

**261—58.4(15) Program benefits.** The department reserves the right to negotiate, using the criteria in subrule 58.3(3), the amount of all program benefits except the following benefits: the new jobs supplemental credit; the value-added property tax exemption; the refund of sales, service and use taxes paid to contractors and subcontractors; the sales and use tax exemption; and the exemption from land ownership restrictions for nonresident aliens. The following benefits may be available to an eligible business and are subject to the amount of incentives and assistance negotiated by the department with the eligible business and agreed upon as described in the executed agreement:

**58.4(1) *New jobs supplemental credit.*** A supplemental new jobs credit from withholding in an amount equal to 1½ percent of the gross wages paid by the business. The supplemental new jobs credit available under this program is in addition to and not in lieu of the program and withholding credit of 1½ percent authorized under Iowa Code chapter 260E. Approval and administration of the supplemental new jobs credit shall follow existing procedures established under Iowa Code chapter 260E.

**58.4(2) *Value-added property tax exemption.*** A value-added property tax exemption of all or a portion of the actual value added by improvements to real property directly related to new jobs created by the location or expansion of the business and used in the operation of the business. For purposes of this subrule “improvements” includes new construction and rehabilitation of and additions to existing structures. The exemption may be allowed by a community for a period of up to 20 years beginning the year the improvements are first assessed for taxation in that community. The community shall provide to the department a copy of the resolution adopted by its governing body which indicates the estimated value and duration of the exemption authorized. The community shall provide the assessor with a copy of the resolution establishing the exemption.

**58.4(3) *Investment tax credit and insurance premium tax credit.***

*a. Investment tax credit.* An eligible business may claim an investment tax credit as provided in Iowa Code (2003) section 15.333. A corporate income tax credit may be claimed of up to a maximum of 10 percent of the new investment which is directly related to new jobs created by the location or expansion of the business. If the business is a partnership, subchapter S corporation, limited liability company, closed cooperative organized under Iowa Code chapter 501 and filing as a partnership for federal tax purposes, or an estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. Any credit in excess of tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs first. Subject to prior approval by the department in consultation with DR, an eligible business whose project primarily involves the production of value-added agricultural products may elect to apply for a refund for all or a portion of an unused tax credit. For purposes of this subrule, an eligible business includes a cooperative as described in Section 521 of the United States Internal Revenue Code. The refund may be used against a tax liability imposed for individual income tax, corporate income tax, or franchise tax. The eligible business shall not claim an investment tax credit for capital expenditures above the amount stated in the agreement described in 261—58.11(15). An eligible business may instead, prior to project completion, seek to amend the contract, allowing the business to receive an investment tax credit for additional capital expenditures.

*b. Insurance premium tax credit.* If the business is an insurance company, the business may claim an insurance premium tax credit as provided in Iowa Code section 15.333A. An Iowa insurance premium tax credit may be claimed of up to a maximum of 10 percent of the new investment which is directly related to new jobs created by the location or expansion of the business. Any credit in excess of tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs first. The eligible business shall not claim an insurance premium tax credit for capital expenditures above the amount stated in the agreement described in 261—58.11(15). An eligible business may instead, prior to project completion, seek to amend the contract, allowing the business to receive an insurance premium tax credit for additional capital expenditures.

*c. Eligible capital expenditures.* For purposes of this rule, the capital expenditures eligible for the investment tax credit or the insurance premium tax credit under the new jobs and income program are the costs of machinery and equipment as defined in Iowa Code section 427A.1(1) “e” and “j” and purchased for use in the operation of the eligible business, the purchase price of which has been depreciated in

accordance with generally accepted accounting principles. For the investment tax credit and for the insurance premium tax credit, the cost of improvements made to real property which is used in the operation of the eligible business is an eligible capital expenditure.

*d. Real property.* For business applications received on or after July 1, 1999, for purposes of the investment tax credit claimed under Iowa Code Supplement section 15.333 as amended by 2000 Iowa Acts, chapter 1213, section 1, and for business applications received on or after May 26, 2000, for purposes of the insurance premium tax credit claimed under Iowa Code section 15.333A, subsection 1, the purchase price of real property and any existing buildings and structures located on the real property will also be considered a new investment in the location or expansion of an eligible business. However, if within five years of purchase, the eligible business sells or disposes of, razes or otherwise renders unusable the land, buildings, or other existing structures for which tax credit was claimed under Iowa Code Supplement section 15.333 as amended by 2000 Iowa Acts, chapter 1213, section 1, or under Iowa Code section 15.333A, subsection 1, the income tax liability or, where applicable, the insurance premium tax liability, of the eligible business for the year in which the property is sold, disposed of, razed, or otherwise rendered unusable shall be increased by one of the following amounts:

(1) One hundred percent of the tax credit claimed under this section if the property ceases to be eligible for the tax credit within one year after being placed in service.

(2) Eighty percent of the tax credit claimed under this section if the property ceases to be eligible for the tax credit within two years after being placed in service.

(3) Sixty percent of the tax credit claimed under this section if the property ceases to be eligible for the tax credit within three years after being placed in service.

(4) Forty percent of the tax credit claimed under this section if the property ceases to be eligible for the tax credit within four years after being placed in service.

(5) Twenty percent of the tax credit claimed under this section if the property ceases to be eligible for the tax credit within five years after being placed in service.

*e. Refunds.* An eligible business whose project primarily involves the production of value-added agricultural products and whose application was approved by the department on or after May 26, 2000, may elect to receive as a refund all or a portion of an unused investment tax credit.

(1) The department will determine whether a business's project primarily involves the production of value-added agricultural products. Effective July 1, 2001, an eligible business that elects to receive a refund shall apply to the department for a tax credit certificate.

(2) The business shall apply for a tax credit certificate using the form provided by the department. Requests for tax credit certificates will be accepted between May 1 and May 15 of each fiscal year. Only those eligible businesses that have completed projects before the May 1 filing date may apply for a tax credit certificate. For a cooperative described in Section 521 of the United States Internal Revenue Code, the department shall require the cooperative to submit a list of members whom the cooperative wishes to receive a tax credit certificate for their prorated share of ownership. The cooperative shall submit its list in a computerized electronic format that is compatible with the system used or designated by the department. The computerized list shall, at a minimum, include the name, address, social security number or taxpayer identification number, business telephone number and ownership percentage, carried out to six decimal places, of each cooperative member eligible for a tax credit certificate. The cooperative shall also submit a total dollar amount of the unused investment tax credits for which the cooperative's members are requesting a tax credit certificate.

(3) The department will make public by June 1 of each year the total number of requests for tax credit certificates and the total amount of requested tax credit certificates that have been submitted. The department will issue tax credit certificates within a reasonable period of time.

(4) The department shall not issue tax credit certificates which total more than \$4 million during a fiscal year. If the department receives applications for tax credit certificates in excess of \$4 million, the applicants shall receive certificates for a prorated amount. In such a case, the tax credit requested by an eligible business will be prorated based upon the total amount of requested tax credit certificates received during the fiscal year. This proportion will be applied to the amount requested by each eligible business to determine the amount of the tax credit certificate that will be distributed to each business for

the fiscal year. For example, if an eligible business submits a request in the amount of \$1 million and the total amount of requested tax credit certificates equals \$8 million, the business will be issued a tax credit certificate in the amount of \$500,000:

$$\frac{\$4 \text{ million}}{\$8 \text{ million}} = 50\% \times \$1 \text{ million} = \$500,000.$$

(5) Tax credit certificates shall not be valid until the tax year following project completion. The tax credit certificates shall not be transferred except in the case of a cooperative as described in Section 521 of the United States Internal Revenue Code. For such a cooperative, the individual members of the cooperative are eligible to receive the tax credit certificates. Tax credit certificates shall be used in tax years beginning on or after July 1, 2001. A business shall not claim a refund of unused investment tax credit unless a tax credit certificate issued by the department is attached to the taxpayer's tax return for the tax year during which the tax credit is claimed. Any unused investment tax credit in excess of the amount of the tax credit certificate issued by the department may be carried forward for up to seven years after the qualifying asset is placed in service or until depleted, whichever occurs first.

(6) An eligible business may apply for tax credit certificates once each year for up to seven years after the qualifying asset is placed in service or until the eligible business's unused investment tax credit is depleted, whichever occurs first. For example, an eligible business which completes a project in October 2001 and has an investment tax credit of \$1 million may apply for a tax credit certificate in May 2002. If, because of the proration of the \$4 million of available refundable credits for the fiscal year, the business is awarded a tax credit certificate in the amount of \$300,000, the business may claim the \$300,000 refund and carry forward the unused investment tax credit of \$700,000 for up to seven years or until the credit is depleted, whichever occurs first.

*f. New jobs insurance premium tax credit.* If the eligible business is an insurance company, the business may claim an insurance premium tax credit as provided in Iowa Code section 15.333A. This new jobs insurance premium tax may be taken by an eligible business which has entered into a chapter 260E agreement with a career and technical school or community college, and which has increased its base employment level in Iowa by at least 10 percent within the time set in the 260E training agreement. In the case of an eligible business without a base employment level, if the business adds new jobs within the time set in the 260E agreement, it is entitled to this new jobs insurance premium tax credit for the tax period to be selected by the business. In determining if the business has increased its base employment by 10 percent, only those new jobs resulting from the project covered by the 260E agreement shall be counted.

The new jobs insurance premium tax credit as provided in Iowa Code section 15.333A is determined by multiplying the qualifying taxable wages of new employees by 6 percent. For purposes of this credit, "qualifying taxable wages" is the amount of taxable wages upon which an employer is required to pay state of Iowa unemployment compensation fund taxes for new employees in new jobs. This insurance premium tax credit may be claimed in any reporting period which either begins or ends during the period beginning with the date of the 260E agreement and ending with the date by which the 260E training agreement is to be completed. Any credit in excess of the insurance premium tax liability for the year may be credited to the tax liability for the following seven years, or until depleted, whichever is earlier. This new jobs insurance premium tax credit is in lieu of, and not in addition to, the new jobs tax credit as stated in Iowa Code section 422.11A.

**58.4(4) Property tax exemption.** An exemption from taxation for machinery, equipment, and computers for a period of up to 20 years. A business may claim as exempt from taxation all or a portion of the value of the property directly related to new jobs created by the location or expansion of a business under the program and used by the business. Property eligible for this exemption shall be acquired or initially leased by the business or relocated by the business to the facility from a facility outside the state of Iowa. Property "directly related" includes the property the new employees will operate, repair, or maintain.

**58.4(5) *Research activities credit.*** A corporate tax credit for increasing research activities in this state during the period the business is participating in the program. For purposes of claiming this credit, a business is considered to be “participating in the program” for a period of ten years from the application approval date. This credit equals 6½ percent of the state’s apportioned share of the qualifying expenditures for increasing research activities. The state’s apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to total qualified research expenditures. This credit is in addition to the credit authorized in Iowa Code section 422.33. If the business is a partnership, subchapter S corporation, limited liability company, or an estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. Any tax credit in excess of the tax liability shall be refunded to the eligible business with interest computed under Iowa Code section 422.25. In lieu of claiming a refund, the eligible business may elect to have the overpayment credited to its tax liability for the following year.

**58.4(6) *Refund of sales, service and use taxes paid to contractors or subcontractors.***

*a.* An eligible business or supporting business may apply for a refund of the sales and use taxes paid under Iowa Code chapters 422 and 423 for gas, electricity, water or sewer utility services, goods, wares, or merchandise, or on services rendered, furnished or performed to or for a contractor or subcontractor and used in the fulfillment of a written contract relating to the construction or equipping of a facility within the economic development area.

*b.* Taxes attributable to intangible property and furniture and furnishings shall not be refunded. To receive a refund of the sales, service and use taxes paid to contractors or subcontractors, the eligible business or supporting business must, within one year after project completion, make an application to the Iowa department of revenue.

**58.4(7) *Sales and use tax exemption.*** An eligible business may claim an exemption from sales and use taxation property as defined under Iowa Code section 422.45, subsection 27, and also as defined under Iowa Code section 15.334. This effectively eliminates the sales and use taxes on industrial machinery, equipment and computers, including replacement parts which are depreciable for state and federal income tax purposes.

**58.4(8) *Exemption from land ownership restrictions for nonresident aliens.***

*a.* An eligible business, if owned by nonresident aliens, may acquire and own up to 1,000 acres of land in the economic development area provided the eligible business is not actively engaged in farming within the economic development area. An eligible, nonresident alien-owned business may also lease up to an additional 280 acres of land in the economic development area. An eligible business owned by nonresident aliens may be allowed, before an application is submitted, to take out a purchase option on up to 1,000 acres the business intends to acquire and may be allowed to take out a lease option on up to an additional 280 acres. The purchase and lease options may be no longer than six months in duration, and the option acquired shall be contingent upon department approval of the business’s NJIP application. The eligible business may receive one or more extensions of the five-year time limit for complying with requirements for the development of agricultural land as stated in Iowa Code section 567.4. Requests for an extension must be made in writing and received by the community and the department 90 days prior to the expiration of the current time limit. Each extension must be approved by the community prior to approval by the department. An eligible business may receive one five-year extension and one or more one-year extensions. The community, in consultation with the department, will determine whether a five-year or one-year extension is granted. The eligible business, if owned by nonresident aliens, must comply with all other provisions of Iowa Code chapter 567 which govern land ownership by nonresident aliens, provided they do not conflict with Iowa Code section 15.331B.

*b.* “Actively engaged in farming” means any of the following:

(1) Inspecting agricultural production activities within the economic development area periodically and furnishing at least half value of the tools and paying at least half the direct cost of production.

(2) Regularly and frequently making or taking an important part in management decisions substantially contributing to or affecting the success of the farm operations within the economic development area.

- (3) Performing physical work which significantly contributes to crop or livestock production.
- c.* The nonresident alien owner is not considered to be actively engaged in farming if the nonresident alien owner cash rents the land to others for farming purposes.
  - d.* An eligible business, if owned by nonresident aliens, may only receive the land ownership exemptions under this subrule provided the business has received final approval of a New Jobs and Income Program application before July 1, 2002.
  - e.* The department will monitor the activities of eligible businesses owned by nonresident aliens that receive this exemption from land ownership restrictions. The department will submit a report to the general assembly by December 15 of each year.
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