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**HF 230** – Internships, Externships, and Apprenticeships Tax Credit (LSB2096YH)  
Analyst: Jeff Robinson (515.281.4614) [jeff.robinson@legis.iowa.gov](mailto:jeff.robinson@legis.iowa.gov)  
Fiscal Note Version – New

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**Description**

[House File 230](#) creates a new Job Training Tax Credit Program. The tax credit is available for Iowa employers that employ, for pay, qualified interns and apprentices. The terms “intern” and “apprentice” are defined. The Iowa Economic Development Authority (IEDA) is required to adopt rules establishing minimum training standards for the tax credit. The tax credit equals a maximum of \$1,000 for each qualified intern or apprentice employed for a full tax year. The tax credit is prorated if the position is filled for less than a full tax year.

The tax credit is nonrefundable, but unused credits may be carried forward by the employer for up to seven tax years. The IEDA and the Iowa Department of Revenue (IDR) are required to adopt implementation rules and to submit an annual report to the Governor and General Assembly. The new tax credit is available for tax year 2020 and for qualified positions employed on or after that date.

**Assumptions**

- The number of Iowa employment apprenticeships in 2011 was 3,229, and the number in 2017 was 9,393 (average annual growth of 16.3%). Apprenticeship numbers are assumed to continue to grow at 16.3% per year through calendar year 2025.
- The number of interns is not known but is assumed to equal the number of apprenticeships each year.
- The average apprentice position is assumed to qualify for the tax credit for 10 months, while the average intern position is assumed to qualify for six months.
- Employers will first earn tax credits for calendar year 2020 employment and will begin to file tax credit claims with their tax year 2020 returns (Spring of 2021). This time frame will first impact FY 2021 General Fund revenue. A lack of sufficient tax credit liability will spread the fiscal impact of the new tax credit over five fiscal years using the following assumed redemption pattern:
  - Year 1 = 20.0%
  - Year 2 = 50.0%
  - Year 3 = 15.0%
  - Year 4 = 10.0%
  - Year 5 = 5.0%

**Fiscal Impact**

Job Training Tax Credit Program credit redemptions by employers are projected to reduce net General Fund revenue by the following amounts:

- FY 2021 = \$3.9 million
- FY 2022 = \$13.9 million
- FY 2023 = \$19.5 million
- FY 2024 = \$23.8 million
- FY 2025 = \$28.9 million

The projected negative fiscal impact continues to increase through FY 2029, reaching \$40.0 million for that fiscal year.

The IDR had identified approximately \$100,000 in one-time computer costs associated with the creation of a new tax credit that requires tracking of eligible apprenticeship and intern training programs.

**Sources**

Iowa Department of Revenue  
U.S. Office of Apprenticeships

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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