



[HF 606](#) – High Quality Jobs Program, Child Care Workers (LSB1167HZ)
Staff Contact: Eric Richardson (515.281.6767) eric.richardson@legis.iowa.gov
Fiscal Note Version – New

Description

[House File 606](#) creates a new onsite daycare facilities incentive component as part of the High Quality Jobs Program (HQJP) (Iowa Code chapter [15](#), part 13) administered by the Iowa Economic Development Authority (IEDA). The new component allows the IEDA to provide HQJP tax incentives or project completion assistance to a business for a project that involves a new or expanded onsite child care facility that offers low-cost child care for the business’s employees. The Bill creates a simple misdemeanor offense for the false report of sales or tax paid under the provisions of the Bill, which is punishable by confinement for no more than 30 days or a fine of at least \$105 but not more than \$855, or by both.

The change is effective July 1, 2021.

Background

The HQJP has a statutory cap of \$105.0 million per year to use in tax credits. In FY 2020, IEDA awarded \$26.0 million in HQJP tax credits to 24 projects. Taxes eligible to be awarded as part of the HQJP include:

- Local Property Tax Exemption — Applies to the property tax of the value added to the property.
- Sales Tax Refund — Applies to the sales and use tax.
- Corporation Tax Credit for Third Party Sales Tax for racks, including shelving, racks, and conveyor equipment — Applies to corporation income, franchise, insurance premium, and moneys and credits taxes.
- Investment Tax Credit — Applies to corporation income, individual income, franchise, insurance premium, and moneys and credits taxes.
- Supplemental Research Activities Tax Credit — Applies to corporation income and individual income taxes.

Assumptions

- Under current law, the expenses associated with a new or expanded onsite daycare facility are not qualified project costs under the HQJP.
- The average construction cost of a new or expanded onsite daycare facility is assumed to be \$600,000, and five new or expanded onsite daycare facilities are assumed to be constructed and benefit from this new incentive each fiscal year.
- The HQJP offers sales/use tax refunds and investment tax credits. The average tax benefit of the HQJP for onsite daycare facilities is assumed to be 6.0%, the Iowa state sales tax rate.
- Once earned by the business, the tax credit and sales/use tax refund redemption pattern is assumed to be:
 - First fiscal year = 10.0%
 - Second fiscal year = 35.0%
 - Third through fifth fiscal years = 6.0% per year
 - Expiring without redemption = 37.0%

Correctional Impact

The correctional impact of the Bill cannot be estimated, as the Bill creates a simple misdemeanor with no historical data. A similar crime exists under current Code [15.331A](#) and the HQJP. The current Code penalty has not been charged in either FY 2019 or FY 2020. Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Cost Estimates Used for Correctional Impact Statements](#), dated January 22, 2021, for information related to the correctional system.

Minority Impact

A minority impact cannot be estimated, as this is a new crime with no historical data. Refer to the LSA memo addressed to the General Assembly, [Minority Impact Statement](#), dated January 27, 2021, for information related to minorities in the criminal justice system.

Fiscal Impact

The new HQJP component for onsite daycare facilities established in this Bill is projected to reduce net General Fund revenue by the following amounts:

- FY 2022 = \$18,000
- FY 2023 = \$81,000
- FY 2024 = \$93,000
- FY 2025 = \$106,000
- FY 2026 and after = \$118,000

The fiscal impact due to the introduction of a criminal penalty is unknown. The average State cost per offense for a simple misdemeanor ranges from \$40 to \$350. The estimated impact to the State General Fund includes operating costs incurred by the Judicial Branch, the Indigent Defense Fund, and the Department of Corrections.

Sources

Legislative Services Agency
Iowa Department of Revenue
Iowa Economic Development Authority
Iowa Criminal and Juvenile Justice Planning Division

/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.
