



Iowa General Assembly

2015 Committee Briefings

Legislative Services Agency

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LEGISLATIVE TAX EXPENDITURE COMMITTEE

Meeting Dates: [December 9, 2015](#)

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 9, 2015

Co-chairperson: Senator Joe Bolkcom

Co-chairperson: Representative Tom Sands

Overview. In 2010, Iowa Acts chapter 1138 (SF 2380) established the Legislative Tax Expenditure Committee under Iowa Code sections 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 2015, the committee is required to review the agricultural assets transfer tax credit, the custom farming contract tax credit, the claim of right tax credit, the S corporation apportionment tax credit, the Iowa alternative minimum tax credit, the assistive device corporate tax credit, the charitable conservation contribution tax credit, the fuel tax credit, and the new jobs tax credit. These and other topics were reviewed at the committee's first 2015 meeting, held on November 18, 2015.

Update on Reporting for Tax Increment Financing. Mr. Jeff Robinson, Senior Fiscal Analyst, Fiscal Services Division, Legislative Services Agency (LSA), presented a preliminary report on tax increment financing (TIF) reporting data for FY 2015. Mr. Robinson provided a brief history of the TIF reporting requirements and the reports released to date. TIF reporting requirements were enacted in 2012 and require local governments with existing urban renewal areas to annually report a variety of data to the Department of Management through a state Internet site to be incorporated into a report to be submitted to the General Assembly and the Governor. He noted that as of December 6, 2015, a total of 412 of an expected 475 reports (86.7 percent) have been filed by local governments for FY 2015. Mr. Robinson provided aggregate data on the financial status of TIF revenue and data on the amount and type of debt reported by local governments, including data on the 10 local governments with the highest reported TIF debt. He noted that the data presented to the committee is preliminary and that final numbers would be presented in the LSA's annual report released in early 2016.

School Tuition Organization Tax Credit. Dr. Amy Rehder Harris, Administrator and Chief Economist, Tax Research and Program Analysis Section, Iowa Department of Revenue (IDR), provided background information and statistical analysis on the school tuition organization (STO) tax credit, which was first reviewed by the committee in 2012. The STO tax credit is a nonrefundable tax credit equal to 65 percent of the amount of voluntary cash contributions made to qualifying STOs that provide tuition grants to eligible students. Donors are prohibited from directing contributions to a specific student or school, but can choose a specific STO. In order to be eligible to receive a tuition grant from an STO, a student must live in an Iowa household whose total income does not exceed three times the federal poverty level. Tuition grants cover all or part of the tuition at an accredited nonpublic elementary or secondary school. Dr. Harris provided historical data on STO tax credit aggregate award caps since its inception (currently \$12 million per year), described the administrative process by which IDR annually allocates this aggregate cap among the STOs, and provided data on how the tax credit cap will be allocated among the existing STOs in 2016. Dr. Harris also described

the STO annual reporting requirements and IDR's monitoring requirements. She provided data on STO tuition grants; STO tax credit awards and claims by taxpayer type, number, and amount; and the timing of STO tax credit claims per available tax year.

Volunteer Fire Fighter, Emergency Medical Services Personnel, and Reserve Peace Officer Tax Credit. Dr. Harris provided background information and statistical analysis on the tax credit available to volunteer fire fighters, emergency medical services (EMS) personnel, and reserve peace officers for voluntary services performed in Iowa. This nonrefundable tax credit equals \$100 per volunteer per year and is prorated for those who serve for less than an entire year. Taxpayers may only claim the credit for one type of service. She described eligibility requirements under the credit for volunteer fire fighters, volunteer EMS personnel, and reserve peace officers. She also provided data on tax credit claims for both 2013 and 2014 by filing status, adjusted gross income, and county.

Solar Energy Tax Credits. Dr. Harris provided background information and statistical analysis on the solar energy tax credit, a nonrefundable tax credit available for solar systems installed at a residence or business in Iowa. The credit is equal to 60 percent of the related federal credits for installations occurring in 2015, reduced to 50 percent for installations occurring on or after January 1, 2016. The federal credits are scheduled to expire at the end of 2016, which would also end the availability of the state credits. The credit is limited to \$5,000 for each separate residential installation and \$20,000 for each separate business installation. The credit also has an aggregate cap of \$5 million per year. Dr. Harris explained the solar application requirements and provided data on tax credit awards by installation type, number of awards, average award, installation year, and location of installation. She also analyzed tax credit claims by tax type and amount carried forward. Additionally, she noted that the solar tax credit application process has been moved entirely online into IDR's tax credit award claim and transfer system (CACTAS), the online system supporting the tax credit administration responsibilities of IDR and other state agencies that facilitate tax credit award programs. She stated that CACTAS eliminates time-consuming data entry and makes the review process more efficient.

Machinery and Equipment Sales and Use Tax Exemptions. Dr. Harris and Ms. Victoria Daniels, Public Information Officer and Legislative Liaison, IDR, discussed the machinery and equipment sales and use tax exemptions in Iowa Code sections 423.3(47) and 423.3(48), and the recent administrative rule changes related to these exemptions proposed in ARC 2178C and ARC 2239C. Ms. Daniels provided a brief historical background on IDR's proposed administrative rule changes, previous efforts to address these issues through legislation, and the estimated fiscal impact of these rules to state tax revenues. Dr. Harris provided data and statistical analysis of the estimated impact these administrative rules may have on sales and use tax revenues transferred to local governments. The changes are expected to reduce local option sales tax (LOST) revenues and the amount of tax revenue transferred to the Secure an Advanced Vision for Education (SAVE) Fund, and have the potential to reduce the amount of funds transferred to flood mitigation projects under Iowa Code chapter 418 and to reinvestment district projects under Iowa Code chapter 15J because those programs rely on new sales tax revenues. She explained the limitations on using sales and use tax return data to estimate impacts to specific local governments, and discussed the assumptions IDR made in producing its estimates. Dr. Harris discussed the share of manufacturing in flood mitigation districts and provided data on the statewide distribution of sales and use tax liability by tax type for all permit holders and for manufacturers, the estimated retail taxable sales by business group in the flood mitigation districts, and the share of taxable retail sales remitted by manufacturers among the flood mitigation districts compared to statewide. Additionally, she provided data on the potential revenue impact to SAVE and the Property Tax Equity and Relief Fund, and translated those impacts into an estimated impact per pupil.

Committee Discussion and Public Comment. The committee discussed the presentations made during the meeting and its desired goals for future committee meetings. Members of the public were invited to speak during a public comment period, but no public comments were made.

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Agenda: To Be Announced.

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