# Fiscal Note

*Fiscal Services Division*

SF 2506 – Economic Development, Tax Credit Programs and Load Forecasting (LSB5472SZ)
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Fiscal Note Version – New

## Description

Senate File 2506 relates to State economic development activities. The Bill has eight divisions.

## Division I — Headquarters Expansion and Development for Growth Employment Program

### Description

Division I of the Bill establishes the Headquarters Expansion and Development for Growth and Employment (EDGE) Program under the Iowa Economic Development Authority (IEDA). The EDGE Program provides tax incentives to attract and keep corporate headquarters in Iowa. Eligible incentives include the following:

- A qualifying wage tax credit of up to 15.0% of the gross annual wages of new corporate jobs for up to three years.
- A qualifying wage tax credit of up to 1.0% of the gross annual wages of retained corporate jobs for up to three years, not to exceed $1.0 million.

Qualifying wage tax credits can be claimed against personal income tax, corporate income tax, franchise tax, and the moneys and credits tax. Any tax credit in excess of the taxpayer's liability is refundable or may be credited to the immediately succeeding tax year.

The Division allows the IEDA to establish an application fee and set requirements for the EDGE Program in administrative rules.

### Assumptions

- One new headquarters and one retained headquarters agreement will be reached every two years.
- Tax credits and agreements under the EDGE Program will last three years.
- The first agreements will be reached in FY 2027 with the first claims occurring in FY 2028.
- It is assumed that one-third of an awarded EDGE Program tax credit will be claimed each year.
- Tax credit awards for new corporate jobs will be 15.0% of the gross annual wages of the jobs.
- Tax credit awards for retained corporate jobs will be 1.0% of the gross annual wages of the jobs.
- Wages will increase by 3.0% each year.
- The average headquarters employs 255 employees and 30.0% of employees meet qualifying wage requirements.
- The average qualifying wage in FY 2026 is assumed to be $140,000.

### Fiscal Impact
Division I of the Bill is estimated to decrease revenue to the General Fund by the following amounts:
- FY 2028 = $1.8 million
- FY 2029 = $1.9 million
- FY 2030 = $3.9 million
- FY 2031 = $2.0 million
- FY 2032 = $4.1 million

## Division II — Major Economic Growth Attraction Program

### Description
Division II of the Bill extends the end date of the Major Economic Growth Attraction (MEGA) Program from January 1, 2027, to January 1, 2030. The Division also modifies the definition of "foreign adversary."

### Background
The MEGA Program provides tax incentives to attract capital investments from businesses that invest at least $1.000 billion in the State. The business must be primarily engaged in advanced manufacturing, bioscience, or research and development. Eligible incentives under the MEGA Program include the following:
- An investment tax credit of up to 5.0% of the business's qualifying investment.
- A refund of the sales and use taxes paid for gas, electricity, water, and sewer utility services; tangible personal property; or services rendered, furnished, or performed that contributed to the construction or equipping of the facility.
- A withholding tax credit of up to 3.0% of the gross wages paid to each employee in a project job that pays at least the qualifying wage threshold.

Tax incentives under the MEGA Program may not currently be awarded for more than two eligible businesses or after January 1, 2027, whichever occurs first.

Businesses associated with foreign adversaries may not participate in the MEGA Program. As of February 4, 2026, "foreign adversary" as defined in 15 C.F.R. section 7.4(a) and 15 C.F.R 791.4 includes the following:
- China
- Cuba
- Iran
- North Korea
- Russia
- Venezuelan politician Nicolás Maduro

### Assumptions
- It is assumed that extending the end of the MEGA Program from January 1, 2027, to January 1, 2030, will result in one additional award.
- The IEDA will allocate the full amount of the award in the first year of the project, but claims will not be made until three years after the award is granted, upon project completion.
- The full amount of the award will be made for each of the tax credits authorized under the MEGA Program, and all credits will be fully refunded rather than carried forward against future tax liability.

- All tax credits will be remitted in the same year they are claimed.
- A qualifying investment under the MEGA Program will be $1.000 billion.
- An amount equal to 25.0% of a project investment will be subject to sales tax and a sales tax refund.
- Secure an Advance Vision for Education (SAVE) refunds are 1.0% of taxable expenditures.
- The 50.0% requirement for jobs created to be eligible to receive a withholding tax credit will be met in the first year of the project completion.
- Wages will increase by 3.0% each year.

### Fiscal Impact
Division II of the Bill is estimated to decrease revenue to the General Fund and the SAVE Fund over the five-year life of an award by the amounts shown in **Figure 1**.

**Figure 1 — Fiscal Impact of Division II (in Millions)**

| | General Fund | SAVE |
|---|---|---|
| FY 2030 | $ -18.0 | $ -0.5 |
| FY 2031 | -18.2 | -0.5 |
| FY 2032 | -18.3 | -0.5 |
| FY 2033 | -18.5 | -0.5 |
| FY 2034 | -18.7 | -0.5 |

## Division III — Business Incentives for Growth Program Training Fund

### Description
Division III of the Bill establishes the Business Incentives for Growth (BIG) Program Training Fund (Training Fund) under the control of the IEDA. Moneys in the Training Fund are used to reimburse certain training expenses incurred by a business for a project under the BIG Program.

The Training Fund receives funding from the withholding of income tax as specified in Iowa Code section 422.16. An amount up to 1.5% of the gross wages that a business pays to employees included under a BIG Program agreement is diverted from income tax withholding and deposited into the Training Fund.

### Background
The BIG Program was created in 2025 Iowa Acts, chapter 136 (Economic Development Programs and Credits Act), as a successor to the High Quality Jobs Program. The BIG Program provides tax incentives, which are subject to award caps, and financial assistance, which is appropriated by the General Assembly.

### Assumptions
- The number of jobs created and retained under the BIG Program will be comparable to the number of jobs created and retained under the High Quality Jobs (HQJ) Program in FY 2025.
- BIG Program agreements will last for three years.
- The qualifying wage for participation in the BIG Program is the same as the qualifying wage for participation in the HQJ Program. Wages and qualifying wages are assumed to increase by 3.0% each year.
- Jobs included in a BIG Program agreement will be created at the beginning of the fiscal year following an award.

- Income tax withholding diverted to the Training Fund will begin in the fiscal year following the award.

### Fiscal Impact
Division III of the Bill is estimated to decrease revenue to the General Fund and increase revenue to the BIG Program Training Fund by the amounts shown in **Figure 2**.

**Figure 2 — Fiscal Impact of Division III (in Millions)**

| | General Fund | BIG Program Training Fund |
|---|---|---|
| FY 2027 | $ -0.8 | $ 0.8 |
| FY 2028 | -1.6 | 1.6 |
| FY 2029 | -2.5 | 2.5 |
| FY 2030 | -2.6 | 2.6 |
| FY 2031 | -2.7 | 2.7 |

## Division IV — Repeal of the New Jobs Tax Credit

### Description
Division IV of the Bill repeals the New Jobs Tax Credit against personal income tax. The Division is effective upon enactment.

### Background
The New Jobs Tax Credit allows a credit against individual and corporate income taxes of up to 6.0% of unemployment insurance taxable wages for new jobs created as a result of the Iowa New Jobs Training (260E) Program. The unemployment insurance taxable wage for calendar year (CY) 2026 is $20,400, which means the New Jobs Tax Credit could be claimed for a maximum of $1,224 for each new job created as a result of the 260E Program. The New Jobs Tax Credit can only be claimed once for each eligible new job.

### Assumptions
- Based on historical claims data, it is assumed that New Jobs Tax Credit claims are equal to 1.79% of the New Jobs Withholding Credit and the Supplemental New Jobs Credit.
- Claims against personal income tax are 93.0% of New Jobs Tax Credit claims.
- Assumptions for New Jobs Withholding Credit and the Supplemental New Jobs Credit can be found in Division VI of the Bill.

### Fiscal Impact
**Division IV** of the Bill is estimated to increase revenue to the General Fund by the following amounts:
- FY 2027 = $13,000
- FY 2028 = $66,000
- FY 2029 = $135,000
- FY 2030 = $201,000
- FY 2031 = $266,000
- FY 2032 = $339,000
- FY 2033 = $404,000
- FY 2034 = $448,000
- FY 2035 = $475,000
- FY 2036 = $488,000
- FY 2037 and beyond = $491,000

## Division V — Load Forecasting

### Description
Division V of the Bill requires the IEDA to commission Iowa State University (ISU) of Science and Technology to produce a load forecasting report on the probable future growth of the use of electricity in Iowa and the Midwest region every two years.

The Division grants the Utilities Commission the authority to compel all public utilities to share with ISU the information necessary to develop State load forecasts and State electric transmission system expansion planning analyses.

The Division creates the Electric Transmission System Expansion Plans Analysis and Load Forecasting Fund (Fund) under the control of the IEDA. All electric utilities are required to remit to the Fund an amount not to exceed 0.02% of the total gross operating revenues during the last calendar year derived from the utilities' intrastate public utility operations. The Utilities Commission is required to establish a maximum amount of remittances in aggregate and provide a schedule for remittances paid by electric utilities into the Fund in administrative rules.

The Fund is under the authority of the IEDA for the load forecasting report. The Bill exempts the Fund from reversion requirements and allows the Fund balance to carry forward to the next year. The Fund is allowed to retain any interest or earnings on the Fund balance.

### Background
According to Iowa's Electric Profile, in CY 2024, there were 182 electric utilities that provided 54.9 million megawatt hours (MWh) of electricity to 1.7 million Iowa customers.

### Assumptions
- The load forecasting report created by ISU will be substantially similar to the Indiana Electricity Projections report created by the State Utility Forecasting Group at Purdue University.
- The amount collected from electric utilities and deposited into the Fund will be less than 0.02% of the total gross operating revenues during the previous calendar year derived from the utilities' intrastate public utility operations.
- Preparation for the first biennial load forecasting report will occur between January 1, 2027, and December 31, 2028. Preparation for each biennial report thereafter will occur between January 1 and December 31 of the year of publication.
- Preparation for the load forecasting report will require the following full-time equivalent (FTE) positions:
  - 0.9 Division Director FTE position
  - 0.9 Senior Research Analyst FTE position
  - 0.9 Research Analyst 3 FTE position
  - 0.9 Research Analyst 2 FTE position
  - 0.9 Research Analyst 1 FTE position

### Fiscal Impact
Division V of the Bill is estimated to require an additional 4.5 FTE positions during the preparation of the load forecasting report and result in the following amounts being remitted by electric utilities to the Fund for the report:
- FY 2027 = $244,000
- FY 2028 = $489,000
- FY 2029 and beyond = $244,000

## Division VI — Iowa Industrial New Jobs Training Program

### Description
Division VI does the following:
- Provides that community colleges may not extend 260E agreements entered into on or before June 30, 2026.
- Provides that payments for 260E Program costs cannot be deferred for more than five years for agreements entered into on or after July 1, 2026.
- Requires 260E projects to be approved by Iowa Workforce Development (IWD).
- Prohibits 260E Program costs from including travel, conference, or legal fee reimbursements.
- Limits community college administrative expenses to 15.0% of 260E Program costs.

### Background
Under the 260E Program, a participating business partners with a community college, which sells bonds to finance the cost of newly established training. The business diverts 1.5% of gross payroll from the State withholding taxes generated by the new positions to the community college to retire the bonds. Participating businesses must remit payments to the community college before making claims to the withholding tax credit.

After the training obligation of a business under the 260E Program has been paid off, an amount equal to the withholding payments is credited to the Workforce Development Fund (WDF) Account for 10 years, up to a maximum of $7.8 million annually. Moneys in the WDF Account are appropriated to IWD under Iowa Code section 84G.3 to be used for apprenticeship training and job training.

### Assumptions
- In FY 2025, there was $29.5 million in withholding tax credits awarded under the New Jobs Withholding Tax Credit and the Supplemental New Jobs Tax Credit. It is assumed that future awards will be at FY 2025 levels.
- The initial fiscal impact for claims under the Bill will occur in FY 2027.
- Decreasing the maximum 260E Program payment deferral from 10 years to 5 years will decrease bond interest payments by 50.0%.

- Based on historical claim data, it is assumed that 100.0% of tax credits will be claimed, with the timing of claims under current law indicated below:
  - Year 0 = 2.7%
  - Year 1 = 10.7%
  - Year 2 = 14.0%
  - Year 3 = 13.5%
  - Year 4 = 13.5%
  - Year 5 = 14.6%
  - Year 6 = 13.1%
  - Year 7 = 9.2%
  - Year 8 = 5.4%
  - Year 9 = 2.6%
  - Year 10 = 0.7%
- Beginning in FY 2027, 100.0% of tax credits will be claimed, with the timing of claims indicated below:
  - Year 0 = 3.9%
  - Year 1 = 15.5%
  - Year 2 = 20.3%
  - Year 3 = 19.5%
  - Year 4 = 19.6%
  - Year 5 = 21.2%

### Fiscal Impact
Division VI of the Bill is estimated to have the following impact on the General Fund:
- FY 2027 = $-0.3 million
- FY 2028 = $-1.4 million
- FY 2029 = $-2.8 million
- FY 2030 = $-4.2 million
- FY 2031 = $-5.6 million
- FY 2032 = $-7.1 million
- FY 2033 = $-3.2 million
- FY 2034 = $-0.5 million
- FY 2035 = $1.1 million
- FY 2036 = $1.8 million
- FY 2037 and beyond = $2.0 million

## Division VII — Iowa Industrial New Jobs Training Program Interim Study Committee

### Description
Division VII requests the Legislative Council to establish an interim study committee during the 2026 Legislative Session to review and make recommendations regarding the 260E Program. The interim study committee must submit a report detailing the committee’s findings and recommendations to the General Assembly no later than December 15, 2026.

### Fiscal Impact
Division VII of the Bill is estimated to have minimal fiscal impact.

## Division VIII — Research Activities Credit

### Description
Division VIII of the Bill allows agricultural research as an eligible activity for claiming the Research Activities Tax Credit (RAC) if it is excluded as an eligible activity in the Internal Revenue Code (IRC).

### Background
2018 Iowa Acts, chapter 1161 (Income and Sales Tax Modification Act), made changes to the RAC and restricted the types of industries eligible for the credit, which were retroactively effective to tax year (TY) 2017. Iowa Code chapter 422 details the RAC, which is available to claim against the individual income tax and corporate income tax for qualified research activities in the State. 2025 Iowa Acts, chapter 136 (Tax Credits and Incentives and Economic Development Programs Act), includes agriscience research as an eligible activity for claiming the RAC and defines "agriscience research," but eliminated the RAC after TY 2025.

26 USC §41(d)(4) details research that does not qualify for the federal research credit but that may qualify for the RAC due to the Bill, which includes the following:
- Research after commercial production.
- Adaptation of existing business components.
- Duplication of existing business component.
- Surveys and studies.
- Computer software.

### Assumptions
- The Bill has no retroactivity clause; however, Iowa Code section 422.10 specifies that the RAC is available in Iowa for the tax year beginning on or after January 1, 2025, but before January 1, 2026. Due to the Bill's lack of retroactivity, it is assumed that the change in research eligible for the State credit applies only to TY 2025.
- The initial fiscal impact of the Bill would occur in FY 2027 due to amended tax returns.
- The tax credit is fully refundable for tax years beginning prior to January 1, 2023.
- For tax years beginning on or after January 1, 2023, any refundable portion of the tax credit is limited to a percentage of the excess of the tax liability as follows:
  - 90.0% for tax years beginning in 2023.
  - 80.0% for tax years beginning in 2024.
  - 70.0% for tax years beginning in 2025.
  - 60.0% for tax years beginning in 2026.
  - 50.0% for tax years beginning in 2027 or later.
- The tax credit is refundable and will have no impact on the income surtax for schools.
- According to the IDR, it is assumed that 96.5% of the tax credits will be claimed, with the timing of claims indicated below:
  - Year 0 = 0.0%
  - Year 1 = 9.9%
  - Year 2 = 46.0%
  - Year 3 = 29.5%
  - Year 4 = 3.3%
  - Year 5 = 4.1%
  - Year 6 = 3.7%

## Fiscal Impact

The fiscal impact in Division VIII of the Bill due to the proposed expansion of agriscience research that is eligible for the RAC cannot be determined due to a lack of information but may be significant.

## Fiscal Impact Summary

Senate File 2506 is estimated to increase and decrease the amount of funds available for various funds and programs as shown in **Figures 3** and **4**.

**Figure 3 — General Fund Fiscal Impact of Senate File 2506 (in Millions)**

| | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|
| **Division I** | $ -1.8 | $ -1.9 | $ -3.9 | $ -2.0 | $ -4.1 |
| **Division II** | 0.0 | 0.0 | 0.0 | -18.0 | -18.2 |
| **Division III** | -0.8 | -1.6 | -2.5 | -2.6 | -2.7 |
| **Division IV** | 0.0 | 0.1 | 0.1 | 0.2 | 0.3 |
| **Division VI** | -0.3 | -1.4 | -2.8 | -4.2 | -5.6 |
| **Division VIII** | Unknown | Unknown | Unknown | Unknown | Unknown |
| **Total** | $ -2.9 | $ -4.8 | $ -9.1 | $ -26.6 | $ -30.3 |

**Figure 4 — Other Funds Fiscal Impact of Senate File 2506 (in Millions)**

| | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|
| **Division II - SAVE** | $ 0.0 | $ 0.0 | $ 0.0 | $ -0.5 | $ -0.5 |
| **Division III - BIG Program Training Fund** | 0.8 | 1.6 | 2.5 | 2.6 | 2.7 |
| **Division V - Load Forecasting Fund** | 0.2 | 0.5 | 0.2 | 0.2 | 0.2 |

## Sources

Iowa Department of Revenue
Iowa Economic Development Authority
Iowa Economic Development Authority financial assistance reports
Purdue University State Utility Forecasting Group
Iowa Utilities Commission reports
Harvard Business School
State Accounting System
Legislative Services Agency calculations

/s/ Jennifer Acton

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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.