

Senate File 2290

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1 3 AN ACT
1 4 RELATING TO ECONOMIC DEVELOPMENT INCENTIVES UNDER THE NEW JOBS
1 5 AND INCOME PROGRAM, THE NEW CAPITAL INVESTMENT PROGRAM, AND
1 6 THE ENTERPRISE ZONE PROGRAM AND PROVIDING AN EFFECTIVE DATE.

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1 8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
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1 10 Section 1. Section 15.330, subsection 1, unnumbered
1 11 paragraph 1, Code 2003, is amended to read as follows:
1 12 If the business or group of businesses has not met more
1 13 than ninety percent of the job creation requirement in section
1 14 15.329, subsection 1, paragraph "f", it shall pay a percentage
1 15 of the ~~incentive incentives~~ received under section 15.334, or
~~1 16 if the business or group of businesses does not receive the~~
~~1 17 incentive under section 15.334, then under section 15.333 as~~
1 18 follows:

1 19 Sec. 2. Section 15.331A, unnumbered paragraph 1, Code
1 20 Supplement 2003, is amended to read as follows:
1 21 The eligible business or a supporting business shall be
1 22 entitled to a refund of the taxes paid under chapters 422 and
1 23 423 for gas, electricity, water, or sewer utility services,
1 24 goods, wares, or merchandise, or on services rendered,
1 25 furnished, or performed to or for a contractor or
1 26 subcontractor and used in the fulfillment of a written
1 27 contract relating to the construction or equipping of a
1 28 facility within the economic development area of the eligible
1 29 business or a supporting business. Taxes attributable to
1 30 intangible property and furniture and furnishings shall not be
1 31 refunded. However, an eligible business shall be entitled to
1 32 a refund for taxes attributable to racks, shelving, and
1 33 conveyor equipment to be used in a warehouse or distribution
1 34 center subject to section 15.331C.

1 35 Sec. 3. NEW SECTION. 15.331C CORPORATE TAX CREDIT == FOR
2 1 CERTAIN SALES TAXES PAID BY DEVELOPER.

2 2 1. An eligible business or a supporting business may claim
2 3 a corporate tax credit in an amount equal to the taxes paid by
2 4 a third-party developer under chapters 422 and 423 for gas,
2 5 electricity, water, or sewer utility services, goods, wares,
2 6 or merchandise, or on services rendered, furnished, or
2 7 performed to or for a contractor or subcontractor and used in
2 8 the fulfillment of a written contract relating to the
2 9 construction or equipping of a facility within the economic
2 10 development area of the eligible business or supporting
2 11 business. Taxes attributable to intangible property and
2 12 furniture and furnishings shall not be included, but taxes
2 13 attributable to racks, shelving, and conveyor equipment to be
2 14 used in a warehouse or distribution center shall be included.
2 15 Any credit in excess of the tax liability for the tax year may
2 16 be credited to the tax liability for the following seven years
2 17 or until depleted, whichever occurs earlier. An eligible
2 18 business may elect to receive a refund of all or a portion of
2 19 an unused tax credit.

2 20 2. A third-party developer shall state under oath, on
2 21 forms provided by the department of economic development, the
2 22 amount of taxes paid as described in subsection 1 and shall
2 23 submit such forms to the department. The taxes paid shall be
2 24 itemized to allow identification of the taxes attributable to
2 25 racks, shelving, and conveyor equipment to be used in a
2 26 warehouse or distribution center. After receiving the form
2 27 from the third-party developer, the department shall issue a
2 28 tax credit certificate to the eligible business or supporting
2 29 business equal to the taxes paid by a third-party developer
2 30 under chapters 422 and 423 for gas, electricity, water, or
2 31 sewer utility services, goods, wares, or merchandise, or on
2 32 services rendered, furnished, or performed to or for a
2 33 contractor or subcontractor and used in the fulfillment of a
2 34 written contract relating to the construction or equipping of a
2 35 facility. The department shall also issue a tax credit
3 1 certificate to the eligible business or supporting business
3 2 equal to the taxes paid and attributable to racks, shelving,
3 3 and conveyor equipment to be used in a warehouse or
3 4 distribution center. The aggregate combined total amount of
3 5 tax refunds under section 15.331A for taxes attributable to

3 6 racks, shelving, and conveyor equipment to be used in a
3 7 warehouse or distribution center and of tax credit
3 8 certificates issued by the department for the taxes paid and
3 9 attributable to racks, shelving, and conveyor equipment to be
3 10 used in a warehouse or distribution center shall not exceed
3 11 five hundred thousand dollars in a fiscal year. If an
3 12 applicant for a tax credit certificate does not receive a
3 13 certificate for the taxes paid and attributable to racks,
3 14 shelving, and conveyor equipment to be used in a warehouse or
3 15 distribution center, the application shall be considered in
3 16 succeeding fiscal years. The eligible business or supporting
3 17 business shall not claim a tax credit under this section
3 18 unless a tax credit certificate issued by the department of
3 19 economic development is attached to the taxpayer's tax return
3 20 for the tax year for which the tax credit is claimed. A tax
3 21 credit certificate shall contain the eligible business's or
3 22 supporting business's name, address, tax identification
3 23 number, the amount of the tax credit, and other information
3 24 required by the department of revenue.

3 25 Sec. 4. Section 15.333, subsection 1, Code Supplement
3 26 2003, is amended to read as follows:

3 27 1. An eligible business may claim a corporate tax credit
3 28 up to a maximum of ten percent of the new investment which is
3 29 directly related to new jobs created by the location or
3 30 expansion of an eligible business under the program. Any
3 31 credit in excess of the tax liability for the tax year may be
3 32 credited to the tax liability for the following seven years or
3 33 until depleted, whichever occurs earlier. Subject to prior
3 34 approval by the department of economic development in
3 35 consultation with the department of revenue, an eligible
4 1 business whose project primarily involves the production of
4 2 value-added agricultural products may elect to receive a
4 3 refund of all or a portion of an unused tax credit. For
4 4 purposes of this section, an eligible business includes a
4 5 cooperative described in section 521 of the Internal Revenue
4 6 Code which is not required to file an Iowa corporate income
4 7 tax return. The refund may be used against a tax liability
4 8 imposed under chapter 422, division II, III, or V. If the
4 9 business is a partnership, S corporation, limited liability
4 10 company, cooperative organized under chapter 501 and filing as
4 11 a partnership for federal tax purposes, or estate or trust
4 12 electing to have the income taxed directly to the individual,
4 13 an individual may claim the tax credit allowed. The amount
4 14 claimed by the individual shall be based upon the pro rata
4 15 share of the individual's earnings of the partnership, S
4 16 corporation, limited liability company, cooperative organized
4 17 under chapter 501 and filing as a partnership for federal tax
4 18 purposes, or estate or trust.

4 19 1A. For purposes of this section, "new investment directly
4 20 related to new jobs created by the location or expansion of an
4 21 eligible business under the program" means ~~the~~ any of the
4 22 following:

4 23 a. The cost of machinery and equipment, as defined in
4 24 section 427A.1, subsection 1, paragraphs "e" and "j",
4 25 purchased for use in the operation of the eligible business,
4 26 the purchase price of which has been depreciated in accordance
4 27 with generally accepted accounting principles, and the cost of
4 28 improvements made to real property which is used in the
4 29 operation of the eligible business.

4 30 b. The annual base rent paid to a third-party developer by
4 31 an eligible business for a period not to exceed ten years,
4 32 provided the cumulative cost of the base rent payments for
4 33 that period does not exceed the cost of the land and the
4 34 third-party developer's costs to build or renovate the
4 35 building for the eligible business. The eligible business
5 1 shall enter into a lease agreement with the third-party
5 2 developer for a minimum of ten years.

5 3 Sec. 5. Section 15.333A, subsection 1, Code 2003, is
5 4 amended to read as follows:

5 5 1. An eligible business may claim an insurance premium tax
5 6 credit up to a maximum of ten percent of the new investment
5 7 directly related to new jobs created by the location or
5 8 expansion of an eligible business under the program. Any
5 9 credit in excess of the tax liability for the tax year may be
5 10 credited to the tax liability for the following seven years or
5 11 until depleted, whichever occurs earlier.

5 12 ~~For purposes of this section, "new investment directly~~
5 13 ~~related to new jobs created by the location or expansion of an~~
5 14 ~~eligible business under the program" means the cost of~~
5 15 ~~machinery and equipment, as defined in section 427A.1,~~
5 16 ~~subsection 1, paragraphs "e" and "j", purchased for use in the~~

~~5 17 operation of the eligible business, the purchase price of~~
~~5 18 which has been depreciated in accordance with generally~~
~~5 19 accepted accounting principles, and the cost of improvements~~
~~5 20 made to real property which is used in the operation of the~~
~~5 21 eligible business.~~

5 22 For purposes of this section, the purchase price of real
5 23 property and any buildings and structures located on the real
5 24 property is considered a new investment in the location or
5 25 expansion of an eligible business. However, if within five
5 26 years of purchase, the eligible business sells, disposes of,
5 27 razes, or otherwise renders unusable all or a part of the
5 28 land, buildings, or other existing structures for which an
5 29 insurance premium tax credit was claimed under this section,
5 30 the insurance premium tax liability of the eligible business
5 31 for the year in which all or part of the property is sold,
5 32 disposed of, razed, or otherwise rendered unusable shall be
5 33 increased by one of the following amounts:

5 34 a. One hundred percent of the tax credit claimed under
5 35 this section if the property ceases to be eligible for the tax
6 1 credit within one year after being placed in service.

6 2 b. Eighty percent of the tax credit claimed under this
6 3 section if the property ceases to be eligible for the tax
6 4 credit within two years after being placed in service.

6 5 c. Sixty percent of the tax credit claimed under this
6 6 section if the property ceases to be eligible for the tax
6 7 credit within three years after being placed in service.

6 8 d. Forty percent of the tax credit claimed under this
6 9 section if the property ceases to be eligible for the tax
6 10 credit within four years after being placed in service.

6 11 e. Twenty percent of the tax credit claimed under this
6 12 section if the property ceases to be eligible for the tax
6 13 credit within five years after being placed in service.

6 14 1A. For purposes of this section, "new investment directly
6 15 related to new jobs created by the location or expansion of an
6 16 eligible business under the program" means any of the
6 17 following:

6 18 a. The cost of machinery and equipment, as defined in
6 19 section 427A.1, subsection 1, paragraphs "e" and "j",
6 20 purchased for use in the operation of the eligible business,
6 21 the purchase price of which has been depreciated in accordance
6 22 with generally accepted accounting principles, and the cost of
6 23 improvements made to real property which is used in the
6 24 operation of the eligible business.

6 25 b. The annual base rent paid to a third-party developer by
6 26 an eligible business for a period not to exceed ten years,
6 27 provided the cumulative cost of the base rent payments for
6 28 that period does not exceed the cost of the land and the
6 29 third-party developer's costs to build or renovate the
6 30 building for the eligible business. The eligible business
6 31 shall enter into a lease agreement with the third-party
6 32 developer for a minimum of ten years.

6 33 Sec. 6. Section 15.385, Code Supplement 2003, is amended
6 34 by adding the following new subsection:

6 35 NEW SUBSECTION. 1A. Corporate tax credit for certain
7 1 sales taxes paid by a developer, as provided in section
7 2 15.331C.

7 3 Sec. 7. Section 15.385, subsection 3, paragraph b, Code
7 4 Supplement 2003, is amended to read as follows:

7 5 b. For purposes of this subsection, "new investment
7 6 directly related to new jobs created by the location or
7 7 expansion of an eligible business under the program" means the
7 8 cost of machinery and equipment, as defined in section 427A.1,
7 9 subsection 1, paragraphs "e" and "j", purchased for use in the
7 10 operation of the eligible business, the purchase price of
7 11 which has been depreciated in accordance with generally
7 12 accepted accounting principles, the purchase price of real
7 13 property and any buildings and structures located on the real
7 14 property, and the cost of improvements made to real property
7 15 which is used in the operation of the eligible business. "New
7 16 investment directly related to new jobs created by the
7 17 location or expansion of an eligible business under the
7 18 program" also means the annual base rent paid to a third-party
7 19 developer by an eligible business for a period not to exceed
7 20 ten years, provided the cumulative cost of the base rent
7 21 payments for that period does not exceed the cost of the land
7 22 and the third-party developer's costs to build or renovate the
7 23 building for the eligible business. The eligible business
7 24 shall enter into a lease agreement with the third-party
7 25 developer for a minimum of five years. If, however, within
7 26 five years of purchase, the eligible business sells, disposes
7 27 of, razes, or otherwise renders unusable all or a part of the

7 28 land, buildings, or other existing structures for which tax
7 29 credit was claimed under this section, the income tax
7 30 liability of the eligible business for the year in which all
7 31 or part of the property is sold, disposed of, razed, or
7 32 otherwise rendered unusable shall be increased by one of the
7 33 following amounts:

7 34 (1) One hundred percent of the tax credit claimed under
7 35 this subsection if the property ceases to be eligible for the
8 1 tax credit within one full year after being placed in service.

8 2 (2) Eighty percent of the tax credit claimed under this
8 3 subsection if the property ceases to be eligible for the tax
8 4 credit within two full years after being placed in service.

8 5 (3) Sixty percent of the tax credit claimed under this
8 6 subsection if the property ceases to be eligible for the tax
8 7 credit within three full years after being placed in service.

8 8 (4) Forty percent of the tax credit claimed under this
8 9 subsection if the property ceases to be eligible for the tax
8 10 credit within four full years after being placed in service.

8 11 (5) Twenty percent of the tax credit claimed under this
8 12 subsection if the property ceases to be eligible for the tax
8 13 credit within five full years after being placed in service.

8 14 Sec. 8. Section 15.385, subsection 4, paragraph b, Code
8 15 Supplement 2003, is amended to read as follows:

8 16 b. For purposes of this subsection, "new investment
8 17 directly related to new jobs created by the location or
8 18 expansion of an eligible business under the program" means the
8 19 cost of machinery and equipment, as defined in section 427A.1,
8 20 subsection 1, paragraphs "e" and "j", purchased for use in the
8 21 operation of the eligible business, the purchase price of
8 22 which has been depreciated in accordance with generally
8 23 accepted accounting principles, the purchase price of real
8 24 property and any buildings and structures located on the real
8 25 property, and the cost of improvements made to real property
8 26 which is used in the operation of the eligible business. "New

8 27 investment directly related to new jobs created by the
8 28 location or expansion of an eligible business under the
8 29 program" also means the annual base rent paid to a third-party
8 30 developer by an eligible business for a period not to exceed
8 31 ten years, provided the cumulative cost of the base rent
8 32 payments for that period does not exceed the cost of the land
8 33 and the third-party developer's costs to build or renovate the
8 34 building for the eligible business. The eligible business
8 35 shall enter into a lease agreement with the third-party

9 1 developer for a minimum of five years. If, however, within
9 2 five years of purchase, the eligible business sells, disposes
9 3 of, razes, or otherwise renders unusable all or a part of the
9 4 land, buildings, or other existing structures for which tax
9 5 credit was claimed under this section, the income tax
9 6 liability of the eligible business for the year in which all
9 7 or part of the property is sold, disposed of, razed, or
9 8 otherwise rendered unusable shall be increased by one of the
9 9 following amounts:

9 10 (1) One hundred percent of the tax credit claimed under
9 11 this subsection if the property ceases to be eligible for the
9 12 tax credit within one full year after being placed in service.

9 13 (2) Eighty percent of the tax credit claimed under this
9 14 subsection if the property ceases to be eligible for the tax
9 15 credit within two full years after being placed in service.

9 16 (3) Sixty percent of the tax credit claimed under this
9 17 subsection if the property ceases to be eligible for the tax
9 18 credit within three full years after being placed in service.

9 19 (4) Forty percent of the tax credit claimed under this
9 20 subsection if the property ceases to be eligible for the tax
9 21 credit within four full years after being placed in service.

9 22 (5) Twenty percent of the tax credit claimed under this
9 23 subsection if the property ceases to be eligible for the tax
9 24 credit within five full years after being placed in service.

9 25 Sec. 9. Section 15E.195, Code 2003, is amended to read as
9 26 follows:

9 27 15E.195 ENTERPRISE ZONE COMMISSION.

9 28 1. A county which designates an enterprise zone pursuant
9 29 to section 15E.194, subsection 1, and in which an eligible
9 30 enterprise zone is certified shall establish an enterprise
9 31 zone commission to review applications from qualified
9 32 businesses located within or requesting to locate within an
9 33 enterprise zone designated pursuant to section 15E.194,
9 34 subsection 1, to receive incentives or assistance as provided
9 35 in section 15E.196. The enterprise zone commission shall also
10 1 review applications from qualified housing businesses
10 2 requesting to receive incentives or assistance as provided in
10 3 section 15E.193B. ~~The enterprise zone commission shall also~~

~~10 4 review applications from qualified development businesses~~
~~10 5 requesting to receive incentives or assistance as provided in~~
~~10 6 section 15E.193C.~~ The commission shall consist of nine
10 7 members. Five of these members shall consist of one
10 8 representative of the board of supervisors, one member with
10 9 economic development expertise chosen by the department of
10 10 economic development, one representative of the county zoning
10 11 board, one member of the local community college board of
10 12 directors, and one representative of the local workforce
10 13 development center. These five members shall select the
10 14 remaining four members. If the enterprise zone consists of an
10 15 area meeting the requirements for eligibility for an urban or
10 16 rural enterprise community under Title XIII of the federal
10 17 Omnibus Budget Reconciliation Act of 1993, one of the
10 18 remaining four members shall be a representative of that
10 19 community. A county shall have only one enterprise zone
10 20 commission to review applications for incentives and
10 21 assistance for businesses located within or requesting to
10 22 locate within a certified enterprise zone designated pursuant
10 23 to section 15E.194, subsection 1.

10 24 2. A city with a population of twenty-four thousand or
10 25 more which designates an enterprise zone pursuant to section
10 26 15E.194, subsection 2, and in which an eligible enterprise
10 27 zone is certified shall establish an enterprise zone
10 28 commission to review applications from qualified businesses
10 29 located within or requesting to locate within an enterprise
10 30 zone to receive incentives or assistance as provided in
10 31 section 15E.196. The enterprise zone commission shall review
10 32 applications from qualified housing businesses requesting to
10 33 receive incentives or assistance as provided in section
10 34 15E.193B. ~~The enterprise zone commission shall also review~~

~~10 35 applications from qualified development businesses requesting~~
~~11 1 to receive incentives or assistance as provided in section~~
~~11 2 15E.193C.~~ The commission shall consist of nine members. Six
11 3 of these members shall consist of one representative of an
11 4 international labor organization, one member with economic
11 5 development expertise chosen by the department of economic
11 6 development, one representative of the city council, one
11 7 member of the local community college board of directors, one
11 8 member of the city planning and zoning commission, and one
11 9 representative of the local workforce development center.
11 10 These six members shall select the remaining three members.
11 11 If the enterprise zone consists of an area meeting the
11 12 requirements for eligibility for an urban enterprise community
11 13 under Title XIII of the federal Omnibus Budget Reconciliation
11 14 Act of 1993, one of the remaining three members shall be a
11 15 representative of that community. If a city contiguous to the
11 16 city designating the enterprise zone is included in an
11 17 enterprise zone, a representative of the contiguous city,
11 18 chosen by the city council, shall be a member of the
11 19 commission. A city in which an eligible enterprise zone is
11 20 certified shall have only one enterprise zone commission. If
11 21 a city has established an enterprise zone commission prior to
11 22 July 1, 1998, the city may petition to the department of
11 23 economic development to change the structure of the existing
11 24 commission.

11 25 3. The commission may adopt more stringent requirements,
11 26 including requirements related to compensation and benefits,
11 27 for a business to be eligible for incentives or assistance
11 28 than provided in sections 15E.193, ~~and 15E.193B, and 15E.193C.~~
11 29 The commission may develop as an additional requirement that
11 30 preference in hiring be given to individuals who live within
11 31 the enterprise zone. The commission shall work with the local
11 32 workforce development center to determine the labor
11 33 availability in the area. The commission shall examine and
11 34 evaluate building codes and zoning in the enterprise zone and
11 35 make recommendations to the appropriate governing body in an
12 1 effort to promote more affordable housing development.

12 2 4. If the enterprise zone commission determines that a
12 3 business qualifies and is eligible to receive incentives or
12 4 assistance as provided in section 15E.193B, ~~15E.193C, or~~
12 5 15E.196, the commission shall submit an application for
12 6 incentives or assistance to the department of economic
12 7 development. The department may approve, defer, or deny the
12 8 application.

12 9 5. In making its decision, the commission or department
12 10 shall consider the impact of the eligible business on other
12 11 businesses in competition with it and compare the compensation
12 12 package of businesses in competition with the business being
12 13 considered for incentives or assistance. The commission or
12 14 department shall make a good faith effort to identify existing

12 15 Iowa businesses within an industry in competition with the
12 16 business being considered for incentives or assistance. The
12 17 commission or department shall also make a good faith effort
12 18 to determine the probability that the proposed incentives or
12 19 assistance will displace employees of existing businesses. In
12 20 determining the impact on businesses in competition with the
12 21 business seeking incentives or assistance, jobs created as a
12 22 result of other jobs being displaced elsewhere in the state
12 23 shall not be considered direct jobs created.

12 24 However, if the commission or department finds that an
12 25 eligible business has a record of violations of the law,
12 26 including but not limited to environmental and worker safety
12 27 statutes, rules, and regulations, over a period of time that
12 28 tends to show a consistent pattern, the eligible business
12 29 shall not qualify for incentives or assistance under section
12 30 15E.193B, ~~15E.193C~~, or 15E.196, unless the commission or
12 31 department finds that the violations did not seriously affect
12 32 public health or safety or the environment, or if it did that
12 33 there were mitigating circumstances. In making the findings
12 34 and determinations regarding violations, mitigating
12 35 circumstances, and whether an eligible business is eligible
13 1 for incentives or assistance under section 15E.193B, ~~15E.193C~~,
13 2 or 15E.196, the commission or department shall be exempt from
13 3 chapter 17A. If requested by the commission or department,
13 4 the business shall provide copies of materials documenting the
13 5 type of violation, any fees or penalties assessed, court
13 6 filings, final disposition of any findings, and any other
13 7 information which would assist the commission or department in
13 8 assessing the nature of any violation.

13 9 6. A business that is approved to receive incentives or
13 10 assistance shall, for the length of its designation as an
13 11 enterprise zone business, certify annually to the county or
13 12 city, as applicable, and the department of economic
13 13 development its compliance with the requirements of section
13 14 15E.193B, ~~or 15E.193B, or 15E.193C~~.

13 15 Sec. 10. Section 15E.196, subsection 7, Code Supplement
13 16 2003, is amended by striking the subsection.

13 17 Sec. 11. Section 15E.193C, Code Supplement 2003, is
13 18 repealed.

13 19 Sec. 12. EFFECTIVE DATE. This Act, being deemed of
13 20 immediate importance, takes effect upon enactment.

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JEFFREY M. LAMBERTI
President of the Senate

CHRISTOPHER C. RANTS
Speaker of the House

I hereby certify that this bill originated in the Senate and
is known as Senate File 2290, Eightieth General Assembly.

MICHAEL E. MARSHALL
Secretary of the Senate

Approved _____, 2004

THOMAS J. VILSACK
Governor