



SF 606 – Enterprise Zone, Housing Business, Investment Tax Credit (LSB1907SV)
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Fiscal Note Version – Revised
Requestor: Senator Thomas Greene

Description

Senate File 606 allows additional tax credits for projects approved prior to July 1, 2015, under the former Housing Enterprise Zone (HEZ) Program to qualify as transferable tax credits. The change is retroactive to May 30, 2014. To qualify for the additional transfer criteria created in the Bill, the tax credits must have been awarded:

- Before July 1, 2015.
- For a housing development project located in a blighted area.
- For a project located in a county that has a population of less than 105,000. This requirement excludes projects in Polk, Linn, Scott, Johnson, and Black Hawk counties.
- For a project where the eligible housing business submitted a written request to transfer the credits before July 1, 2019.

Background

Under provisions of previous law governing tax credits issued under the HEZ 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 (Authority) 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.

Tax credits that are not transferable 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. If the tax credit recipient does not have sufficient Iowa income tax liability, the awarded tax credits have limited or no value to the recipient and have no tax credit redemption cost to the State General Fund.

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

Assumptions

- The Department of Revenue and the Authority report that seven projects totaling \$430,000 meet the new transfer requirements established in the Bill.
- It is assumed that completed projects will start claiming credits in FY 2021.
- Transferred tax credits under the HEZ Program typically take three years to be fully redeemed. The average tax credit redemption pattern of transferred housing tax credits is:
 - First year = 46.5%
 - Second year = 46.5%
 - Third year = 7.0%

Fiscal Impact

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

- FY 2021 = \$200,000
- FY 2022 = \$200,000
- FY 2023 = \$30,000

The tax credit change is not projected to have a fiscal impact beyond FY 2023.

Sources

Iowa Department of Revenue
Iowa Economic Development Authority

/s/ Holly M. Lyons

June 12, 2020

Doc ID 1137698

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.
