
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Accelerated Career Education Program (ACE) (260G)

The Accelerated Career Education (ACE) Program (also referred to as [260G](#) after the Iowa Code chapter) assists Iowa's community colleges establish or expand programs that train individuals in the occupations most needed by Iowa businesses. Eligible businesses are engaged in interstate or intrastate commerce for the purpose of manufacturing, processing or assembling products, construction, conducting research and development, or providing services in interstate or intrastate commerce.

The Program funds two different types of activities for the community college:

- Necessary infrastructure construction or rehabilitation to increase student capacity in the new or expanded classes.
- Program job credits for the additional program costs associated with establishing a new or expanding a current program.

To participate in ACE, businesses enter into an agreement with a community college to sponsor a portion or all of the positions created by the establishment of a new educational program or expansion of a current educational program. When sponsoring open positions in a program, a business also agrees to consider participating students for employment upon the completion of the students' respective training programs. Businesses must assist with program design and provide a 20.0% match of the program costs, prorated by the percentage of positions sponsored.

When businesses enter into an agreement with an Iowa community college, the costs of the program to the business are offset by tax benefits. These are contingent upon the number of program job credits a business accrues and are awarded based upon the number of seats the business sponsors in a program. Credits can be up to 10.0% of the hiring wage (minimum wage being 200.0% of the federal poverty guideline for a family of two) that a sponsoring business would pay to an individual who completes the program's requirements.

Job credits are a diversion of a business's current State personal income tax withholding and are paid to the community college over the life of an agreement, which is usually five years. Instead of paying all of its income withholding tax due to the State of Iowa, the business diverts a portion of this amount to the community college, equal to the approved ACE Program job credit amount. That amount is paid quarterly to the community college in lieu of payment to the Iowa Department of Revenue. These payments are used to offset ACE Program costs. Upon paying a college, a business may claim the same amount as a tax credit, effectively reducing its Iowa withholding tax obligation. A business must pay a college before claiming a credit and it must certify to the Department of Revenue that the credit claimed is in accordance with the program agreement. Payments made by a business to the college cease once program costs have been paid.

More Information

Legislative Services Agency Individual Income Tax

Guide: www.legis.iowa.gov/docs/publications/LG/711304.pdf

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Tax Credit Background

- Enabling Legislation: 1999 Iowa Acts, ch. [179](#) (Accelerated Career Education Program Act)
- Iowa Code Citations:
 - Iowa Code chapter [260G](#) (Program Description)
 - Iowa Code section [422.16](#) (Withholding of Income Tax)
- Administrative State Agency: Iowa Community Colleges
- Sunset Date: None
- Transferable: No
- Refundable: No
- Carryforward: Not applicable
- Legislative Tax Expenditure Committee Review Years: None

Legislative History

The Program began in 2000 with an award cap of \$3.0 million. The award cap was increased from \$3.0 million to \$4.0 million in FY 2004, and to \$6.0 million in FY 2005. The cap was lowered to \$5.4 million in FY 2011.

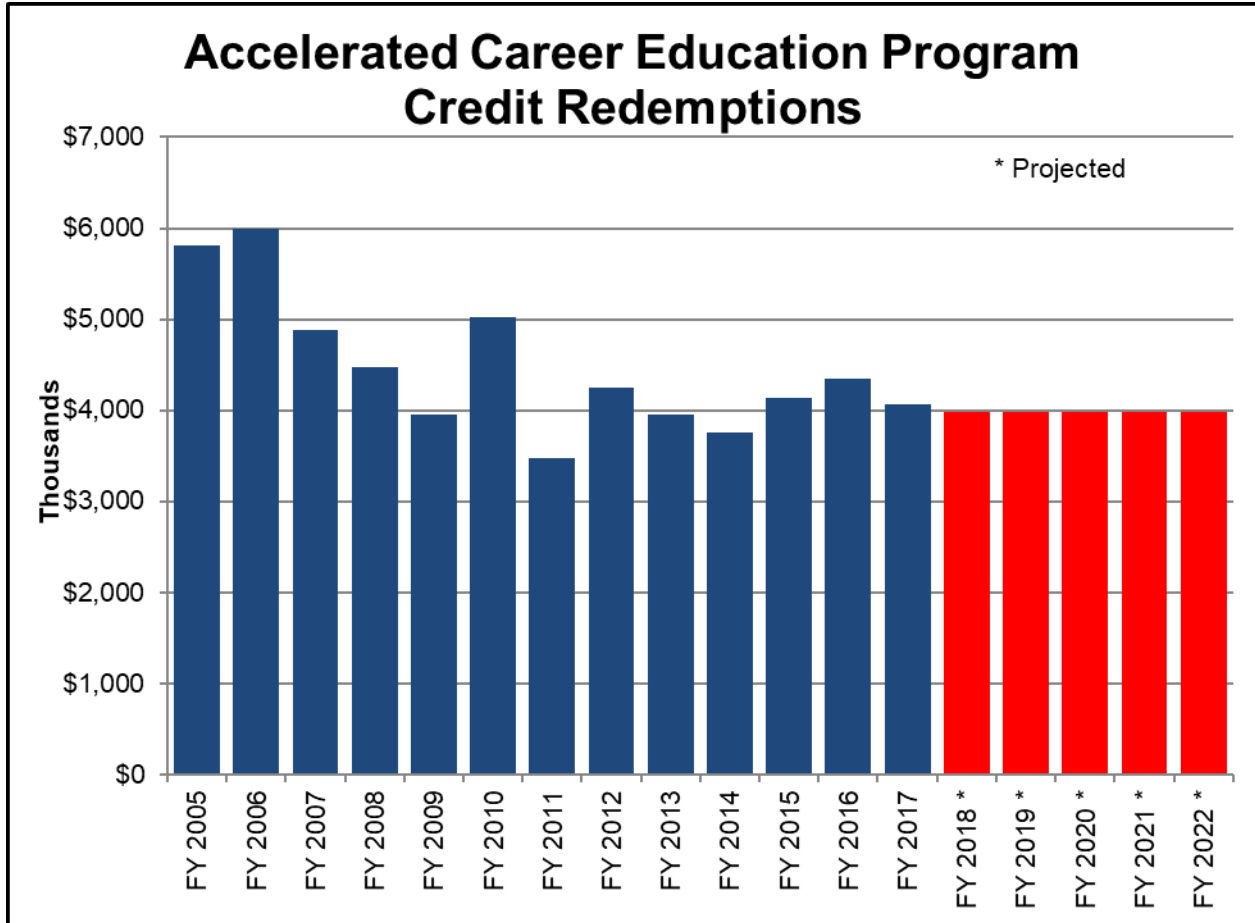
Tax Credit Review, Usage, and Future Liability

The Department of Revenue has never conducted an evaluation study of the Program, and the Program is not currently scheduled to be reviewed by the Legislative Tax Expenditure Review Committee. The Iowa Economic Development Authority (IEDA) and the community colleges have established a centralized electronic data system to support the reporting of payments to community colleges from participating businesses and reconciliation. The IEDA annual report on the program lists the following statewide participation levels:

- FY 2015: 10 community colleges, 138 participating businesses, and 1,409 sponsored positions.
- FY 2016: 10 community colleges, 135 participating businesses, and 1,376 sponsored positions.
- FY 2017: Nine community colleges, 124 participating businesses, and 1,402 sponsored positions.

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

Accelerated Career Education Program Credit History			
* Projected			
<u>Year</u>	<u>Tax Credit Redemptions</u>	<u>Year</u>	<u>Tax Credit Redemptions</u>
FY 2005	\$ 5,814,485	FY 2014	\$ 3,762,781
FY 2006	6,000,000	FY 2015	4,134,286
FY 2007	4,882,119	FY 2016	4,351,111
FY 2008	4,475,887	FY 2017	4,065,138
FY 2009	3,950,721	FY 2018 *	3,981,085
FY 2010	5,023,418	FY 2019 *	3,981,085
FY 2011	3,480,838	FY 2020 *	3,981,085
FY 2012	4,253,150	FY 2021 *	3,981,085
FY 2013	3,947,564	FY 2022 *	3,981,085



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