



Fiscal Note

Fiscal Services Division



[HF 2799](#) – Economic Development, Tax Credit Programs and Load Forecasting (LSB5472HV.1)
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Fiscal Note Version – Final Action

Description

[House File 2799](#) relates to State economic development activities. The Bill has six divisions.

Division I — Headquarters Expansion and Development for Growth and 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.

The Program may provide the following incentives:

- 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 agreement 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 cannot currently be awarded for more than two eligible businesses or after January 1, 2027.

Businesses associated with foreign adversaries cannot participate in the MEGA Program. As of February 4, 2026, “foreign adversary” as defined in [15 C.F.R. §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.
- A total of 25.0% of the 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 requirement for 50.0% of 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. The Training Fund is required to be 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 (HQP) 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 HQJ Program in FY 2025.
- Business Incentives for Growth 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 and corporate income taxes. 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.
- Assumptions for New Jobs Withholding Credit and the Supplemental New Jobs Credit are outlined in Division VI of the **Fiscal Note**.

Fiscal Impact

Division IV of the Bill is estimated to increase revenue to the General Fund by the following amounts:

- FY 2027 = \$14,000
- FY 2028 = \$71,000
- FY 2029 = \$145,000
- FY 2030 = \$216,000
- FY 2031 = \$287,000
- FY 2032 = \$365,000
- FY 2033 = \$434,000
- FY 2034 = \$482,000
- FY 2035 = \$511,000
- FY 2036 = \$525,000
- FY 2037 and beyond = \$528,000

Division V — Load Forecasting

Description

Division V of the Bill requires the IEDA to commission the Iowa State University of Science and Technology (ISU) 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 up to 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 under ISU 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 of the Bill does the following:

- Provides that community colleges cannot extend 260E agreements entered into on or before June 30, 2026.
- Provides that payments for 260E Program costs cannot be deferred for more than seven years for agreements entered into on or after July 1, 2026.
- Prohibits a bond issued by a community college for a project from exceeding 70.0% of total program costs related to training expenses.
- Prohibits 260E Program costs from including travel, conference, or legal fee reimbursements.
- Limits community college administrative expenses to 15.0% of 260E Program costs.
- 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 hold its first meeting on or before August 1, 2026, and must submit a report detailing the committee's findings and recommendations to the General Assembly no later than December 15, 2026.

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 Iowa Workforce Development (IWD) under Iowa Code section [84G.3](#) to be used for apprenticeship training and job training.

Assumptions

- In FY 2025, \$29.5 million in withholding tax credits was awarded under the New Jobs Withholding Tax Credit and the Supplemental New Jobs Tax Credit. It is assumed that future awards under current law would be at FY 2025 levels.
- The initial fiscal impact for claims under the Bill will occur in FY 2027.
- The cost of employee training and the number of employees trained under the 260E Program will remain at FY 2025 levels.
- Bonds issued to community colleges will be for 70.0% of total program costs. The remaining 30.0% of program costs will be provided by participating businesses.
- Limiting bond issuances to 70.0% of program costs will decrease 260E Program withholding payments from businesses to community colleges by 30.0% and decrease tax credit claims on those payments by 30.0%.
- Total program costs include bond interest payments.
- Tax credits under the 260E Program are based on the gross wages of employees receiving training. The gross wages of employees receiving training are not impacted by the Bill.

- Tax credits under the 260E Program cease when all bond principal and interest have been paid.
- Current community college administrative expenses are 19.5% of bond par values.
- Direct bond issuance fees do not include legal fees.
- 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%

Fiscal Impact

Division VI of the Bill is estimated to increase revenue to the General Fund by the following amounts:

- FY 2027 = \$15,000
- FY 2028 = \$75,000
- FY 2029 = \$154,000
- FY 2030 = \$230,000
- FY 2031 = \$306,000
- FY 2032 = \$388,000
- FY 2033 = \$4.0 million
- FY 2034 = \$6.7 million
- FY 2035 = \$8.3 million
- FY 2036 = \$9.0 million
- FY 2037 and beyond = \$9.2 million

Fiscal Impact Summary

House File 2799 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 House File 2799 (in Millions)

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Division I	\$ 0.0	\$ -1.8	\$ -1.9	\$ -3.9	\$ -2.0
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	0.0	0.1	0.2	0.2	0.3
Total	\$ -0.8	\$ -3.3	\$ -4.1	\$ -24.0	\$ -22.2

Figure 4 — Other Funds Fiscal Impact of House File 2799 (in Millions)

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Division II - SAVE Fund	\$ 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

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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.
