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## FISCAL TOPICS

Fiscal Services Division

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## Tax Credit: Targeted Jobs Tax Credit from Withholding

The Targeted Jobs Tax Credit allows a withholding credit equal to 3.0% of the gross wages paid by an employer to each employee covered under a withholding agreement. The withholding agreement is made between border pilot project cities that meet defined criteria and the employer, and the agreement is approved by the Iowa Economic Development Authority (IEDA). The employer claims the tax credits on quarterly withholding tax returns and then diverts the same amount of funds to the pilot project city. The city spends the diverted withholding taxes on urban renewal projects related to the business. The withholding agreement may have a term of up to 10 years.

### Tax Credit Background

- Enabling Legislation: 2006 Iowa Acts, chapter [1141](#) (Targeted Jobs Withholding Tax Credit Act)
- Iowa Code Citations:
  - Section [403.19A](#) — Program Description
  - Section [422.16](#) — Withholding Tax
- Administrative State Agencies: Iowa Economic Development Authority and Iowa Department of Revenue
- Sunset Date: June 30, 2026
- Transferable: No
- Refundable: No
- Carryforward: No
- Tax Review Committee Review Year: 2022

### Legislative History

The Targeted Jobs Tax Credit from Withholding became effective October 1, 2006, and in 2007 the definition of a pilot project city was modified. Effective July 1, 2009, the total amount of withholding tax credits cannot exceed the qualifying investment. In 2009, the sunset date was extended from June 30, 2010, to June 30, 2013. In 2011, the Program was expanded to include not only created jobs, but also retained jobs. Effective July 1, 2012, eligible businesses were defined to include an enterprise in Iowa that is operated for profit and under a single management but not a government entity. During the 2013 Legislative Session, the requirement that the employer be located within an urban renewal area was removed and the definition of "retained job" was added, and the sunset date was extended to June 30, 2018. During the 2018 Legislative Session, the sunset date was extended to June 30, 2019; during the 2019 Legislative Session, the sunset date was extended to June 30, 2021; and during the 2021 Legislative Session, the sunset date was extended to June 30, 2026.

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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 Review: [tax.iowa.gov/sites/default/files/2019-08/Targeted%20Jobs%20Program%20Study%2001082018.pdf](http://tax.iowa.gov/sites/default/files/2019-08/Targeted%20Jobs%20Program%20Study%2001082018.pdf)

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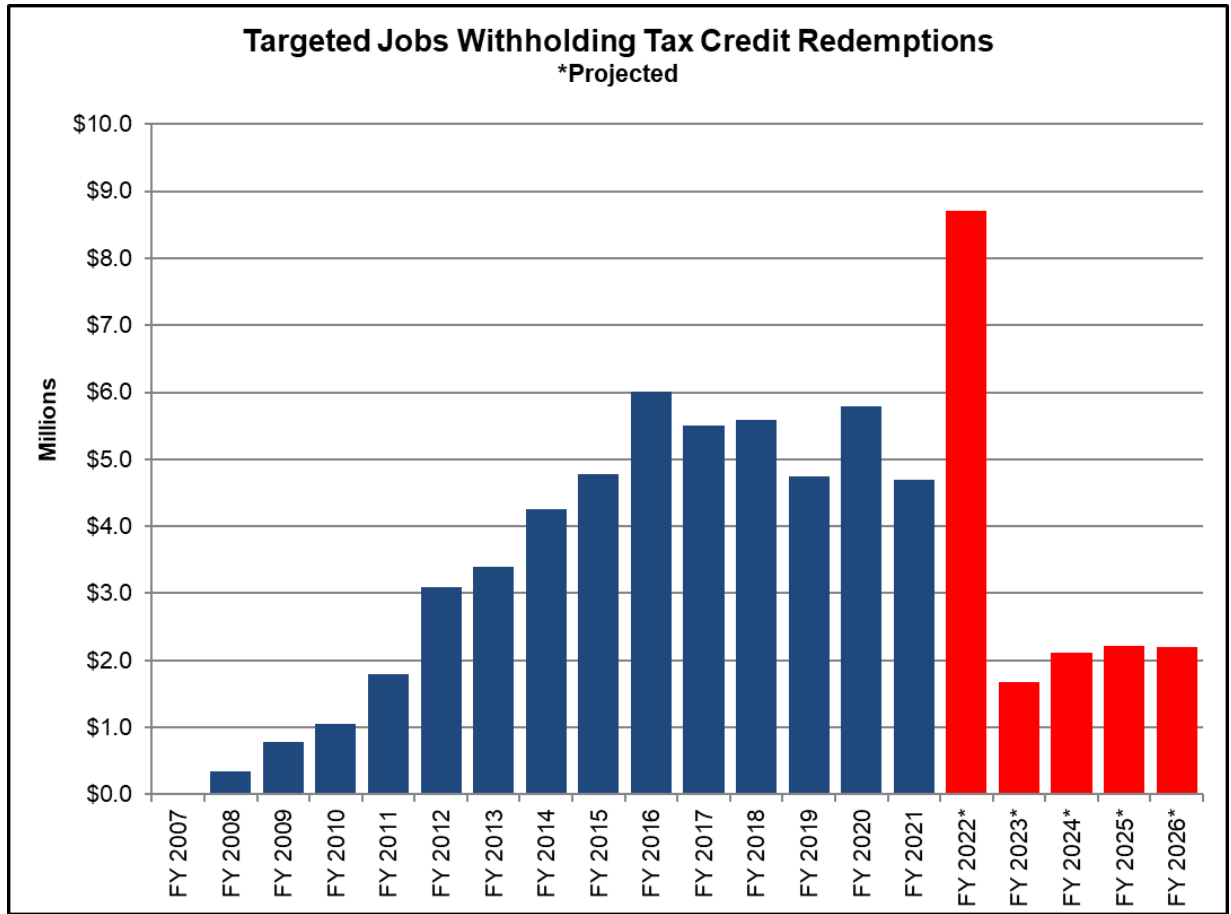
### Tax Credit Review, Usage, and Future Liability

The following is based on a Department of Revenue (IDR) review of the Targeted Jobs Withholding Tax Credit Program released December 2017:

- The pilot project cities enrolled in the program include Sioux City, Council Bluffs, Burlington, Fort Madison, and Keokuk.
- Between FY 2007 and FY 2017, 66 Targeted Jobs Tax Credit awards have been made.
- The manufacturing industry received 57.3% of the awards and the health care industry has received 18.4% of the awards.

The IDR reports on the annual credit usage for the Targeted Jobs Credit from Withholding Tax Credit 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>Targeted Jobs Withholding 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	\$ 7,949	FY 2017	\$ 5,502,857
FY 2008	350,472	FY 2018	5,591,349
FY 2009	778,285	FY 2019	4,739,246
FY 2010	1,059,568	FY 2020	5,786,735
FY 2011	1,790,126	FY 2021	4,686,815
FY 2012	3,097,484	FY 2022*	8,706,406
FY 2013	3,390,288	FY 2023*	1,673,808
FY 2014	4,262,588	FY 2024*	2,111,787
FY 2015	4,785,509	FY 2025*	2,221,107
FY 2016	6,007,526	FY 2026*	2,196,843



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