Fiscal Services Division
Legislative Services Agency
Fiscal Note

SF 2290 - NJIP and NCIP (LSB 6928 XS)
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Fiscal Note Version - As Passed by the Senate

Description

Senate File 2290, as passed by the Senate, amends sections of the Code of Iowa relating to the New Jobs and Income Program, the New Capital Investment Program, and the Enterprise Zone Program. The Bill allows lease payments paid to a third-party developer to be considered as an investment when determining eligibility for the New Jobs and Income Program (NJIP) and the New Capital Investment Program (NCIP). The qualified business would also be eligible for a 10.0% income tax credit for the value of the lease payments for ten years. The business would be required to lease the building for at least five years.

The Bill also allows a NJIP and NCIP qualified business to receive a refundable corporate tax credit equal to the value of sales and use taxes paid in construction of the building in an instance where a third-party developer actually paid the sales and use tax. The credit includes the tax paid on racks, shelving, and related equipment installed in a warehouse or distribution center.

Assumptions

1. Beginning calendar year 2004, $91.0 million per year in third-party construction will occur in Iowa where the lessee of the building qualifies for NJIP or NCIP.
2. An average of 70.0% of the construction costs will be eligible for the corporate tax credit created in this Bill, and the State tax rate including local option taxes will average 6.0%. The cost of racks and shelving is included in the 70.0% assumption.
3. Of the $91.0 million per year, 75.0% represents traditional NJIP recipients who choose to lease rather than rent due to changes in business patterns, and 25.0% represents companies who have always rented their facilities. Under this assumption, only 25.0% of the assumed $91.0 million represents a new cost to the State, while 75.0% represents NJIP incentive costs that have been assumed by the State in the past.
4. Of the construction in calendar year 2004, 25.0% of the lease tax credit and 100.0% of the corporate sales tax credit will occur in fiscal year 2005, while the remainder will occur in FY 2006.

Fiscal Impact

The tax credits in Senate File 2290, as passed by the Senate, will reduce General Fund revenues by the following amounts:

- FY 2005 -- $1.0 million
- FY 2006 – $1.4 million
- FY 2007 – $1.4 million
- FY 2008 – $1.6 million
- FY 2009 -- $1.8 million

The tax credit value will continue to increase until a maximum of $2.6 million is reached in FY 2014.

Sources

Department of Economic Development
Department of Revenue

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