

House File 2731 - Enrolled

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1 3 AN ACT
1 4 RELATING TO A TARGETED JOBS WITHHOLDING TAX CREDIT TO BE USED
1 5 FOR FUNDING IMPROVEMENTS IN CERTAIN URBAN RENEWAL AREAS.
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1 7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
1 8
1 9 Section 1. NEW SECTION. 403.19A WITHHOLDING AGREEMENT ==
1 10 TAX CREDIT.
1 11 1. For purposes of this section, unless the context
1 12 otherwise requires:
1 13 a. "Business" means any professional services, or
1 14 industrial enterprise, including medical treatment facilities,
1 15 manufacturing facilities, corporate headquarters, and research
1 16 facilities. "Business" does not include a retail operation or
1 17 a business which closes or substantially reduces its operation
1 18 in one area of this state and relocates substantially the same
1 19 operation to another area of this state.
1 20 b. "Employee" means the individual employed in a targeted
1 21 job that is subject to a withholding agreement.
1 22 c. "Employer" means a business creating targeted jobs in
1 23 an urban renewal area of a pilot project city pursuant to a
1 24 withholding agreement.
1 25 d. "Pilot project city" means a city that has applied and
1 26 been approved as a pilot project city pursuant to subsection
1 27 2.
1 28 e. "Qualifying investment" means a capital investment in
1 29 real property including the purchase price of land and
1 30 existing buildings, site preparation, building construction,
1 31 and long-term lease costs. "Qualifying investment" also means
1 32 a capital investment in depreciable assets.
1 33 f. "Targeted job" means a job in a business which is or
1 34 will be located in an urban renewal area of a pilot project
1 35 city that pays a wage at least equal to the countywide average
2 1 wage. "Targeted job" includes new jobs from Iowa business
2 2 expansions or retentions within the city limits of the pilot
2 3 project city and those jobs resulting from established out-
2 4 of-state businesses, as defined by the department of economic
2 5 development, moving to or expanding in Iowa.
2 6 g. "Withholding agreement" means the agreement between a
2 7 pilot project city and an employer concerning the targeted
2 8 jobs withholding credit authorized in subsection 3.
2 9 2. An eligible city may apply to the department of
2 10 economic development to be designated as a pilot project city.
2 11 An eligible city is a city that contains three or more census
2 12 tracts and is located in a county meeting one of the following
2 13 requirements:
2 14 a. A county that borders Nebraska.
2 15 b. A county that borders South Dakota.
2 16 c. A county that borders a state other than Nebraska or
2 17 South Dakota.
2 18 The department of economic development shall approve four
2 19 eligible cities as pilot project cities, one pursuant to
2 20 paragraph "a", one pursuant to paragraph "b", and two pursuant
2 21 to paragraph "c". If more than two cities meeting the
2 22 requirements of paragraph "c" apply to be designated as a
2 23 pilot project city, the department of management, in
2 24 consultation with the department of economic development,
2 25 shall determine which two cities hold the most potential to
2 26 create new jobs or generate the greatest capital within their
2 27 areas. Applications from eligible cities filed on or after
2 28 October 1, 2006, shall not be considered.
2 29 If a pilot project city does not enter into a withholding
2 30 agreement within one year of its approval as a pilot project
2 31 city, the city shall lose its status as a pilot project city.
2 32 Upon such occurrence, the department of economic development
2 33 shall take applications from other eligible cities to replace
2 34 that city. Another city shall be designated within six
2 35 months.
3 1 3. a. A pilot project city may provide by ordinance for
3 2 the deposit into a designated account in the special fund
3 3 described in section 403.19, subsection 2, of the targeted

3 4 jobs withholding credit described in this section. The
3 5 targeted jobs withholding credit shall be based upon the wages
3 6 paid to employees pursuant to a withholding agreement.

3 7 b. An amount equal to three percent of the gross wages
3 8 paid by an employer to each employee under a withholding
3 9 agreement shall be credited from the payment made by the
3 10 employer pursuant to section 422.16. If the amount of the
3 11 withholding by the employer is less than three percent of the
3 12 gross wages paid to the employees covered by the withholding
3 13 agreement, the employer shall receive a credit against other
3 14 withholding taxes due by the employer or may carry the credit
3 15 forward for up to ten years or until depleted, whichever is
3 16 the earlier. The employer shall remit the amount of the
3 17 credit quarterly, in the same manner as withholding payments
3 18 are reported to the department of revenue, to the pilot
3 19 project city to be allocated to and when collected paid into a
3 20 designated account in the special fund for the urban renewal
3 21 area in which the targeted jobs are located. All amounts so
3 22 deposited shall be used or pledged by the pilot project city
3 23 for an urban renewal project related to the employer pursuant
3 24 to the withholding agreement.

3 25 c. (1) The pilot project city shall enter into a
3 26 withholding agreement with each employer concerning the
3 27 targeted jobs withholding credit. However, an agreement shall
3 28 not be entered into by a pilot project city with a business
3 29 currently located in this state unless the business either
3 30 creates ten new jobs or makes a qualifying investment of at
3 31 least five hundred thousand dollars within the urban renewal
3 32 area. The withholding agreement may have a term of up to ten
3 33 years. An employer shall not be obligated to enter into a
3 34 withholding agreement.

3 35 (2) The pilot project city shall not enter into a
4 1 withholding agreement after June 30, 2010.

4 2 d. A withholding agreement shall be disclosed to the
4 3 public and shall contain but is not limited to all of the
4 4 following:

4 5 (1) A copy of the adopted development agreement plan of
4 6 the employer.

4 7 (2) A list of any other amounts of incentives or
4 8 assistance the employer may be receiving from other economic
4 9 development programs, including grants, loans, forgivable
4 10 loans, and tax credits.

4 11 (3) The approval of local participating authorities.

4 12 (4) The amount of local incentives or assistance received
4 13 for each project of the employer.

4 14 e. (1) The employer shall certify to the department of
4 15 revenue that the targeted jobs withholding credit is in
4 16 accordance with the withholding agreement and shall provide
4 17 other information the department may require. Notice of any
4 18 withholding agreement shall be provided promptly to the
4 19 department of revenue following its execution by the pilot
4 20 project city and the employer.

4 21 (2) Following termination of the withholding agreement,
4 22 the employer credits shall cease and any money received by the
4 23 pilot project city after termination shall be remitted to the
4 24 treasurer of state to be deposited into the general fund of
4 25 the state. Notice shall be provided promptly to the
4 26 department of revenue following termination.

4 27 f. If the employer ceases to meet the requirements of the
4 28 withholding agreement, the agreement shall be terminated and
4 29 any withholding tax credits for the benefit of the employer
4 30 shall cease. However, in regard to the number of new jobs
4 31 that are to be created if the employer has met the number of
4 32 new jobs to be created pursuant to the withholding agreement
4 33 and subsequently the number of new jobs falls below the
4 34 required level, the employer shall not be considered as not
4 35 meeting the new job requirement until eighteen months after
5 1 the date of the decrease in the number of new jobs employed.

5 2 g. A pilot project city shall certify to the department of
5 3 revenue the amount of the targeted jobs withholding credit an
5 4 employer has remitted to the city and shall provide other
5 5 information the department may require.

5 6 h. An employee whose wages are subject to a withholding
5 7 agreement shall receive full credit for the amount withheld as
5 8 provided in section 422.16.

5 9 i. An employer may participate in a new jobs credit from
5 10 withholding under section 260E.5 or a supplemental new jobs
5 11 credit from withholding under section 15E.197 or section
5 12 15.331, Code 2005, at the same time as the employer is
5 13 participating in the withholding credit under this section.
5 14 Notwithstanding any other provision in this section, the new

5 15 jobs credit from withholding under section 260E.5 and the
5 16 supplemental new jobs credit from withholding under section
5 17 15E.197 or section 15.331, Code 2005, shall be collected and
5 18 disbursed prior to the withholding credit under this section.

5 19 j. A pilot project city that enters into a withholding
5 20 agreement shall arrange for a match of at least one dollar for
5 21 each withholding credit dollar received by the city. The
5 22 local match may come from the pilot project city, a private
5 23 donor, or the business, or a combination of all three. The
5 24 local match may be in cash or in kind to be used for the
5 25 business project.

5 26 k. At the time of submitting its budget to the department
5 27 of management, the pilot project city shall submit to the
5 28 department of management and the department of economic
5 29 development a description of the activities involving the use
5 30 of withholding agreements. The description shall include, but
5 31 is not limited to, the following:

5 32 (1) The total number of targeted jobs and a breakdown as
5 33 to those that are Iowa business expansions or retentions
5 34 within the city limits of the pilot project city and those
5 35 that are jobs resulting from established out-of-state
6 1 businesses moving to or expanding in Iowa.

6 2 (2) The number of withholding agreements and the amount of
6 3 withholding credits involved.

6 4 (3) The types of businesses that entered into the
6 5 agreements, and the types of businesses that declined the
6 6 city's proposal to enter into the agreement.

6 7 l. The department of economic development in consultation
6 8 with the department of revenue shall coordinate the pilot
6 9 project program with the pilot project cities under this
6 10 section. The department of economic development is authorized
6 11 to adopt, amend, and repeal rules to implement the pilot
6 12 project program under this section. The department of
6 13 economic development shall prepare an annual report for the
6 14 governor, the general assembly, and the legislative services
6 15 agency on the pilot project program. The pilot project
6 16 program annual report shall include but not be limited to all
6 17 of the following:

6 18 (1) The amount each project received from each state
6 19 economic development and tax credit program.

6 20 (2) The number of new jobs resulting from the pilot
6 21 program.

6 22 (3) The average wage resulting from the pilot project.

6 23 (4) An evaluation of the investment made by the state of
6 24 Iowa, including but not limited to the terms in subparagraphs
6 25 (1) through (3).

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CHRISTOPHER C. RANTS
Speaker of the House

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JEFFREY M. LAMBERTI
President of the Senate

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7 2 I hereby certify that this bill originated in the House and
7 3 is known as House File 2731, Eighty-first General Assembly.

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MARGARET THOMSON
Chief Clerk of the House

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7 9 Approved _____, 2006

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THOMAS J. VILSACK
Governor

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