



# Iowa General Assembly

## 2013 Committee Briefings

Legislative Services Agency – Legal Services Division

<https://www.legis.iowa.gov/committees/committee?ga=85&groupID=594>

### LEGISLATIVE TAX EXPENDITURE COMMITTEE

**Meeting Dates:** [December 4, 2013](#)

**Purpose.** *This compilation of briefings on legislative interim committee meetings and other meetings and topics of interest to the Iowa General Assembly, written by the Legal Services Division staff of the nonpartisan Legislative Services Agency, describes committee activities or topics. The briefings were originally distributed in the Iowa Legislative Interim Calendar and Briefing. Official minutes, reports, and other detailed information concerning the committee or topic addressed by a briefing can be obtained from the committee's Internet page listed above, from the Iowa General Assembly's Internet page at <https://www.legis.iowa.gov/>, or from the agency connected with the meeting or topic described.*

### LEGISLATIVE TAX EXPENDITURE COMMITTEE

December 4, 2013

**Co-chairperson:** Senator Joe Bolkcom

**Co-chairperson:** Representative Tom Sands

**Overview.** In 2010, Iowa Acts, ch. 1138 (SF 2380), established the Legislative Tax Expenditure Committee under Iowa Code §§2.45(5) and 2.48. The committee is required to conduct regular reviews of all tax credit, withholding credit, and revenue division programs. The committee may review any tax expenditure at any time but is required to review specific tax expenditures during specified years. In 2013, the committee is required to review the child and dependent care and early childhood development tax credits, the endow Iowa tax credits, the redevelopment tax credits available under Iowa Code §15.293A, the disaster recovery housing tax credits, and property tax revenue divisions for urban renewal areas.

**Endow Iowa Tax Credits.** Ms. Peggy Russell, Iowa Economic Development Authority (IEDA), presented a report to the committee detailing the Endow Iowa Tax Credit Program, a charitable giving incentive program administered by IEDA. The Endow Iowa Tax Credit Program was established in 2003 to encourage individuals, businesses, and organizations to make lasting investments in their communities when they establish permanent, endowed funds at an Iowa community foundation. The Endow Iowa Tax Credit is a 25 percent tax credit available to all Iowa taxpayers who make a qualifying charitable contribution. To qualify, gifts must be made to a permanent endowment fund, established for the benefit of an Iowa charitable cause, at a qualified community foundation. Gifts can be of any size. Credits are awarded by the IEDA on a first-come, first-served basis. They are nonrefundable but can be carried forward for up to five years. As of June 2013, \$6 million in Endow Iowa Tax Credits are available each year overall; the maximum number of credits available per taxpayer each year is \$300,000. Ms. Russell also provided examples of permanent foundations around the state that have received donations from recipients of the Endow Iowa Tax Credit.

Ms. Angela Gullickson, Iowa Department of Revenue (IDR), provided background information and statistical analysis of the Endow Iowa Tax Credit Program. Ms. Gullickson also provided information on similar programs in other states. The data provided by Ms. Gullickson included for each year of the program the total amount and number of credits awarded, the range of credit amounts awarded, and the average credit amount. Ms. Gullickson also provided annual foundation donation data, donor demographic information, and an analysis of the after-tax cost of donations based on household adjusted gross income.

**Redevelopment Tax Credits.** Mr. Matt Rassmussen, IEDA, presented a report to the committee detailing the Brownfield and Grayfield Redevelopment Tax Credit Program which provides an investment tax credit for redevelopment projects in Iowa that meet the definition of either a brownfield or grayfield. Under the program, an owner's equity investment in a grayfield project can receive up to a 12 percent tax credit of a qualifying investment or up to 15 percent if the project meets the requirements of a green development. A brownfield can receive up to a 24 percent tax credit of a qualifying investment or up to 30 percent if the project meets the requirements of a green development. "Qualifying investment" means costs that are directly related to a qualifying redevelopment project and are incurred after the project has been registered and approved by the IEDA Board and only includes the purchase price, the cleanup cost, and the redevelopment costs. Applications for the credits are accepted throughout the year and considered on a first-come, first-

served basis. Mr. Rasmussen detailed the application and review process and provided examples of how the program is being used throughout the state.

Mr. Zhong Jin, IDR, provided background information and statistical analysis of the Brownfield and Grayfield Redevelopment Tax Credit Program and discussed other states' brownfield tax credit programs. Mr. Jin detailed the amount of credit transfers administered by IDR and the number and amount of credit claims under the program. He also analyzed impacts of the projects undertaken using the credits in terms of assessed valuation increases and job growth.

**Child and Dependent Care and Early Childhood Development Tax Credits.** Ms. Mandy Jia, IDR, provided background information and statistical analysis of the Iowa Child and Dependent Care (CDC) Tax Credit and the Iowa Early Childhood Development (ECD) Tax Credit. The CDC Tax Credit is 30 percent to 75 percent of the federal CDC Tax Credit for those whose net Iowa income is less than \$45,000. The federal CDC Tax Credit is 20 percent to 35 percent of the eligible child care expenses for qualifying children under age 13 or disabled dependents. The ECD Tax Credit is 25 percent of the first \$1,000 of eligible early childhood development expenses per child between ages 3 and 5 from families with net Iowa income less than \$45,000. Taxpayers can claim only one of the two Iowa credits in one tax year. Ms. Jia explained a 2012 administrative rule change to the Iowa CDC Tax Credit that has resulted in taxpayers with no federal tax liability being ineligible for Iowa's CDC credit. In addition to data and analysis regarding Iowa's credits, Ms. Jia also provided information on similar tax benefit programs in other states.

**Disaster Recovery Housing Tax Credits.** Mr. Wes Peterson, Iowa Finance Authority (IFA), addressed the current status of the Disaster Recovery Housing Project Tax Credit Program. The program was established in 2009 to provide tax credits for qualifying investment in disaster recovery housing projects in an area declared to be a disaster area by the Governor or President of the United States during the period of time from May 1, 2008, to August 31, 2008. The amount of the credit is equal to 75 percent of the taxpayer's qualifying investment incurred on or after May 12, 2009, and prior to July 2, 2010. The tax credits are not refundable or transferable. During the administrative rulemaking process, IFA received requests for substantive changes to the legislation. Final rules for the program were never adopted and no applications for the credits have been received by IFA. Mr. Peterson opined that the program's lack of use was due to other funding sources for such programs. IFA recommends the repeal of the program due to its lack of use.

**Property Tax Revenue Divisions for Urban Renewal Areas.** Mr. Jeff Robinson, Legislative Services Agency; Ms. Carrie Johnson, Iowa Department of Management (DOM); and Mr. Ted Nellesen, DOM, provided an update and compliance report to the committee on the urban renewal reporting requirements enacted in 2012. Mr. Robinson provided aggregate data on the reporting status of the local governments, information on the number of taxing districts by purpose designation, data on the financial status of urban renewal tax revenue, and data on the amount and type of debt reported by local governments. Mr. Robinson noted that the data presented to the committee is preliminary and that final numbers would be presented in the Legislative Service Agency's annual report in February 2014.

Mr. Tony Girardi, IDR, provided background information on Iowa's urban renewal law and a description of his ongoing research into the efficacy of tax increment financing. Mr. Girardi described the use of tax increment financing in other states and noted differences in Iowa's urban renewal law. While noting the limited research on tax increment financing, Mr. Girardi identified some of the questions his research hopes to address. Mr. Girardi provided statewide historical property assessment data and tax increment financing property tax revenue data, discussed tax increment financing's impact on the school aid formula, and examined the growth in the amount of assessed valuation that is in tax increment financing districts during the past decade. Mr. Girardi provided a description of economic measures he is seeking to analyze, but he also acknowledged the limitations of tax increment financing research in drawing conclusions about the efficacy of tax increment financing.

**Public Comment and Committee Discussion.** During the public comment period of the meeting, several members of the public addressed the committee on a variety of tax issues. The committee briefly discussed the presentations made during the meeting and discussed the tax expenditures that are scheduled for review in 2014.

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