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## FISCAL TOPICS

Fiscal Services Division

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# Reinvestment Districts Sales Tax Funding

## History and Purpose

The [Reinvestment District Program](#) was created in [2013](#). The Program provides a State funding source to finance economic development projects undertaken by local governments. The Program is funded by a diversion of revenue generated by the State sales tax and the State hotel and motel tax (the 5.0% sales tax that applies to the rental of hotel and motel rooms) from businesses located within an approved district. The Program is administered jointly by the Iowa Economic Development Authority (IEDA) and the Iowa Department of Revenue (IDR).

The diversion of State tax revenue is limited in total to \$200.0 million for the life of the Program, with \$100.0 million available for applications approved on or before July 1, 2018, and \$100.0 million for applications approved after July 1, 2020, but before July 1, 2025. Through the application and approval process, the IEDA allocates the available sales tax diversions to the approved local governments. The initial \$100.0 million was allocated to the local governments listed in **Figure 1**. The commencement date listed in **Figure 1** is the first day for which taxed retail sales within a district may be subject to sales tax diversion.

**Figure 1**  
**Active Reinvestment Districts**  
Dollars in Millions

Municipality	Approved Amount	District Name	Commencement Date
Coralville	\$ 12.0	Iowa River Landing District	7/1/2019
Des Moines	36.5	Convention Headquarters District	4/1/2018
Grinnell	6.9	Downtown and Grinnell College Campus District	1/1/2020
Mason City	9.1	Downtown District	1/1/2020
Muscatine	10.0	Hotel, Convention Center, and Parking District	7/1/2017
Sioux City	13.5	Convention Center Hotel District	10/1/2019
Waterloo	12.0	TechWorks District	7/1/2016
Total	\$ 100.0		

In 2021, the IEDA preliminarily approved a total of \$100.0 million for six additional projects in six Iowa communities. The preliminary awards are listed in **Figure 2**. As of the most recent [Iowa Reinvestment District Annual Report](#), three of the six projects have received final IEDA approval. Three projects have not received final IEDA approval and are listed in **Figure 2** as preliminary.

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## More Information

Iowa Reinvestment Districts: [iowaeda.com/reinvestment-districts](http://iowaeda.com/reinvestment-districts)  
LSA Staff Contact: Eric M. Richardson (515.281.6767) [eric.richardson@legis.iowa.gov](mailto:eric.richardson@legis.iowa.gov)

**Figure 2**  
**New and Preliminary Reinvestment Districts (2021/2022)**  
Dollars in Millions

Municipality	Approved Amount	District Name	Commencement Date
Ames	\$ 10.0	Lincoln Way, Aquatics Center, and Hotel District	Prelim.
Cedar Rapids	9.0	Cedar Rapids Central District	1/1/2025
Des Moines	23.5	Soccer Stadium, Entertainment, and Hotel District	Prelim.
Des Moines/Urbandale	26.5	Merle Hay District	10/1/2023
Fort Dodge	17.0	Corridor Plaza District	7/1/2023
Newton	14.0	Maytag Buildings Reinvestment District	Prelim.
Total	\$ 100.0		

Once an application is approved for final funding and established construction milestones have been met, the IDR begins calculating the amount of sales tax revenue generated through new retail establishments and new retail lessors located within a district based on requirements established in Iowa Code section [15J.5](#):

- For districts established before July 1, 2020, an amount equal to 4.0% of sales subject to the State sales/use tax plus an amount equal to 5.0% of sales subject to the State hotel and motel tax is deposited to an account established for the pertinent district.
- For districts established on or after July 1, 2020, the 4.0% and 5.0% diversion calculations apply, but the diverted amounts are additionally calculated as increased sales above a base level established during the 12-month period prior to the establishment of the district.

In both versions of the calculation, no provision is made in the determination of the amount available to local governments for ordinary retail sales growth within the area. Once initiated, the diversion period is limited to a maximum of 20 years (or 25 years if extensions are granted by the IEDA). The total amount diverted across all years to a specific district is limited to the amount established by the IEDA, either through the initial approval process or through amendment. The total amount diverted either to a specific district or to all districts in a single fiscal year is not limited.

Diverted funds are available to the local governments for economic development project financing within the district and may only be used by the local government in accordance with the approved district plan. Local governments are permitted to issue bonds that will be repaid with the sales tax revenue made available under the Program.

### Current Budget Impact

The Program is funded by diversions of State sales tax receipts. The diversions, dollar for dollar, reduce State General Fund revenue. The first sales tax diversion occurred in FY 2018, and the first transfer to local governments occurred in FY 2019. From FY 2018 through FY 2024, a total of \$14.9 million has been diverted from the State General Fund and transferred to nine local governments approved under the Reinvestment District Program. At the end of FY 2024, no money remained in the State Reinvestment District Fund. **Figure 3** provides the seven-year history of diversions, transfers, and fund ending balances.

**Figure 3**  
**State Reinvestment District Fund**

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Total
Beginning Balance	\$ 0	\$ 265,081	\$ 359,147	\$ 909,147	\$ 605,000	\$ 11,804	\$ 0	\$ 0
Sales Tax Revenue	\$ 265,081	\$ 1,457,368	\$ 2,422,453	\$ 872,222	\$ 2,430,239	\$ 3,362,512	\$ 4,108,631	\$ 14,918,505
<b>Distributions:</b>								
Des Moines	\$ 0	\$ 1,053,776	\$ 1,226,083	\$ 530,321	\$ 1,381,525	\$ 1,604,142	\$ 1,651,965	\$ 7,447,812
Coralville	0	0	174,875	181,801	615,269	624,374	770,653	2,366,972
Grinnell	0	0	42,250	31,158	111,491	100,172	64,765	349,836
Fort Dodge	0	0	0	0	0	0	483,519	483,519
Mason City	0	0	12,714	158,572	147,955	137,009	125,751	582,001
Merle Hay	0	0	0	0	0	0	197,419	197,419
Muscatine	0	114,398	162,673	92,702	234,484	244,755	264,066	1,113,079
Sioux City	0	0	20,934	105,962	341,219	495,372	352,424	1,315,911
Waterloo	0	195,128	232,924	75,853	191,492	168,492	198,067	1,061,957
Total Distributions	\$ 0	\$ 1,363,302	\$ 1,872,453	\$ 1,176,369	\$ 3,023,435	\$ 3,374,316	\$ 4,108,631	\$ 14,918,506
Ending Balance	\$ 265,081	\$ 359,147	\$ 909,147	\$ 605,000	\$ 11,804	\$ 0	\$ 0	\$ 0

Although each approved district has an established maximum level of State funding and the Program in total has a \$200.0 million lifetime cap, the annual total amount diverted is not limited. Therefore, the annual fiscal impact of the Program on State General Fund revenue will increase in coming years.

### Documents and Reports

The applications for the second round of funding, as well as 2023 annual reports from ongoing projects, are available from the [IEDA](#). Application documents from the first round of funding are no longer available on the IEDA website. The latest annual (2024) reports from ongoing projects were due to the IEDA by October 1, 2024. As of the date of this **Fiscal Topic**, those reports have not been posted. Also, the IEDA website provides access to the IEDA's required 2022 Iowa Reinvestment District Program Annual Report but does not include the required 2023 edition of the report, which was due to the Governor and General Assembly by January 15, 2024. The 2024 edition of the report is required to be completed by January 15, 2025.

### Related Statutes and Administrative Rules

Iowa Code chapter [15J](#)

Iowa Administrative Code [261—200](#)

Iowa Administrative Code [701—273](#)