

**Fiscal Services Division**  
**Legislative Services Agency**  
**Fiscal Note**

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HF 670 - Housing Development Tax Credit Act (LSB 1871 HV.1)

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Fiscal Note Version - Revised

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**Description**

House File 670 allows for the transfer of up to \$3.0 million in housing business investment tax credits per year for projects started on or after July 1, 2005, in blighted or brownfield areas within an enterprise zone.

**Background**

1. Under current law, eligible housing business projects in an enterprise zone are eligible to receive tax credits and rebates under the Enterprise Zone Program. A provision in House File 670 allows the tax credits to be saleable for projects in a blighted or brownfield area within the enterprise zone. This provision will directly result in projects that otherwise would not have occurred. Up to \$3.0 million in investment tax credits involving these projects may be transferred or sold in one fiscal year.
2. In FY 2004, the Department of Economic Development approved 883 housing units generating an estimated \$7.3 million in tax credits and \$2.2 million in State sales and use tax rebates.
3. Each project that is eligible may receive a 10.0% investment tax credit per unit. The maximum credit per unit is 10.0% of an investment of up to \$140,000 per unit, or \$14,000 per unit.
4. Tax credits cannot be utilized until a unit or units are completed and receive a certificate of occupancy.

**Assumptions**

1. Under the proposed legislation, the Department is aware of one project that will result in 725 - 750 new housing units over a five-year period (145 - 150 units per year). In addition to this project, the Department estimates 50 additional units will result each year.
2. No other projects the size of the project mentioned above will occur as a result of the proposed legislation.
3. Like the project the Department is aware will occur, most of the projects that will occur as a result of HF 670 will be market-rate projects with unit costs equal to or greater than \$140,000 per unit.
4. The known project involving 725 - 750 new housing units will result in \$2.0 - \$2.1 million in tax credits per year (145 - 150 units per year x \$14,000). Investment tax credits of \$700,000 will be awarded for the additional 50 units the Department estimates it will see each year. Investment tax credits resulting from the proposed legislation will total \$2.7 - \$2.8 million per year.
5. Based on the FY 2004 data mentioned above, sales and use tax rebates are approximately 30.0% of the total investment tax credits awarded. The total sales and use tax rebate for the known project will be approximately \$600,000 - \$630,000 per year. The sales and use tax rebate for the additional 50 units will be approximately \$210,000 per year. The total sales and use tax rebate resulting from the proposed legislation will be approximately \$810,000 - \$840,000 per year.
6. Projects resulting from HF 670 will begin on or after July 1, 2005. The project involving the 725 - 750 new housing units will be done in five equal phases. Phase one will not be done

until on or after July 1, 2006. The other 50 units that may result would not be done until that time either.

7. The sales and use tax rebate will be utilized a year prior to the investment tax credits. Each investment tax credit award will have a 100.0% utilization rate and will be fully utilized in one fiscal year.

### **Fiscal Impact**

House File 670 will reduce State General Fund revenues by approximately \$810,000 to \$840,000 in FY 2006. State General Fund revenues will be reduced by \$3.5 to \$3.6 million annually from FY 2007 – FY 2010. In FY 2011, State General Fund revenues will be reduced by an estimated \$2.9 to \$3.0 million and by \$900,000 annually beginning in FY 2012 due to the completion of the project involving 725 - 750 new housing units.

### **Sources**

Department of Economic Development  
Legislative Services Agency

/s/ Holly M. Lyons

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March 30, 2005

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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