2.48 Legislative tax expenditure committee — review of tax incentive programs.

1. *Duties of committee.* The legislative tax expenditure committee shall do all of the following:

a. Evaluate any tax expenditure available under Iowa law and assess its equity, simplicity, competitiveness, public purpose, adequacy, and extent of conformance with the original purposes of the legislation that enacted the tax expenditure, as those issues pertain to taxation in Iowa. For purposes of this section, *"tax expenditure"* means an exclusion from the operation or collection of a tax imposed in this state. Tax expenditures include tax credits, exemptions, deductions, and rebates. Tax expenditures also include sales tax refunds issued pursuant to section 423.3 or section 423.4.

b. Establish and maintain a system for making available to the public information about the amount and effectiveness of tax expenditures, and the extent to which tax expenditures comply with the original intent of the legislation that enacted the tax expenditure.

2. *Review of tax expenditures — budget estimates.* The legislative tax expenditure committee shall do all of the following:

a. Engage in the regular review of the state's tax expenditures.

(1) In reviewing tax expenditures, the committee may review any tax expenditure at any time, but shall at a minimum perform the reviews described in subsection 3.

(2) For each tax expenditure reviewed, the committee shall submit a report to the legislative council containing the results of the review. The report shall contain a statement of the policy goals of the tax expenditure and a return on investment calculation for the tax expenditure. For purposes of this subparagraph, *"return on investment calculation"* means analyzing the cost to the state of providing the tax expenditure, analyzing the benefits realized by the state from providing the tax expenditure, and reaching a conclusion as to whether the benefits of the tax expenditure are worth the cost to the state of providing the tax expenditure.

(3) The report described in subparagraph (2) may include recommendations for better aligning tax expenditures with the original intent of the legislation that enacted the tax expenditure.

b. (1) Estimate for each fiscal year, in conjunction with the legislative services agency and the department of revenue, the cost of each individual tax expenditure and the total cost of all tax expenditures, and by December 15 provide those estimates to the governor for use in the preparation of the budget message under section 8.22 and to the general assembly to be used in the budget process.

(2) The estimates provided pursuant to subparagraph (1) may include the committee's recommendations for the imposition of a limitation on a specified tax expenditure, a limitation on the total amount of tax expenditures, or any other recommendation for a specific tax expenditure or the program under which the tax expenditure is provided.

3. *Schedule of review of all tax expenditures.* The committee shall review the following tax expenditures and incentives according to the following schedule:

a. In 2011:

(1) The high quality jobs program under chapter 15, subchapter II, part 13.

(2) The tax credits for increasing research activities available under sections 15.335, 422.10, and 422.33.

(3) The franchise tax credits available under sections 422.11 and 422.33.

(4) The earned income tax credit available under section 422.12B.

b. In 2012:

(1) The Iowa fund of funds program in chapter 15E, subchapter VII.

(2) The targeted jobs withholding credits available under section 403.19A.

(3) Funding of urban renewal projects with increased local sales and services tax revenues under section 423B.10.

(4) School tuition organization tax credits under sections 422.11S and 422.33.

(5) Tuition and textbook tax credits under section 422.12.

c. In 2013:

(1) The child and dependent care and early childhood development tax credits under section 422.12C.

(2) The endow Iowa tax credits authorized under section 15E.305.
(3) The redevelopment tax credits available under section 15.293A.
(4) Property tax revenue divisions for urban renewal areas under section 403.19.
d. In 2014:
(1) Tax credits for investments in qualifying businesses under chapter 15E, subchapter V.
(2) Historic preservation tax credits under chapter 404A.
(3) Wind energy production tax credits under chapter 476B.
(4) Renewable energy tax credits under chapter 476C.
(5) The ethanol promotion tax credits available under section 422.11N.
(6) The E-85 gasoline promotion tax credits available under section 422.11O.
(7) The biodiesel blended fuel tax credits available under section 422.11P.
e. In 2015:
(1) The agricultural assets transfer tax credit as provided in section 16.80.
(2) The claim of right tax credit under section 422.5.
(3) The reduction in allocating income to Iowa by S corporation shareholders under section 422.8.
(4) The minimum tax credit under sections 422.11B, 422.33, and 422.60.
(5) The assistive device corporate tax credit under section 422.33.
(6) The charitable conservation contribution tax credit under sections 422.11W and 422.33.
(7) The motor vehicle fuel tax credit under section 422.110.
(8) The new jobs tax credits available under section 422.11A.
f. In 2016:
(1) The homestead tax credit under chapter 425.
(2) The elderly and disabled property tax credit under chapter 425.
(3) The agricultural land tax credit under chapter 426.
(4) The military service tax credit under chapter 426A.
(5) The business property tax credit under chapter 426C.
(6) The commercial and industrial property tax replacement claims under section 441.21A.
g. In 2017, the innovation fund investment tax credit available under section 15E.52.
h. In 2022, the renewable chemical production tax credit program available under sections 15.315 through 15.322.
4. *Subsequent additional review.* A tax expenditure or incentive reviewed pursuant to subsection 3 shall be reviewed again not more than five years after the tax expenditure or incentive was most recently reviewed.

2010 Acts, ch 1138, §3; 2012 Acts, ch 1110, §1; 2012 Acts, ch 1124, §1, 2; 2012 Acts, ch 1136, §29, 39 – 41; 2013 Acts, ch 117, §1, 7; 2013 Acts, ch 125, §1, 23, 24; 2014 Acts, ch 1026, §2; 2014 Acts, ch 1080, §79, 80, 98, 115, 125; 2014 Acts, ch 1130, §28; 2015 Acts, ch 138, §107, 126, 127; 2016 Acts, ch 1065, §2, 15, 16; 2016 Acts, ch 1138, §4; 2017 Acts, ch 29, §1

Referred to in **§2.45**

Legislative intent regarding the review and reauthorization of tax credits, withholding credits, and revenue division programs; 2010 Acts, ch 1138, §1

For future strike of subsection 3, paragraph h, effective July 1, 2030, see 2017 Acts, ch 29, §2, 169

2013 amendment to subsection 3, paragraph e, subparagraph (1) takes effect June 17, 2013, and applies retroactively to January 1, 2013, for tax years beginning on or after that date; 2013 Acts, ch 125, §23, 24

2015 amendment to subsection 3, paragraph d, subparagraph (1) takes effect July 2, 2015, and applies to equity investments in a qualifying business made on or after that date; 2015 Acts, ch 138, §126, 127

Subsection 3, paragraph h takes effect April 6, 2016, and applies to renewable chemicals produced in the state from biomass feedstock on or after January 1, 2017; 2016 Acts, ch 1065, §15, 16

2014 strike of subsection 3, paragraph e, subparagraph (1), subparagraph division (b), is effective January 1, 2018; 2014 Acts, ch 1080, §125

Subsection 3, paragraph d, subparagraph (2) amended

Subsection 3, paragraph e, subparagraph (1), subparagraph division (b) stricken and former subparagraph division (a) redesignated as subparagraph (1)