



[HF 2595](#) – Workforce Child Care Facility Tax Credit (LSB5591HV)
Staff Contact: Jeff Robinson (515.281.4614) jeff.robinson@legis.iowa.gov
Fiscal Note Version – New

Description

[House File 2595](#) creates a Workforce Child Care Facility Incentive Program to be administered by the Economic Development Authority (EDA). Beginning with FY 2021, the EDA is allowed to award up to \$3.0 million each fiscal year in tax incentives under the Program. Incentives include a new Workforce Child Care Facility Tax Credit and refunds of sales/use tax paid to construct or rehabilitate a qualified child care facility. The Workforce Child Care Facility Tax Credit is not refundable but is transferable, and any unused amount may be carried forward to the next tax year.

A single project is allowed a maximum tax incentive of \$200,000. The tax credit amount may be no more than 10.0% of the project cost if the project is located within a city or township located wholly within one of the 11 most populous counties in Iowa, and no more than 20.0% of the project cost if located in the other 88 counties. The actual tax credit percentage each successful project receives will depend on a project application, review, and award system established by the EDA. A local financial contribution requirement in the form of cash, cash equivalent, and/or property tax incentives for the developer is required under the Program.

Background

According to 2019 population estimates, the 11 most populous counties in Iowa are:

- Black Hawk
- Dallas
- Dubuque
- Johnson
- Linn
- Polk
- Pottawattamie
- Scott
- Story
- Warren
- Woodbury

Assumptions

- Sufficient demand for child care facility development exists to fully utilize the annual \$3.0 million maximum award amount available.
- Seventy-five percent of tax incentives awarded under the Program each year will be income tax credits, and 25.0% will be sales/use tax refunds.
- One year's worth of awards will be completed 25.0% in the fiscal year of award, 65.0% in the second fiscal year, and 10.0% in the third fiscal year.
- Awarded income tax credits must first be earned through completion of the approved project. The income tax credits are not refundable but are transferable, and unused credits

may be carried forward to the next tax year. Once earned, income tax credits are assumed to be redeemed according to the following schedule:

- Fiscal year earned = 15.0%
- Second and third fiscal year = 35.0% each year
- Fourth fiscal year = 10.0%
- Fifth fiscal year = 2.0%
- Never earned or never redeemed = 3.0%
- Awarded sales/use tax refunds must first be earned through completion of the approved project. Once earned, sales/use tax refunds are assumed to be paid by the State according to the following schedule:
 - Fiscal year earned = 15.0%
 - Second and third fiscal year = 35.0% each year
 - Never earned or never redeemed = 15.0%

Fiscal Impact

The new tax incentive program for child care facility development is projected to reduce net General Fund revenue by the amounts in the following table.

Projected Net General Fund Revenue Change	
In Millions	
	<u>Amount</u>
FY 2021	\$ -0.1
FY 2022	-0.7
FY 2023	-1.7
FY 2024	-2.5
FY 2025	-2.8
FY 2026 and after	-2.8

The Department of Revenue estimates that the new tax credit will result in approximately \$90,000 in additional expenditures for administrative rulemaking, computer programming, and tax form updates.

Sources

Department of Revenue
 Legislative Services Agency analysis
 U.S. Census Bureau

 /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.
