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## FISCAL TOPICS

Fiscal Services Division

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## Tax Credit: Workforce Housing Tax Incentive Program

The Workforce Housing Tax Incentive Program provides tax benefits to developers to provide housing in Iowa communities, focusing especially on those projects using abandoned, empty, or dilapidated properties. The annual allocation is split between two components including regular communities in the 11 most populated counties and a small city set-aside for projects within communities in the 88 least-populated counties. The projects must meet one of the following four criteria:

- Housing development located on a grayfield or brownfield site.
- Repair or rehabilitation of dilapidated housing stock.
- Upper story housing development.
- New construction in a greenfield in communities with demonstrated workforce housing needs or a project qualifying under the small cities set-aside.

Project requirements include the following:

- The developer must build or rehabilitate a minimum of four single-family homes (small cities may include two units, one multi-family building containing at least three units, or two upper story units).
- The total project cost may not exceed \$200,000 per unit for new construction, or \$215,000 per unit if the project falls under the small cities set-aside, or \$250,000 per unit for historic rehabilitation projects.
- The project must be completed within three years of the award.
- Projects must include a minimum local match of \$1,000 per unit in the project. The match can be cash or in the form of a property tax exemption, rebate, refund, or reimbursement.

The tax benefits to the developer include a State income tax credit up to 20.0% for small city projects or 10.0% for regular community projects of the first \$150,000 per unit cost, capped at a maximum award of \$1.0 million per project and a refund of sales and use taxes for construction materials directly related to the project.

### Tax Credit Background

- Enabling Legislation: 2014 Iowa Acts, chapter [1130](#) (Economic Development Programs — High Quality Jobs, Workforce Tax Incentives, and Enterprise Zones Act)
- Iowa Code Citations:
  - Section [15.119](#) — Award Limitations
  - Sections [15.351](#), [15.352](#), [15.353](#), [15.354](#), [15.355](#), [15.356](#) — Program Description
  - Section [422.11C](#) — Individual Income Tax
  - Section [422.33](#)(15) — Corporate Income Tax
  - Section [422.60](#)(13) — Franchise Tax

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### More Information

Department of Revenue Contingent Liabilities Report: [tax.iowa.gov/reports?term\\_node\\_tid\\_depth=79](http://tax.iowa.gov/reports?term_node_tid_depth=79)

Department of Revenue Tax Credit Users' Manual: [tax.iowa.gov/sites/default/files/2020-11/TaxCreditsUsersManual2020.pdf](http://tax.iowa.gov/sites/default/files/2020-11/TaxCreditsUsersManual2020.pdf)

Legislative Services Agency Individual Income Tax Guide:

[www.legis.iowa.gov/docs/publications/LG/711304.pdf](http://www.legis.iowa.gov/docs/publications/LG/711304.pdf)

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- Section [432.12G](#) — Insurance Premium Tax
- Section [533.329\(2\)\(k\)](#) — Moneys and Credits Tax
- Administrative State Agencies: Iowa Economic Development Authority (IEDA) and Iowa Department of Revenue (IDR)
- Sunset Date: The disaster recovery housing project subsection is repealed July 1, 2024. There is no sunset date provision for the other sections of the program.
- Transferable: Yes.
- Refundable: No.
- Carryforward: Any credit in excess of the tax liability may be carried forward for up to five years.
- Tax Review Committee Review: None scheduled.

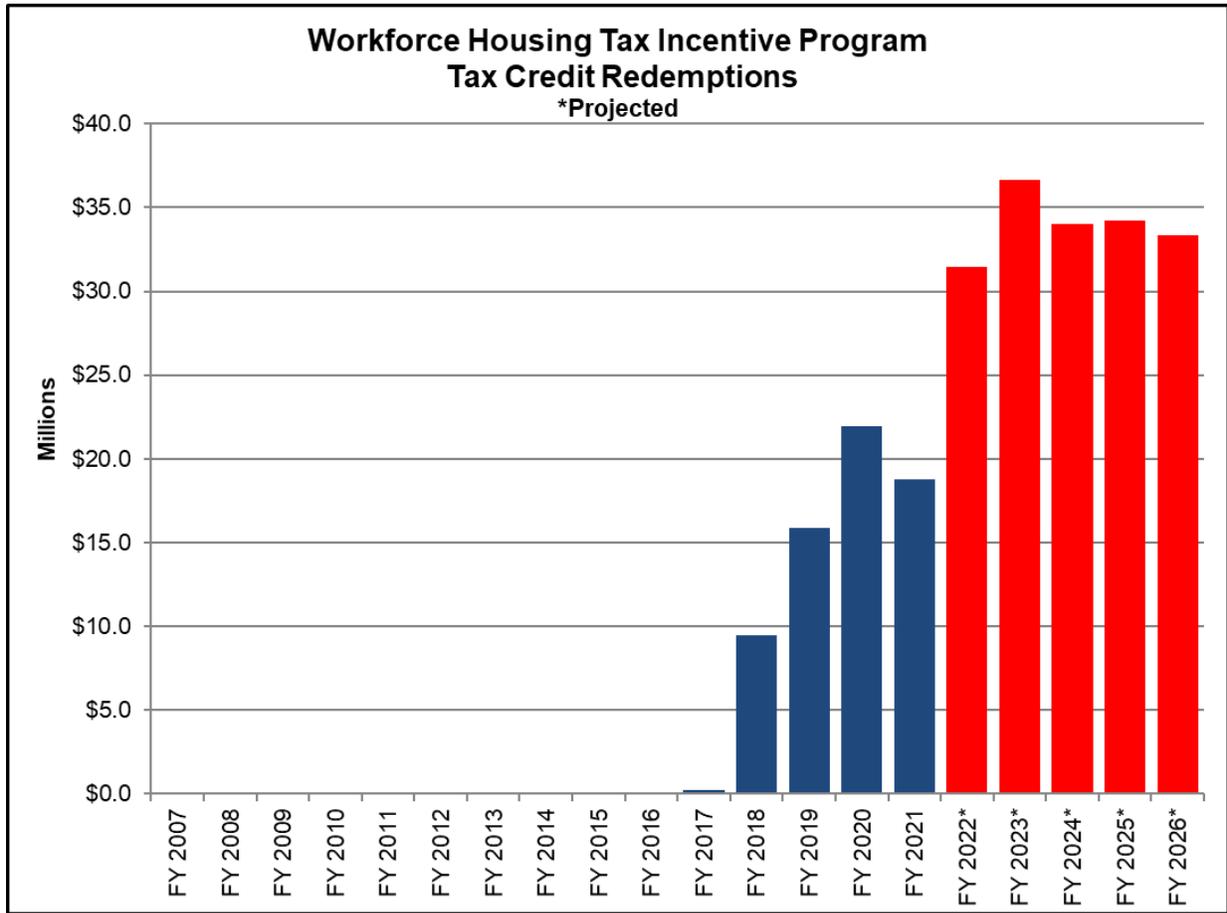
### Legislative History

The Workforce Housing Tax Incentive Program went into effect July 1, 2014. During the 2015 Legislative Session, the project completion date was further defined and a reduction in awards was specified in case of cost overruns by approved projects. During the 2017 Legislative Session, \$5.0 million under the \$20.0 million program cap was set aside under the cap for housing projects in small cities. During the 2018 Legislative Session, the IEDA was given the option to grant an eligible housing business a one-time completion deadline extension of 12 months if the business applied for an extension before the original three-year deadline expired or prior to August 1, 2018. During the 2019 Legislative Session, the overall program cap was increased to \$25.0 million with \$10.0 million under the cap reserved for small cities. A separate one-time allocation of \$10.0 million was established for qualifying projects located in a county that has been declared a major disaster by the President of the United States on or after March 12, 2019, for the tax period beginning July 1, 2019, and ending June 30, 2024. During the 2021 Legislative Session, the overall program cap was increased to \$40.0 million for FY 2022 and \$35.0 million for FY 2023 and after. The small city set-aside was increased to \$12.0 million for FY 2022 and \$17.5 million for FY 2023 and after.

### Tax Credit Review, Usage, and Future Liability

The IDR reports on the annual credit usage for the Workforce Housing Tax Incentive Program in its periodic [Contingent Liabilities Report](#). Based on Table 9 of the report, the following table and graph provide credit redemption history and projections for the program on a fiscal year basis. The blue bars of the graph indicate the actual credit redemptions, while the red bars are the IDR projections of future redemptions.

<b>Workforce Housing Tax Incentive Program Tax Credit History</b>			
* Projected			
<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>	<u>Fiscal Year</u>	<u>Tax Credit Redemptions</u>
FY 2007	\$ 0	FY 2017	\$ 226,789
FY 2008	0	FY 2018	9,442,745
FY 2009	0	FY 2019	15,851,066
FY 2010	0	FY 2020	21,969,178
FY 2011	0	FY 2021	18,801,418
FY 2012	0	FY 2022*	31,445,235
FY 2013	0	FY 2023*	36,674,596
FY 2014	0	FY 2024*	33,993,423
FY 2015	0	FY 2025*	34,185,661
FY 2016	0	FY 2026*	33,367,692



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