentive in excess of the amount specified in an agreement.

69.5(1) *Property tax exemption.*

a. The authority will only approve a property tax exemption pursuant to Iowa Code section 15.510 ~~as enacted by 2025 Iowa Acts, Senate File 657,~~ if other tax incentives or financial assistance through the program are also approved.

b. If a community approves an exemption from taxation pursuant to Iowa Code section 15.510 ~~as enacted by 2025 Iowa Acts, Senate File 657~~, the community shall provide the authority and the local assessor with a copy of the resolution adopted by the community's governing body that indicates the estimated value and duration of the authorized exemption.

69.5(2) *Investment tax credit—treatment of rent.* The annual base rent paid to a third-party developer by an approved business may be considered new investment for the purpose of an investment tax credit approved pursuant to Iowa Code section 15.508 ~~as enacted by 2025 Iowa Acts, Senate File 657~~. Annual base rent incurred during the term of an agreement may be included as new investment. For the purposes of this subrule, "annual base rent" means the business's annual lease payment minus taxes, insurance and operating or maintenance expenses.

69.5(3) *Investment tax credit—issuance, amortization and claims.* The business must notify the authority that its project has been placed in service and document its total project cost, including its qualifying investment, to receive a tax credit certificate. A business shall not receive a tax credit certificate following the placement of a portion of its project in service unless such portion is approved by the authority at the time of application and specified in the agreement. The five-year amortization of a qualifying investment tax credit issued pursuant to Iowa Code section 15.508 ~~as enacted by 2025 Iowa Acts, Senate File 657,~~ shall begin no earlier than the year the credit is issued. Each amortized portion of the credit shall be claimed in the tax year it becomes available except to the extent an overpayment is credited to the immediately succeeding tax year.

ITEM 9. Amend rule 261—69.6(15) as follows:

261—69.6(15) Financial assistance. The authority may award financial assistance pursuant to Iowa Code sections 15.111 and 15.511 ~~as enacted by 2025 Iowa Acts, Senate File 657~~. Awards of financial assistance shall be entirely at the discretion of the board.

ITEM 10. Amend subrule 69.7(2) as follows:

69.7(2) *Requirements.* An agreement shall meet all requirements of and be administered pursuant to Iowa Code section 15.506 ~~as enacted by 2025 Iowa Acts, Senate File 657~~.

ITEM 11. Amend paragraph **69.7(9)"b"** as follows:

b. *Tax incentives.* If the authority determines that a recipient is in default, the eligible business may be required to repay tax incentives pursuant to Iowa Code section 15.506(1)*"b.<u>.</u>"* ~~as enacted by 2025 Iowa Acts, Senate File 657.~~ The repayment amount is subject to applicable interest and penalties as determined by the department of revenue. If the business is an entity that has elected pass-through taxation status for income tax purposes, the department of revenue may undertake collection efforts against members, individuals or shareholders to whom the tax incentives were passed through.

ITEM 12. Amend paragraph **69.7(9)"d"** as follows:

d. *Notice of default.* The authority will notify a business of an event of default as described in the agreement. If the community in which the project is located provided a property tax exemption pursuant to Iowa Code section 15.510 ~~as enacted by 2025 Iowa Acts, Senate File 657~~, the authority will also notify the community of an event of default as described in the agreement.

ITEM 13. Amend subrule 69.7(10) as follows:

69.7(10) *Amendments.* Agreement amendments must comply with Iowa Code chapter 15, subchapter II, part 33, ~~as enacted by 2025 Iowa Acts, Senate File 657,~~ and this chapter. Recipients may submit requests for amendments to authority staff.

a. No change.

b. The board may delegate authority to authority staff to approve nonsubstantive changes to the agreement, including but not limited to the following:

(1) to (6) No change.

<u>(7) Termination of an agreement following declination of all awarded program benefits by an eligible business.</u>

ITEM 14. Adopt the following **new** rule 261—69.10(15):

261—69.10(15) Training fund.

69.10(1) For the purposes of this rule, the following definitions apply:

"Funded training" means training that is eligible for reimbursement from the training fund created pursuant to Iowa Code section 15.512 as enacted by 2026 Iowa Acts, House File 2799, and pursuant to this rule.

"Training" means a structured process of instruction designed to develop technical and specialized skills required to perform job-specific tasks effectively, including courses, labs, simulations, and hands-on exercises either on the job or in a classroom or field environment.

"Training fund" means the business incentives for growth program training fund created pursuant to Iowa Code section 15.512 as enacted by 2026 Iowa Acts, House File 2799.

"Training fund assistance" means funds obligated for an eligible business from the training fund.

69.10(2) An eligible business shall indicate intent to apply for training fund assistance in the application submitted pursuant to rule 261—69.3(15). An eligible business seeking training fund assistance must provide a training plan with the application that includes but is not limited to training objectives, scope, provider(s), timeline, participating employees, and budget.

69.10(3) In negotiating the availability of, the terms of, and the aggregate value of training fund assistance, the authority will consider a variety of factors, including but not limited to the factors identified in subrule 69.4(1) and the measurable outcomes of the proposed training.

69.10(4) The authority may approve an eligible business for training fund assistance pursuant to Iowa Code section 15.512 as enacted by 2026 Iowa Acts, House File 2799. For an eligible business that has been approved for training fund assistance, the agreement will indicate the number of jobs expected to participate in the training and the maximum amount that may be credited to the training fund from the withholding payments to be paid by the business.

69.10(5) Only designated amounts of withholding payments made by an eligible business for jobs to participate in funded training shall be credited to the training fund. Amounts may be credited to the training fund for the purposes of reimbursing an eligible business's training costs for up to ten years from the date the board approves training fund assistance. Funds that are not requested by an eligible business within one year of the contract end date will be deobligated.

69.10(6) The amount of training assistance that any one eligible business may receive shall not exceed 50 percent of eligible training expenses incurred by the business and documented to the satisfaction of the authority.

a. Eligible training expenditures include but are not limited to the following:

(1) Costs paid to qualified third-party training providers for instruction and training materials;

(2) Supplies, equipment, and software necessary for training;

(3) Travel costs for training; and

(4) Testing fees or other fees associated with obtaining credentials following training.

b. Ineligible expenditures include but are not limited to the following:

(1) Wages paid to employees during training;

(2) Expenses associated with general employee onboarding or orientation;

(3) Expenses associated with conference or trade show attendance;

(4) Amounts paid to a related entity for training;

(5) Expenses for items that will not exclusively be used by the business for training;

(6) Training that leads directly to professional degrees in medicine, law, accounting or other professional areas or that includes safety training, succession planning, or behavior skills such as communication, leadership, teamwork, or conflict management;

(7) Expenses incurred to reimburse consultants, legal fees or any administrative expenses related to the training;

(8) Expenses incurred to provide training to executives, consultants, or independent contractors; and

(9) Expenses incurred more than four years after the date the board approves training fund assistance.

69.10(7) The authority may consult with Iowa workforce development to determine whether an eligible business should be awarded training fund assistance, the amount and terms of training fund assistance, and whether expenditures should be considered eligible for reimbursement.

ITEM 15. Amend **261—Chapter 69**, implementation sentence, as follows:

These rules are intended to implement Iowa Code chapter 15, subchapter II, part 33, ~~as enacted by 2025 Iowa Acts, Senate File 657,~~ and section 15A.1.