



SF 103 – Enterprise Zone, Housing Business, Investment Tax Credit (LSB1907XS)
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Fiscal Note Version – New

Description

[Senate File 103](#) allows housing enterprise tax zone credits meeting specific criteria to be transferred to another taxpayer. The change is retroactive to May 30, 2014.

Background

Under provisions of previous law governing tax credits issued under the former Housing Enterprise Zone Program, tax credits could be transferred if specified conditions were met. One specification to allow credits to be transferred required the Iowa Economic Development Authority (IEDA) to be notified by June 30, 2014, that the housing project was located within a blighted and/or brownfield area and that the tax credits would be transferred upon project completion. These tax credits are not refundable.

The provisions of the Bill will establish conditions under which a holder of these tax credits will be allowed to transfer credits that do not meet the current transferability requirements.

Working with the IEDA, the Department of Revenue estimates that existing tax credits with a total value of \$476,000 will become transferable under the provisions of the Bill.

Assumptions

Tax credits that are not transferable or refundable have value to the current holder if the current holder has sufficient Iowa income tax liability to benefit from the credits over the course of seven tax years. It is assumed that the current holder of the tax credits does not have sufficient Iowa tax liability to utilize the credits currently held.

Transferred tax credits under the former Housing Enterprise Zone Program typically take three tax years to be fully redeemed. The average tax credit redemption pattern of transferred housing tax credits is:

- First tax year = 46.0%
- Second tax year = 46.0%
- Third tax year = 8.0%

The first redemption tax year for the tax credits in question is assumed to be tax year 2019, with the first State General Fund impact of the redemption occurring in FY 2020.

Fiscal Impact

The tax credit change contained in the Bill is projected to reduce net General Fund revenue by the following amounts:

- FY 2020 = \$219,000
- FY 2021 = \$219,000
- FY 2022 = \$38,000

Sources

Iowa Department of Revenue
Iowa Economic Development Authority

/s/ Holly M. Lyons

March 19, 2019

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.
