

701—239.9(423B) Example. City A has an urban renewal area that covers a large portion of its downtown. City A also has in place a 1 percent local sales and services tax. On October 30, 2008, City A's City Council enacts an ordinance that establishes the urban renewal area as a local sales and services tax increment district. The ordinance also designates 100 percent of the tax growth increment amount to the special city account.

The base year taxable sales amount for the urban renewal area will equal the amount of taxable sales made by retail establishments in the urban renewal area for the fiscal year in which the ordinance was adopted. Assume City A's urban renewal area has \$10,050,000 in taxable sales during the 2008-2009 fiscal year.

At the end of the fiscal year following the fiscal year in which the ordinance was adopted (June 30, 2010, in this example), City A's urban renewal area has taxable sales of \$25,000,000. To determine the tax growth increment amount, the department subtracts the base year taxable sales amount from fiscal year two's taxable sales amount then multiplies the remainder by the local sales and services tax rate of 1 percent as follows:

$$\$25,000,000 - \$10,050,000 = \$14,950,000$$

$$\$14,950,000 \times .01 = \$149,500$$

The result is a tax growth increment amount of \$149,500. The department of revenue will deposit \$149,500 into the city's special account no later than November 10 following the end of the fiscal year.
[ARC 7666B, IAB 4/8/09, effective 5/13/09]