

REVENUE DEPARTMENT[701]

Regulatory Analysis

Notice of Intended Action to be published: Iowa Administrative Code 701—Chapter 273
“Reinvestment Districts Program”

Iowa Code section(s) or chapter(s) authorizing rulemaking: 15J.6 and 421.14

State or federal law(s) implemented by the rulemaking: Iowa Code chapter 15J and sections 423.2A(2) and 423.2A(3)

Public Hearing

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

November 8, 2023
9 a.m. to 12 noon

Via video/conference call:
meet.google.com/msc-ekdk-xws
PH: 262.864.1688
PIN: 672 555 995#

Public Comment

Any interested person may submit written or oral comments concerning this Regulatory Analysis. Written or oral comments in response to this Regulatory Analysis must be received by the Department of Revenue no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

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Hoover State Office Building
P.O. Box 10457
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Purpose and Summary

The purpose of this proposed rulemaking is to rescind Chapter 273 and adopt new Chapter 273, which consists of rules relating to the Department’s role in the administration of the Reinvestment Districts Program. These rules are required under Iowa Code chapter 15J. These rules interpret the underlying statutes about the calculation and remittance of the sales tax revenues to reinvestment district and reinvestment project funds pursuant to Iowa Code chapter 15J. The Department proposes revisions to the rules to provide clarification and to remove portions of the rules that the Department has determined are unnecessary, obsolete, and duplicative of statutory language. The Department also renumbered some rules due to other edits and for organizational reasons. The Department further proposes to add a rule to provide clarification about the administrative fee authorized under Iowa Code section 423.2A(3) that the Department retains from the amount it would otherwise distribute to the Reinvestment Districts Program.

Analysis of Impact

1. Persons affected by the proposed rulemaking:

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

The proposed rulemaking does not impose costs beyond what is imposed by the underlying statutes.

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

The public, including municipalities within a designated reinvestment district that receive the funding from this program, will benefit from information about the process the Department performs to calculate and remit reinvestment district funding and the administrative fee the Department retains from the amount it would otherwise distribute.

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:

There is no economic impact associated with these rules beyond what is provided in the underlying statutes.

- Qualitative description of impact:

The qualitative benefit of this rulemaking beyond what is already provided by the statute is the value of having rules that describe the process for calculating and remitting Reinvestment Districts Program funding in order to reduce confusion and so that the public and those jurisdictions receiving funding have access to the information in the rules.

3. Costs to the State:

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

There are no costs to the State beyond what is required to administer the relevant statutes. The Reinvestment Districts Program funding is ongoing, and this proposed rulemaking does not provide any significant changes to this process. The rule related to the calculation of the administrative fee authorized under Iowa Code section 423.2A(3) is an explanation of the fee that the Department already retains.

- Anticipated effect on state revenues:

There are no anticipated effects on state revenues beyond what is contained in the statutes. The proposed rulemaking clarifies the process for calculating and remitting reinvestment district funding to qualified jurisdictions and calculating the administrative fee retained by the Department.

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

The cost of inaction would be the failure to comply with the statute's requirement that the Department adopt rules to describe the calculation and remittance of reinvestment district funding, which would lead to confusion. The benefit of this rulemaking would be to provide the public and eligible jurisdictions with information and clarification about the calculation and remittance process as well as clarification about the administrative fee authorized by statute that is retained by the Department.

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

The proposed rulemaking is not costly or intrusive. The purpose of the proposed rulemaking is to provide guidance on the Department's administration of reinvestment district funding, including the retention of an administrative fee by the Department. The Department did not consider the option of not providing this proposed rulemaking since it is mandated by statute, but the Department also determined that the proposed rulemaking provides useful clarification to the public and eligible jurisdictions about reinvestment district funding.

6. Alternative methods considered by the agency:

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

The Department did not consider the possibility of not providing this proposed rulemaking.

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

Proceeding without the proposed rulemaking would be defying the statutes' mandates to adopt rules and would lead to confusion about the process for calculating and remitting reinvestment district funding.

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?

The rulemaking does not have a substantial impact on small business since it does not differentiate based on the size of an eligible business.

Text of Proposed Rulemaking

ITEM 1. Rescind 701—Chapter 273 and adopt the following **new** chapter in lieu thereof:

CHAPTER 273 REINVESTMENT DISTRICTS PROGRAM

701—273.1(15J) Purpose and definitions. The Iowa Reinvestment Act provides for the reinvestment of as much as \$100 million in state hotel and motel and state sales tax revenues from revenue-generating projects within certain districts. The economic development authority board is authorized to oversee the implementation and administration of certain provisions of this program, including evaluating projects and making funding decisions. This chapter sets forth rules for the department of revenue's administration of the calculation, collection, and remittance of funds for this program. The economic development authority board's administrative rules about this program are found at 261—Chapter 200. Terms mean the same as defined in Iowa Code chapter 15J.

This rule is intended to implement Iowa Code chapter 15J.

701—273.2(15J) New state tax revenue calculations.

273.2(1) State sales tax. For districts established before July 1, 2020, the department will calculate the state sales tax revenues as described in Iowa Code section 15J.5(1) "b"(1). For those established on or after July 1, 2020, the calculations are as described in Iowa Code section 15J.5(1) "b"(2).

273.2(2) State hotel and motel tax. For districts established before July 1, 2020, the department will calculate the state hotel and motel tax revenues as described in Iowa Code section 15J.5(2) "b"(1). For those established on or after July 1, 2020, the calculations are as described in Iowa Code section 15J.5(2) "b"(2).

273.2(3) Identification of new retail establishments and lessors. Each municipality that has established a district under Iowa Code chapter 15J must notify the department of new retail establishments and lessors in the district that are created as soon as possible. This process shall be ongoing until the municipality ceases to utilize state sales tax revenue or state hotel and motel tax revenue under this chapter or the district is dissolved.

This rule is intended to implement Iowa Code sections 15J.5, 423.2(11) and 423A.6.

701—273.3(15J) State reinvestment district fund.

273.3(1) Deposits. The department shall deposit moneys into the appropriate district fund as described in Iowa Code section 15J.6; however, moneys shall not be deposited in the fund before the period for processing returns is complete.

273.3(2) Late-filed returns. Moneys described in Iowa Code section 15J.6 that are collected from late-filed returns shall be deposited in the fund. Such moneys shall be deposited following the period for processing returns for the quarter in which the late return is received, subject to the limitations of Iowa Code chapter 15J.

273.3(3) Refund claims. If the moneys described in Iowa Code section 15J.6 are the subject of a refund claim and that claim is granted by the department, the department may offset any refund at a later date against funds remitted to the district in which the new retail establishment or new lessor that had remitted the refunded tax amount is located.

This rule is intended to implement Iowa Code section 15J.6.

701—273.4(15J) Reinvestment project fund. State sales tax revenue and state hotel and motel tax revenue will be remitted by the department and deposited into reinvestment project funds as described in Iowa Code section 15J.7. Moneys deposited in the fund shall only be used to fund projects as described in Iowa Code section 15J.7(1) and not those projects described in Iowa Code section 15J.7(4).

This rule is intended to implement Iowa Code section 15J.7.

701—273.5(15J) End of deposits—district dissolution.

273.5(1) Cessation of deposits.

a. The department shall cease to deposit state sales tax revenues and state hotel and motel revenues once the limitations described in either Iowa Code section 15J.8(1) or 15J.8(2) are met.

b. The department shall cease to deposit new tax revenues into a district's account within the fund once the maximum benefit amount approved by the board for the district has been reached. If a district reaches the maximum benefit amount, the department shall notify the municipality and the board within a reasonable amount of time.

273.5(2) District dissolution.

a. If a municipality dissolves a district pursuant to Iowa Code section 15J.8(2), the municipality must notify the department as required by section 15J.8(2).

b. When a municipality is notified that its maximum benefit amount has been reached, the municipality shall dissolve the district by ordinance as soon as practicable after notification.

This rule is intended to implement Iowa Code section 15J.8.

701—273.6(15J) Administrative fee.

273.6(1) Administrative fee. Pursuant to Iowa Code section 423.2A(3), the department will retain an administrative fee from the amount it would otherwise distribute to the reinvestment district program.

273.6(2) Amount retained. The amount retained each quarter will be the total of the prorated shares amongst all projects in both the reinvestment districts programs and the flood mitigation program authorized under Iowa Code chapter 418.

273.6(3) Prorated share. Each entity's prorated share of the administrative fee for each quarter will be calculated as follows:

$$\frac{\text{Reinvestment district entity's distribution for the quarter}}{\text{Total distributions of both the flood mitigation and reinvestment districts for the quarter}} \times \text{Either \$25,000 or the department's actual expenses, whichever is less}$$

This rule is intended to implement Iowa Code section 423.2A(3).