



THOMAS J. VILSACK  
GOVERNOR

OFFICE OF THE GOVERNOR

SALLY J. PEDERSON  
LT. GOVERNOR

May 30, 2006

The Honorable Chester Culver  
Secretary of State  
State Capitol Building  
L O C A L

Dear Mr. Secretary:

I hereby transmit:

**House File 2731**, an Act relating to a targeted jobs withholding tax credit to be used for funding improvements in certain urban renewal areas.

The above House File is hereby approved this date.

Sincerely,

A handwritten signature in cursive script that reads "Thomas J. Vilsack".

Thomas J. Vilsack  
Governor

TJV:jmc

cc: Secretary of the Senate  
Chief Clerk of the House





HOUSE FILE 2731

AN ACT

RELATING TO A TARGETED JOBS WITHHOLDING TAX CREDIT TO BE USED  
FOR FUNDING IMPROVEMENTS IN CERTAIN URBAN RENEWAL AREAS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. NEW SECTION. 403.19A WITHHOLDING AGREEMENT --  
TAX CREDIT.

1. For purposes of this section, unless the context  
otherwise requires:

a. "Business" means any professional services, or  
industrial enterprise, including medical treatment facilities,  
manufacturing facilities, corporate headquarters, and research  
facilities. "Business" does not include a retail operation or  
a business which closes or substantially reduces its operation  
in one area of this state and relocates substantially the same  
operation to another area of this state.

b. "Employee" means the individual employed in a targeted  
job that is subject to a withholding agreement.

c. "Employer" means a business creating targeted jobs in  
an urban renewal area of a pilot project city pursuant to a  
withholding agreement.

d. "Pilot project city" means a city that has applied and  
been approved as a pilot project city pursuant to subsection  
2.

e. "Qualifying investment" means a capital investment in  
real property including the purchase price of land and  
existing buildings, site preparation, building construction,  
and long-term lease costs. "Qualifying investment" also means  
a capital investment in depreciable assets.

f. "Targeted job" means a job in a business which is or will be located in an urban renewal area of a pilot project city that pays a wage at least equal to the countywide average wage. "Targeted job" includes new jobs from Iowa business expansions or retentions within the city limits of the pilot project city and those jobs resulting from established out-of-state businesses, as defined by the department of economic development, moving to or expanding in Iowa.

g. "Withholding agreement" means the agreement between a pilot project city and an employer concerning the targeted jobs withholding credit authorized in subsection 3.

2. An eligible city may apply to the department of economic development to be designated as a pilot project city. An eligible city is a city that contains three or more census tracts and is located in a county meeting one of the following requirements:

- a. A county that borders Nebraska.
- b. A county that borders South Dakota.
- c. A county that borders a state other than Nebraska or South Dakota.

The department of economic development shall approve four eligible cities as pilot project cities, one pursuant to paragraph "a", one pursuant to paragraph "b", and two pursuant to paragraph "c". If more than two cities meeting the requirements of paragraph "c" apply to be designated as a pilot project city, the department of management, in consultation with the department of economic development, shall determine which two cities hold the most potential to create new jobs or generate the greatest capital within their areas. Applications from eligible cities filed on or after October 1, 2006, shall not be considered.

If a pilot project city does not enter into a withholding agreement within one year of its approval as a pilot project city, the city shall lose its status as a pilot project city. Upon such occurrence, the department of economic development shall take applications from other eligible cities to replace that city. Another city shall be designated within six months.

3. a. A pilot project city may provide by ordinance for the deposit into a designated account in the special fund

described in section 403.19, subsection 2, of the targeted jobs withholding credit described in this section. The targeted jobs withholding credit shall be based upon the wages paid to employees pursuant to a withholding agreement.

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

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

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

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

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

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

(3) The approval of local participating authorities.

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

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

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

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

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

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

i. An employer may participate in a new jobs credit from withholding under section 260E.5 or a supplemental new jobs credit from withholding under section 15E.197 or section

15.331, Code 2005, at the same time as the employer is participating in the withholding credit under this section. Notwithstanding any other provision in this section, the new jobs credit from withholding under section 260E.5 and the supplemental new jobs credit from withholding under section 15E.197 or section 15.331, Code 2005, shall be collected and disbursed prior to the withholding credit under this section.

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

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

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

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

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

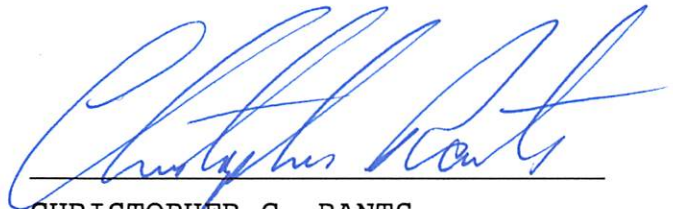
l. The department of economic development in consultation with the department of revenue shall coordinate the pilot project program with the pilot project cities under this section. The department of economic development is authorized to adopt, amend, and repeal rules to implement the pilot project program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

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

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

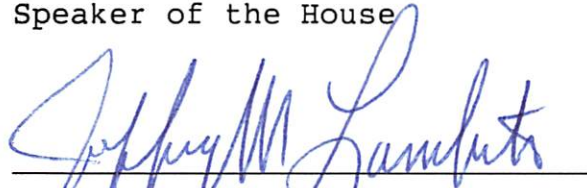
(3) The average wage resulting from the pilot project.

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



CHRISTOPHER C. RANTS

Speaker of the House



JEFFREY M. LAMBERTI

President of the Senate

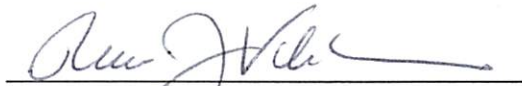
I hereby certify that this bill originated in the House and is known as House File 2731, Eighty-first General Assembly.



MARGARET THOMSON

Chief Clerk of the House

Approved May 30, 2006



THOMAS J. VILSACK

Governor