Fiscal Note

Fiscal Services Division

HF 2801 – MEGA Program, Project Eligibility and Tax Credits (LSB6980HV.1)
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Fiscal Note Version – Final Action

Description

House File 2801 modifies the Major Economic Growth Attraction (MEGA) Program. Under current law, the Iowa Economic Development Authority (IEDA) may offer two MEGA Program Investment Tax Credit awards for up to 5.0% of an eligible business's qualifying investment that is remitted equally over five tax years. The Bill specifies that in lieu of two awards for up to 5.0% of a business's qualifying investment, the IEDA may instead authorize one MEGA Program Investment Tax Credit award to an eligible business located in a rural county for up to 10.0% of the business's qualifying investment that is remitted equally over 10 tax years. The Bill defines "rural county" to include those with a population of 50,000 or less according to the most recent decennial census. An Investment Tax Credit issued to a business in a rural county is refundable and transferable to another person or entity. Any credit in excess of a present year tax liability may be credited to the future tax liability of the business or transferee for up to 10 years. An Investment Tax Credit issued for a project in a rural county is transferable for agreements entered into on or before December 31, 2027.

The Bill allows a business's proposed project in a rural county to be eligible for the MEGA Program if the business documents to the IEDA that the business has completed a site evaluation commensurate with a certified site.

Under current law, an Investment Tax Credit is not issued until an eligible business's project has been placed in service and at least 50.0% of project jobs have been filled. The Bill allows an Investment Tax Credit to be issued to an eligible business once a designated portion of the project has been placed in service and at least 50.0% of project jobs for the designated portion have been filled. The Bill allows the Investment Tax Credit to be claimed against the insurance premiums tax in Iowa Code chapter 432. The Bill specifies that an eligible business that receives an award may be liable for repayment of incentives if an affiliate of the eligible business fails to comply with any Program or agreement requirements and that the IEDA may revoke an Investment Tax Credit award and require repayment if project requirements are not met or if a tax credit is obtained by way of a prohibited activity.

Under current law, agricultural land purchased by a foreign business for participation in the MEGA Program must be a MEGA site or be included in a MEGA site to be authorized by the IEDA Board. The Bill allows the IEDA Board to authorize the purchase of agricultural land by a foreign business if the IEDA determines that the business has completed a site evaluation commensurate with a certified site.

The Bill takes effect upon enactment.

Background

The MEGA Program provides tax incentives to attract capital investment 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. The following incentives are provided through the MEGA Program:

- An Investment Tax Credit of up to 5.0% of a business's qualifying investment. The credit is refundable and may be carried forward for up to five consecutive tax years.
- A refund of the sales and use taxes paid for gas, electricity, water, and sewer utilities 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. The credit may be carried forward for up to five consecutive tax years.

A local government may award a property tax exemption for a portion of the actual value added by improvements to real property directly related to created jobs.

Tax incentives under the MEGA Program cannot be awarded to more than two eligible businesses and are unavailable after January 1, 2030. As of October 1, 2026, no MEGA Program tax incentives have been awarded.

Assumptions

For the purpose of determining a fiscal impact, the following assumptions were used:

- According to a press release from the Office of the Governor, the changes to the MEGA Program in the Bill are for the purpose of allowing a MEGA Program award for a Mesabi Metallics steel manufacturing facility project. This ***Fiscal Note*** assumes that the Mesabi Metallics project would be eligible to receive a MEGA Program award under current law and would receive a MEGA Program award under the Bill.
- Under current law, it is assumed that the Mesabi Metallics project would be the only project that receives a 5.0% MEGA Program Investment Tax Credit award from the IEDA Board. The project must be placed in service before receiving the credit.
- Due to changes in the Bill, it is assumed that one award receiving a 10.0% Investment Tax Credit will be made by the IEDA Board for a project in a rural county and no awards receiving a 5.0% Investment Tax Credit will be made.
- The project receiving an award will have a total investment of $15.000 billion. Of this amount, $11.500 billion will be a qualifying investment.
- An Investment Tax Credit will be issued as portions of the project become operational. Issued Investment Tax Credits will be claimed equally over 10 years, and all issued credits will be claimed by either the business or transferee. The project will be operating at 8.7% capacity in FY 2029, 33.9% capacity in FY 2030, 81.7% capacity in FY 2031, and 100.0% capacity in FY 2032.
- Investment Tax 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.
- The project will receive an Investment Tax Credit of 10.0% of the project's qualifying investment.
- Sales and use tax refunds and Withholding Tax Credits eligible under the MEGA Program are not changed in the Bill. Tax incentives claimed by the project under the MEGA Program for sales and use tax refunds and Withholding Tax Credits are estimated to be the following:
  - FY 2027 = $0
  - FY 2028 = $13.7 million
  - FY 2029 = $39.7 million
  - FY 2030 = $75.9 million
  - FY 2031 = $31.5 million
  - FY 2032 = $4.7 million

- FY 2033 = $4.9 million
- FY 2034 = $5.0 million
- FY 2035 = $5.2 million
- FY 2036 = $5.3 million
- FY 2037 = $5.5 million
- FY 2038 = $5.6 million
- FY 2039 = $5.8 million
- FY 2040 = $6.0 million
- FY 2041 = $6.2 million

Fiscal Impact

House File 2801 is estimated to decrease revenue to the General Fund. **Figure 1** displays the net impact of changes to the Investment Tax Credit made by the Bill compared to current law over the course of the project.

Figure 1 — Investment Tax Credit General Fund Revenue Impact

(in Millions)

	Current Law One $15.000 Billion Investment	HF 2801 One $15.000 Billion Investment	Estimated General Fund Revenue Impact
FY 2027	$ 0.0	$ 0.0	$ 0.0
FY 2028	0.0	0.0	0.0
FY 2029	0.0	-10.0	-10.0
FY 2030	0.0	-39.0	-39.0
FY 2031	0.0	-94.0	-94.0
FY 2032	-115.0	-115.0	0.0
FY 2033	-115.0	-115.0	0.0
FY 2034	-115.0	-115.0	0.0
FY 2035	-115.0	-115.0	0.0
FY 2036	-115.0	-115.0	0.0
FY 2037	0.0	-115.0	-115.0
FY 2038	0.0	-115.0	-115.0
FY 2039	0.0	-105.0	-105.0
FY 2040	0.0	-76.0	-76.0
FY 2041	0.0	-21.0	-21.0

Sources

Iowa Department of Revenue
LSA calculations and analysis

/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.