FEB 1 1 1994

WAYS & MEANS CALENDAR

HOUSE FILE 2180

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 2035)

(SUCCESSOR TO HF 2136)

(p. 290)

Passed House, Date 2/16/94 Passed Senate, Date 2/22/94

Vote: Ayes 56 Nays 42 Vote: Ayes 23 Nays 24

Approved March 4, 1994

A BILL FOR

1 An Act authorizing the department of economic development to
2 assist in the establishment of quality jobs enterprise zones,
3 providing for the establishment of a quality jobs enterprise
4 zone, providing certain economic development assistance, and
5 providing an effective date.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
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HF 2180

TLSB 3338HZ 75

mk/cf/24

S.F. _____ H.F. 2480

1 Section 1. Section 15.108, subsection 9, Code Supplement
2 1993, is amended by adding the following new paragraph:
3 NEW PARAGRAPH. f. At the director's discretion, assist
4 other state and local entities to evaluate requests for the
5 creation of a quality jobs enterprise zone in those cases
6 where creation of a zone would be of significant economic
7 development benefit to the state. The director may recommend
8 that the general assembly establish a quality jobs enterprise
9 zone and that the general assembly determine the types of
10 economic development assistance under chapter 15A which will
11 be available to businesses locating in the zone.
12 Sec. 2. Section 15A.1, subsection 1, unnumbered paragraph
13 1, Code 1993, is amended to read as follows:
14 Economic development is a public purpose for which the
15 state, a city, or a county may provide grants, loans,
16 guarantees, tax incentives, and other financial assistance to
17 or for the benefit of private persons.
18 Sec. 3. Section 15A.1, subsection 2, unnumbered paragraph
19 1, Code 1993, is amended to read as follows:
20 Before public funds are used for grants, loans, tax
21 incentives, or other financial assistance to private persons
22 or on behalf of private persons for economic development, the
23 governing body of the state, city, county, or other public
24 body dispensing those funds or the governing body's designee,
25 shall determine that a public purpose will reasonably be
26 accomplished by the dispensing or use of those funds. In
27 determining whether the funds should be dispensed, the
28 governing body or designee of the governing body shall
29 consider any or all of the following factors:
30 Sec. 4. Section 15A.2, unnumbered paragraph 1, Code 1993,
31 is amended to read as follows:
32 If a member of the governing body of a city or county or an
33 employee of a state, city, or county board, agency,
34 commission, or other governmental entity of the state, city,
35 or county has an interest, either direct or indirect, in a

1 private person for which grants, loans, guarantees, tax
2 incentives, or other financial assistance may be provided by
3 the governing board or governmental entity, the interest shall
4 be disclosed to that governing body or governmental entity in
5 writing. The member or employee having the interest shall not
6 participate in the decision-making process with regard to the
7 providing of such financial assistance to the private person.
8 Sec. 5. NEW SECTION. 15A.9 QUALITY JOBS ENTERPRISE ZONE
9 -- STATE ASSISTANCE.
10 1. FINDINGS -- ZONE DESIGNATION.
11 a. The general assembly finds and declares that the
12 designation of a quality jobs enterprise zone and the
13 provision of economic development assistance within the zone
14 are necessary to diversify the Iowa economy, enhance
15 opportunities for Iowans to obtain quality industrial jobs,
16 and provide significant economic benefits to the state through
17 the expansion of Iowa's economy. Establishment of the quality
18 jobs enterprise zone and the economic development assistance
19 provided by the state or a local community will be for the
20 well-being and benefit of the residents of the state and will
21 be for a public purpose.
22 b. In order to assist a community or communities located
23 within the state to secure new industrial manufacturing jobs,
24 the state of Iowa makes economic development assistance
25 available within the zone, and the department of economic
26 development shall designate a site or sites, which shall not
27 be larger than two thousand five hundred contiguous acres,
28 within thirty days of the effective date of this Act, as a
29 quality jobs enterprise zone or zones for the purpose of
30 attracting a primary business and supporting businesses to
31 locate facilities within the state.
32 The primary business or a supporting business shall not be
33 prohibited from participating in or receiving other economic
34 development programs or services or electing to utilize other
35 tax provisions to the extent authorized elsewhere by law.

1 2. DEFINITIONS. As used in this section:
2 a. "Contractor or subcontractor" means a person who
3 contracts with the primary business or a supporting business
4 or subcontracts with a contractor for the provision of
5 property, materials, or services for the construction or
6 equipping of a facility, located within the zone, of the
7 primary business or a supporting business.
8 b. "Primary business" means the business which provides
9 the department of economic development within thirty days of
10 the effective date of this Act, with notice of its intent to
11 develop and operate a new manufacturing facility on a specific
12 location within the state, including the legal description of
13 the site which shall not contain more than two thousand five
14 hundred contiguous acres, to invest at least two hundred fifty
15 million dollars in the facility, and to commence construction
16 of the facility by December 31, 1994. The headquarters of the
17 primary business need not be within the zone.
18 c. "Project completion" means the first date upon which
19 the average annualized production of finished product for the
20 preceding ninety-day period at the manufacturing facility
21 operated by the primary business within the zone is at least
22 fifty percent of the initial design capacity of the facility.
23 The primary business shall inform the department of revenue
24 and finance in writing within two weeks of project completion.
25 d. "Supporting business" means a business under contract
26 with the primary business to provide property, materials, or
27 services which are a necessary component of the operation of
28 the manufacturing facility. To qualify as a supporting
29 business, the business shall have a permanent facility located
30 within the zone and the revenue from fulfilling the contract
31 with the primary business shall constitute at least seventy-
32 five percent of the revenue generated by the business from all
33 activities undertaken from the facility within the zone.
34 e. "Zone" means the quality jobs enterprise zone.
35 3. NEW JOBS CREDIT. At the request of the primary

1 business or a supporting business, an agreement authorizing a
2 supplemental new jobs credit from withholding from jobs within
3 the zone may be entered into between the department of revenue
4 and finance, a community college, and the primary business or
5 a supporting business. The agreement shall be for program
6 services for an additional job training project, as defined in
7 chapter 260E. The agreement shall provide for the following:
8 a. That the project shall be administered in the same
9 manner as a project under chapter 260E and that a supplemental
10 new jobs credit from withholding in an amount equal to one and
11 one-half percent of the gross wages paid by the primary
12 business or a supporting business pursuant to section 422.16
13 is authorized to fund the program services for the additional
14 project.
15 b. That the supplemental new jobs credit from withholding
16 shall be collected, accounted for, and may be pledged by the
17 community college in the same manner as described in section
18 260E.5.
19 c. That the community college shall not be allowed any
20 expenses for administering the additional project except those
21 expenses which are directly attributable to the additional
22 project and which are in excess of the expenses allowed for
23 the project under chapter 260E.
24 To provide funds for the payment of the costs of the
25 additional project, a community college may borrow money,
26 issue and sell certificates, and secure the payment of the
27 certificates in the same manner as described in section
28 260E.6, including, but not limited to, providing the
29 assessment of an annual levy as described in section 260E.6,
30 subsection 4. The program and credit authorized by this
31 subsection is in addition to, and not in lieu of, the program
32 and credit authorized in chapter 260E.
33 4. INVESTMENT TAX CREDIT. The primary business and a
34 supporting business shall be entitled to a corporate tax
35 credit equal to ten percent of the new investment made within

1 the zone by the primary business or a supporting business
2 prior to project completion. A credit in excess of the tax
3 liability for the tax year may be credited to the tax
4 liability for the following twenty years or until depleted,
5 whichever comes first.
6 For purposes of this section, "new investment made within
7 the zone" means the capitalized cost of all real and personal
8 property, including buildings and other improvements to real
9 estate, purchased or otherwise acquired or relocated to the
10 zone for use in the operation of the primary business or a
11 supporting business within the zone. New investment in the
12 zone does not include land, intangible property, or furniture
13 and furnishings. The capitalized cost of property shall for
14 the purposes of this section be determined in accordance with
15 generally accepted accounting principles.
16 5. PROPERTY TAX EXEMPTION.
17 a. All property, except land and buildings, used by the
18 primary business or a supporting business and located within
19 the zone, shall be exempt from property taxation for a period
20 of twenty years beginning with the year it is first assessed
21 for taxation. In order to be eligible for this exemption, the
22 property shall be acquired or leased by the primary business
23 or a supporting business or relocated by the primary business
24 or a supporting business to the zone from outside the state
25 prior to project completion.
26 b. Property which is exempt for property tax purposes
27 under this subsection is eligible for the sales and use tax
28 exemption under section 422.45, subsection 27, notwithstanding
29 that subsection or any other provision of the Code to the
30 contrary.
31 6. SALES, SERVICE, AND USE TAX REFUND. Taxes paid
32 pursuant to chapter 422 or 423 on the gross receipts or rental
33 price of property purchased or rented by the primary business
34 or a supporting business for use by the primary business or a
35 supporting business within the zone or on gas, electricity,

1 water, and sewer utility services prior to project completion
2 shall be refunded to the primary business or supporting
3 business if the item was purchased or the service was
4 performed or received prior to project completion. Claims
5 under this section shall be submitted on forms provided by the
6 department of revenue and finance not later than six months
7 after project completion. The refund in this subsection shall
8 not apply to furniture or furnishings, or intangible property.
9 7. SALES, SERVICES, AND USE TAX REFUND -- CONTRACTOR OR
10 SUBCONTRACTOR. The primary business or a supporting business
11 shall be entitled to a refund of the taxes paid under chapters
12 422 and 423 for gas, electricity, water, or sewer utility
13 services, goods, wares, or merchandise, or on services
14 rendered, furnished, or performed to or for a contractor or
15 subcontractor and used in the fulfillment of a written
16 contract relating to the construction or equipping of a
17 facility within the zone of the primary business or a
18 supporting business. Taxes attributable to intangible
19 property and furniture and furnishings shall not be refunded.
20 To receive the refund a claim shall be filed by the primary
21 business or a supporting business with the department of
22 revenue and finance as follows:
23 a. The contractor or subcontractor shall state under oath,
24 on forms provided by the department, the amount of the sales
25 of goods, wares, or merchandise or services rendered,
26 furnished, or performed including water, sewer, gas, and
27 electric utility services for use in the zone upon which sales
28 or use tax has been paid prior to the project completion, and
29 shall file the forms with the primary business or supporting
30 business before final settlement is made.
31 b. The primary business or a supporting business shall,
32 not more than six months after project completion, make
33 application to the department for any refund of the amount of
34 the taxes paid pursuant to chapter 422 or 423 upon any goods,
35 wares, or merchandise, or services rendered, furnished, or

1 performed, including water, sewer, gas, and electric utility
2 services. The application shall be made in the manner and
3 upon forms to be provided by the department, and the
4 department shall audit the claim and, if approved, issue a
5 warrant to the primary business or supporting business in the
6 amount of the sales or use tax which has been paid to the
7 state of Iowa under a contract. A claim filed by the primary
8 business or a supporting business in accordance with this
9 subsection shall not be denied by reason of a limitation
10 provision set forth in chapter 421, 422, or 423.
11 c. A contractor or subcontractor who willfully makes a
12 false report of tax paid under the provisions of this
13 subsection is guilty of a simple misdemeanor and in addition
14 is liable for the payment of the tax and any applicable
15 penalty and interest.
16 8. CORPORATE TAX RESEARCH CREDIT. A corporate tax credit
17 shall be available to the primary business or a supporting
18 business for increasing research activities in this state
19 within the zone. The credit equals thirteen percent of the
20 state's apportioned share of the qualifying expenditures for
21 increasing research activities. The state's apportioned share
22 of the qualifying expenditures for increasing research
23 activities is a percent equal to the ratio of qualified
24 research expenditures in this state within the zone to total
25 qualified research expenditures. Any credit in excess of the
26 tax liability for the tax year shall be refunded with interest
27 computed under section 422.25. In lieu of claiming a refund,
28 the primary business or a supporting business may elect to
29 have the overpayment shown on its final return credited to its
30 tax liability for the following tax year.
31 For the purposes of this section, "qualifying expenditures
32 for increasing research activities" means the qualifying
33 expenditures as defined for the federal credit for increasing
34 research activities which would be allowable under section 41
35 of the Internal Revenue Code in effect on January 1, 1994.

1 The credit authorized in this subsection is in lieu of the
2 credit authorized in section 422.33, subsection 5.
3 9. EXEMPTION FROM LAND OWNERSHIP RESTRICTIONS FOR
4 NONRESIDENT ALIENS.
5 a. The primary business and a supporting business, to the
6 extent the primary business or the supporting business is not
7 actively engaged in farming within the zone, may acquire, own,
8 and lease land in the zone, notwithstanding the provisions of
9 section 9H.4, 9H.5, and 567.3, and shall be exempt from the
10 requirements of section 567.4. The primary business and
11 supporting business shall comply with the remaining provisions
12 of chapters 9H and 567 to the extent they do not conflict with
13 this subsection.
14 b. "Actively engaged in farming" means any of the
15 following:
16 (1) Inspecting agricultural production activities within
17 the zone periodically and furnishing at least half of the
18 value of the tools and paying at least half the direct cost of
19 production.
20 (2) Regularly and frequently making or taking an important
21 part in making management decisions substantially contributing
22 to or affecting the success of the farm operations within the
23 zone.
24 (3) Performing physical work which significantly
25 contributes to crop or livestock production.
26 10. LIMITATION ON ASSISTANCE. Economic development
27 assistance under subsections 3 through 9 shall only be
28 available to the primary business or a supporting business.
29 Sec. 6. EFFECTIVE DATE. This Act, being deemed of
30 immediate importance, takes effect upon enactment.
31 EXPLANATION
32 This bill authorizes the department of economic development
33 to assist in the evaluation of requests for the establishment
34 of quality jobs enterprise zones. The director of the
35 department of economic development may recommend that the

1 general assembly establish a quality jobs enterprise zone and
2 provide economic development assistance within the zone. Tax
3 incentives are included in the types of economic development
4 assistance which the state, a city, or a county may provide to
5 a private entity under chapter 15A.
6 The general assembly makes findings and declarations
7 regarding the need for establishing a quality jobs enterprise
8 zone and for providing economic development assistance within
9 a zone. The bill also provides that the establishment of the
10 zone and the provision of economic development assistance will
11 be for the well-being and benefit of the residents of the
12 state and will be for a public purpose.
13 The bill requires the department of economic development to
14 make a quality jobs enterprise zone designation within 30 days
15 of the effective date of the bill and provides for economic
16 development assistance in order to attract a primary business
17 or secondary business to locate within the zone. A zone
18 designated by the department shall be no larger than 2,500
19 contiguous acres. A business locating within the zone and
20 receiving economic development assistance may also, under the
21 bill, participate in other economic development programs and
22 utilize other tax provisions that those contained in the bill.
23 The bill also defines the terms primary business and
24 supporting business, project completion, and contractor or
25 subcontractor as those terms are used in the bill.
26 The bill provides the following economic development
27 assistance within a quality jobs enterprise zone:
28 1. A supplemental new jobs training agreement between the
29 primary business, or a supporting business, a community
30 college, and the department of revenue and finance. The
31 agreement will authorize a supplemental credit of one and one-
32 half percent from the withholding from gross wages of
33 employees of a primary or a supporting business to fund job
34 training activities. The agreement is to be administered in
35 the same manner as a new jobs training project under chapter

1 260E. However, a community college shall not receive any
2 administrative expenses for the supplemental training project
3 unless directly attributable to the additional project.
4 2. An investment tax credit of 10 percent on the corporate
5 income tax paid by a business located within the zone. The
6 investment tax credit will be calculated on the new investment
7 in certain property, made within the zone prior to the project
8 completion date provided to the department of revenue and
9 finance by the business developing and operating the new
10 manufacturing facility. The tax credit is available to the
11 primary business and supporting businesses in the zone.
12 3. A property tax exemption on all property, except land
13 and buildings, used by the primary business and supporting
14 businesses in the zone for a period of 20 years. The property
15 must be built or brought to the zone prior to the project
16 completion date. The exempt property is also exempt from
17 sales and use tax.
18 4. A refund of sales, service, and use taxes paid on
19 property, except furniture or furnishings, or utility services
20 used by the primary business or supporting businesses within
21 the zone prior to the project completion date.
22 5. The primary business or a supporting business is
23 entitled to a refund of sales, service, and use taxes paid by
24 a contractor or subcontractor in the performance of a written
25 contract relating to the construction or equipping of a
26 facility within the zone.
27 6. A corporate tax credit for increasing research
28 activities within the zone of 13 percent in place of the six
29 and one-half percent credit allowed under section 422.33,
30 subsection 5. The research credit in the bill is administered
31 in the same manner as the credit in section 422.33, subsection
32 5.
33 7. An exemption from the limitations on ownership by
34 foreign corporations of agricultural land in Iowa so long as
35 the business owning the land is not actively engaged in

farming.

The bill provides that the benefits provided to the primary or supporting businesses are not available to customers of either unless the customer is the primary business or a supporting business.

The bill takes effect upon enactment.

HOUSE FILE 2180
FISCAL NOTE

A fiscal note for **House File 2180 as amended by H-5055** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Amendment H-5055 eliminates property tax on M&E, primarily computer equipment, provided the amount of equipment, in total, is less than $5,000 in value. The Amendment also eliminates property tax on all new M&E, provided the affected M&E has not been fully depreciated. The Amendment provides for the State to replace lost local revenue.

FISCAL IMPACT:

The local governments can expect to lose between $0.4 million and $0.8 million from the small business section of the Amendment. This is based on the assumption that 25.0% of businesses with fewer than 5 employees will no longer be paying property taxes on their computers.

The elimination of property tax on all new machinery and equipment will result in a loss to the local governments of $4.8 million a year, beginning in FY 1997. Under the terms of the Amendment, the State will reimburse the counties for the loss. Therefore, the State will realize a cost to the General Fund of $4.8 million in FY 1997, $9.6 million in FY 1998, $14.4 million in FY 1999, and an additional $4.8 million each year until FY 2016. The impact in the final year will be a decrease of approximately $95.0 million and an increase in State aid under the school aid formula of $12.3 million ($0.6 million per year).

There is one additional feature of the Amendment that needs to be noted. The State, under the school aid formula, will replace $5.40 per $1,000 of taxable valuation to State's school districts. Thus, the Amendment will be double funding the school districts. If the State changes the school aid formula to avoid this loophole, the $12.3 million State school aid cost would be eliminated.

(LSB 3338hz.4, JAM)

FILED FEBRUARY 15, 1994 BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 2180
FISCAL NOTE

A fiscal note for **House File 2180 as amended by H-5048** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Amendment H-5048 would change the property tax exemption on M&E into a refundable credit against Iowa corporate income tax.

The M&E provision in the Bill is estimated to cost local government approximately $2.6 million each year beginning in FY 1997. Approximately $0.5 million of this, however, is already paid by the State due to the School Aid Formula. Therefore, the cost of the Amendment to the General Fund would be approximately $2.1 million each year beginning in FY 1997. This does not include any interest payments that may result, depending on when the company files its return. This cost, in any case, would not exceed $0.2 million.
(LSB 3338hz.3, JAM)

FILED FEBRUARY 15, 1994 BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 2180
FISCAL NOTE

A fiscal note for **House File 2180** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 2180 authorizes the Department of Economic Development (DED) to evaluate requests for the establishment of "quality jobs enterprise zones." The Bill requires the DED to make a quality jobs enterprise zone designation within 30 days of the effective date of the Bill and provides for economic development assistance in order to attract a primary business or secondary business to locate within the zone. The Bill provides the following incentives for those locating within the zone:

Supplemental New Jobs Training Agreement. This will double the current Industrial New Jobs Training Program to 3.0% of the gross payroll of the affected business. This provision is administered the same as chapter 260E, except that the community college that administers the agreement shall not receive any additional administrative expenses beyond that which is received under current law.

Investment Tax Credit (ITC). The primary or supporting business is granted a 10.0% ITC, which may be used against Iowa corporate income tax liability. The credit is nonrefundable, and applies only to investment made prior to the project completion date.

Machinery and Equipment (M&E) Property Tax Exemption. The M&E exemption will last 20 years, and will only cover M&E brought to the zone prior to the project completion date.

Sales and Use Tax Exemption. The exemption is for materials purchased in conjunction with the building phase, and will be granted in the form of a refund. The exemption will also apply to contractors and subcontractors. Sales and use tax on furniture, furnishings, and utilities are not exempted.

Research and Development (R&D) Tax Credit. The Bill doubles the current R&D tax credit to 13.0%. The credit is administered in the same manner as the credit in section 422.33, subsection 5 of the Code of Iowa. The credit is refundable, or may be used against State corporate income tax liability.

Land Ownership Limitation Exemption. The Bill exempts the primary business from the limitations on ownership by foreign corporations of agricultural land, provided they don't actively farm the land. This exemption is not expected to entail a direct fiscal impact to the State or local governments.

ASSUMPTIONS:

1. The DED will grant the enterprise zone to Ipsco Inc., a Canadian steel manufacturer. The DED will establish the zone in Muscatine County. The DED will not give the incentive package to any other primary business.

2. Ipsco Inc. will invest a total of $360.0 million in construction ($45.0 million), pollution devices ($30.0 million), and new M&E ($285.0 million), over 2 years. Of this amount, approximately $25.0 million would be taxable, for the purposes of sales and use tax, under current law.

3. The total corporate income tax liability for Ipsco Inc. and supporting business is expected to be approximately $8.5 million over 20 years. Most of the company's profits are expected to result from out-of-State sales.

4. Ipsco Inc. will employ 600 workers in the first 2 years to complete the construction phase. The company will hire and maintain an average of 300 workers over the succeeding 18 years. These jobs will pay an average of approximately $20 per hour. This wage is determined by the Iowa Regional Econometric Input Output Model(IREIM) based on sector specific estimates. Approximately 90.0% of these workers will be Iowa residents.

5. Approximately 500 new Iowa residents (or existing residents that would otherwise have left the State) will pay property taxes on homes, the average home value will be $50,000. There will be an average of 3 occupants per home.

6. This estimate does not take into account the direct aid that comes from the DED or the Department of Transportation (DOT). These incentives are available under current law. Taking these direct payments into account would add $3.0 million to the cost of the package.

7. All State taxes generated by Ipsco Inc., as well as corresponding business activity and economic activity is estimated using the IREIM, and the Council of State Governments' (CSG) estimates of revenue elasticities of various taxes. Ipsco Inc. and all resulting economic activity are expected to result in an increase to the General Fund of approximately $2.7 million in FY 1995 and FY 1996, and an increase of $1.9 million in each subsequent year until FY 2014.

IMPACTS BY PROVISION:

1. *Supplemental New Jobs Training Program* - The estimate assumes only the amount that is not provided under current law, 1.5%. The added portion is expected to result in a loss to the State of approximately $1.6 million, spread evenly over 10 years, beginning in FY 1995.

2. ITC - The credit is expected to be sufficient to eliminate the corporate tax liability of the company. The effect will be a loss to the State of approximately $470,000 each year beginning in FY 1997 through FY 2014.

3. M&E Property Tax Exemption - The M&E property tax liability would be $2.6 million each year, beginning in FY 1997, under current law. This cost falls on the local government, but the State makes up $5.40 per $1,000 of

taxable valuation under the School Aid Formula. This amounts to a loss to the State of approximately $460,000 each year, beginning in FY 1997. Thus the local government would realize a net loss of approximately $2.1 million each year beginning in FY 1997.

4. Sales and Use Tax Exemption - The DRF is expected to issue a refund to Ipsco Inc. of approximately $1.3 million in FY 1995 for sales and use tax paid on construction materials.

5. R&D Tax Credit - Ipsco Inc. will qualify for a negligible amount of R&D. Given the constraints of the R&D tax credit, the company is not likely to receive additional refunds as a result of this incentive. This estimate assumes no impact to the State as a result of this provision.

6. Local Provisions - The affected local governments are expected to provide incentive provisions in the form of a Tax Increment Financing (TIF) option. The TIF is expected to result in a loss to the local governments of $14.0 million over 15 years, beginning in FY 1997. If TIF bonds are issued, the State would be liable for additional school aid payments, much like those issued under the M&E provision. The net result would be loss to the local governments of $760,000, and a net loss to the State of $170,000 each year, for 15 years beginning in FY 1997.

FISCAL IMPACT:

House File 2180, when compared exclusively to current law, will result in an increase to the General fund of approximately $1.3 million in FY 1995, $2.5 million in FY 1996, $0.9 million each year from FY 1997 through FY 2004, and $1.0 million each year from FY 2005 through FY 2014. These figures do not include DED direct incentives, current law New Jobs Training Program funds, or a local TIF.

House File 2180, when compared to current law, will result in a decrease to local governments of $0.5 million each year from FY 1997 through FY 2014. If the affected local governments issue the expected TIF, there would be an additional loss of $0.7 million each year from FY 1997 through FY 2011.

SOURCES:

DED, DRF, IREIM, Ipsco Inc.

(LSB 3338hz.2, JAM)

FILED FEBRUARY 15, 1994 BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 2180
FISCAL NOTE

A fiscal note for **House File 2180 as amended by H-5065** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Amendment H-5065 would require the State to reimburse a local government for all losses due to State mandates. Assuming that the Machinery and Equipment (M&E) property tax exemption is the only State mandate in the bill, the State would be required to reimburse the affected local governments for the loss of approximately $2.6 million each year beginning in FY 1997.

The State is already reimbursing the local schools for approximately $460,000 each year, beginning in FY 1997, due to the school aid formula. Assuming that this payment would be considered part of the offset, the total impact of the Amendment, when compared to HF 2180, would be a loss to the General Fund of $2.1 million each year from FY 1997 through FY 2016.

(LSB 3338hz.5, JAM)

FILED FEBRUARY 16, 1994 BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 2180

H-5047

1 Amend House File 2180 as follows:
2 1. Page 3, line 11, by inserting after the word
3 "facility" the following: ", for the purpose of
4 expanding the primary business' world-wide production
5 level,".

By BRUNKHORST of Bremer

H-5047 FILED FEBRUARY 14, 1994

WITHDRAWN 2-16-94 (P. 267)

HOUSE FILE 2180

H-5048

1 Amend House File 2180 as follows:
2 1. Page 5, by striking lines 17 through 20 and
3 inserting the following:
4 "a. The primary business or a supporting business
5 shall be entitled to a corporate tax credit equal to
6 the amount of property taxes paid on property, except
7 land and buildings, used by the primary business or a
8 supporting business and located within the zone for
9 twenty tax years beginning with the tax year in which
10 the property taxes on the property are first paid."
11 2. Page 5, line 21, by striking the words "for
12 taxation."
13 3. Page 5, by striking lines 26 through 30 and
14 inserting the following:
15 "b. Any credit in excess of the tax liability for
16 the taxable year shall be refunded with interest
17 computed under section 422.25. In lieu of claiming a
18 refund, the primary business or a supporting business
19 may elect to have the overpayment shown on its final,
20 completed return credited to the tax liability for the
21 following taxable year."

By BERNAU of Story

H-5048 FILED FEBRUARY 14, 1994

Lost 2/16/94

(P. 284)

HOUSE FILE 2180

H-5049

1 Amend House File 2180 as follows:
2 1. Page 5, line 21, by inserting after the word
3 "taxation" the following: ", if approved in
4 accordance with paragraph "c"".
5 2. Page 5, by inserting after line 30 the
6 following:
7 "c. Before a primary business or supporting
8 business receives an exemption from property taxes in
9 a quality jobs enterprise zone, the exemption shall be
10 approved by a majority of the county voters voting on
11 the proposition as provided in this paragraph. The
12 board of supervisors, upon receipt of a valid petition
13 meeting the requirements of section 331.306, shall
14 direct the commissioner of elections to submit to the
15 qualified electors of the county a proposition to
16 approve or disapprove the exemption. The proposition
17 shall be submitted at a general election or at a
18 special election called for that purpose. To be
19 submitted at a general election, the petition must be
20 received by the board of supervisors at least five
21 working days before the last day for candidates for
22 county offices to file nomination papers for the
23 general election pursuant to section 44.4. If a
24 majority of the county voters voting on the
25 proposition favor the exemption, the exemption shall
26 be granted. After a referendum has been held, another
27 referendum requested by petition shall not be held for
28 at least two years."
29 3. Title page, line 4, by inserting after the
30 word "assistance," the following: "requiring a
31 referendum for property tax incentives,".

By BERNAU of Story

H-5049 FILED FEBRUARY 14, 1994

Lost 2/16/94 (P. 285)

HOUSE FILE 2180

H-5050

1 Amend House File 2180 as follows:
2 1. Page 1, line 7, by striking the word
3 "director" and inserting the following: "governor".
4 2. Page 2, lines 25 and 26, by striking the words
5 "department of economic development" and inserting the
6 following: "governor".

By WEIGEL of Chickasaw

H-5050 FILED FEBRUARY 14, 1994

WITHDRAWN
2/16/94
(P. 264)

HOUSE FILE 2180

H-5051

1 Amend House File 2180 as follows:
2 1. Page 2, line 28, by striking the words "within
3 thirty days of the effective date of this Act,".
4 2. Page 3, lines 9 and 10, by striking the words
5 "within thirty days of the effective date of this
6 Act,".

By WEIGEL of Chickasaw

H-5051 FILED FEBRUARY 14, 1994

Lost 2/16/94
(P. 266)

HOUSE FILE 2180

H-5052

1 Amend House File 2180 as follows:
2 1. Page 8, by striking lines 3 through 25.
3 2. Page 8, line 27, by striking the figure "9"
4 and inserting the following: "8".
5 3. By renumbering and correcting internal
6 references as necessary.

By WEIGEL of Chickasaw

H-5052 FILED FEBRUARY 14, 1994

Lost 2/16/94 (P. 289)

HOUSE FILE 2180

H-5053

1 Amend House File 2180 as follows:
2 1. Page 2, by inserting after line 31, the
3 following:
4 "c. A city or county may designate an area within
5 the jurisdiction of the city or county as eligible to
6 be a quality jobs enterprise zone by passing an
7 ordinance that designates the area as eligible. If a
8 portion of the area is located outside of a city or in
9 more than one city or county, each city and county
10 comprising the area shall jointly establish an entity
11 pursuant to chapter 28E and shall pass an ordinance
12 designating that portion of the area as eligible."

By NEUHAUSER of Johnson

H-5053 FILED FEBRUARY 14, 1994

WITHDRAWN
(P 266)
2/16/94

HOUSE FILE 2180

H-5054

1 Amend House File 2180 as follows:
2 1. Page 1, by striking lines 1 through 11 and
3 inserting the following:
4 "Section 1. NEW SECTION. 15.325 NEGOTIATIONS --
5 STATE AND LOCAL OFFICIALS -- RESTRICTIONS.
6 A state or local government official acting in an
7 official capacity shall not offer to a business
8 economic development benefits which are not authorized
9 under the law of this state in effect at the time of
10 the negotiations or which have been enacted, but not
11 yet taken effect."
12 2. By striking page 2, line 8, through page 8,
13 line 28, and inserting the following:
14 "Sec. ___. NEW SECTION. 15E.201 SHORT TITLE.
15 This division shall be known and may be cited as
16 the "Quality Jobs Program".
17 Sec. ___. NEW SECTION. 15E.202 PURPOSE.
18 The purpose of this program is to assist cities and
19 counties of the state to attract high quality
20 employers.
21 Sec. ___. NEW SECTION. 15E.203 DEFINITIONS.
22 As used in this division:
23 1. "Contractor or subcontractor" means a person
24 who contracts with the primary business or a
25 supporting business or subcontracts with a contractor
26 for the provision of property, materials, or services
27 for the construction or equipping of a facility of the
28 primary business or a supporting business.
29 2. "Primary business" means the business which
30 meets the eligibility criteria of section 15E.205 and
31 which develops and operates a new facility in this
32 state. The headquarters of the primary business need
33 not be within the state.
34 3. "Project completion" means the first date upon
35 which the average annualized production of finished
36 product for the preceding ninety-day period at a
37 manufacturing facility operated by the primary
38 business is at least fifty percent of the initial
39 design capacity of the facility. The primary business
40 shall inform the department of revenue and finance in
41 writing within two weeks of project completion. For
42 any other type of facility, it means the date
43 determined in the agreement executed pursuant to
44 section 15E.206.
45 4. "Supporting business" means a business under
46 contract with the primary business to provide
47 property, materials, or services which are a necessary
48 component of the operation of the facility. To
49 qualify as a supporting business, the business shall
50 have a permanent facility located within the state and

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1 the revenue from fulfilling the contract with the
2 primary business shall constitute at least seventy-
3 five percent of the revenue generated by the business
4 from all activities undertaken from the facility.
5 Sec. ___. NEW SECTION. 15E.204 PROGRAM.
6 The department shall establish a program to
7 effectuate the purposes of this division by providing
8 the following nontransferable economic development
9 incentives to a primary or supporting business:
10 1. A supplemental new jobs credit from withholding
11 from jobs at the facility is authorized between the
12 department of revenue and finance, a community
13 college, and the primary business or a supporting
14 business. The agreement shall be for program services
15 for an additional job training project, as defined in
16 chapter 260E. The agreement shall provide for the
17 following:
18 a. That the project shall be administered in the
19 same manner as a project under chapter 260E and that a
20 supplemental new jobs credit from withholding in an
21 amount equal to one and one-half percent of the gross
22 wages paid by the primary business or a supporting
23 business pursuant to section 422.16 is authorized to
24 fund the program services for the additional project.
25 b. That the supplemental new jobs credit from
26 withholding shall be collected, accounted for, and may
27 be pledged by the community college in the same manner
28 as described in section 260E.5.
29 c. That the community college shall not be allowed
30 any expenses for administering the additional project
31 except those expenses which are directly attributable
32 to the additional project and which are in excess of
33 the expenses allowed for the project under chapter
34 260E.
35 To provide funds for the payment of the costs of
36 the additional project, a community college may borrow
37 money, issue and sell certificates, and secure the
38 payment of the certificates in the same manner as
39 described in section 260E.6, including, but not
40 limited to, providing the assessment of an annual levy
41 as described in section 260E.6, subsection 4. The
42 program and credit authorized by this subsection is in
43 addition to, and not in lieu of, the program and
44 credit authorized in chapter 260E.
45 2. INVESTMENT TAX CREDIT. The primary business
46 and a supporting business shall be entitled to a
47 corporate tax credit equal to ten percent of the new
48 investment made under this program by the primary
49 business or a supporting business prior to project
50 completion. A credit in excess of the tax liability

1 for the tax year may be credited to the tax liability
2 for the following twenty years or until depleted,
3 whichever comes first.
4 . For purposes of this section, "new investment"
5 means the capitalized cost of all real and personal
6 property, including buildings and other improvements
7 to real estate, purchased or otherwise acquired or
8 relocated to the facility for use in the operation of
9 the primary business or a supporting business. New
10 investment does not include land, intangible property,
11 or furniture and furnishings. The capitalized cost of
12 property shall for the purposes of this section be
13 determined in accordance with generally accepted
14 accounting principles.
15 3. PROPERTY TAX EXEMPTION.
16 a. All property, as defined in section 427A.1,
17 subsection 1, paragraphs "e" and "j", used by the
18 primary business or a supporting business under this
19 program, shall be exempt from property taxation for a
20 period of twenty years beginning with the year it is
21 first assessed for taxation. In order to be eligible
22 for this exemption, the property shall be acquired or
23 leased by the primary business or a supporting
24 business or relocated by the primary business or a
25 supporting business to this state from outside the
26 state prior to project completion.
27 b. Property which is exempt for property tax
28 purposes under this subsection is eligible for the
29 sales and use tax exemption under section 422.45,
30 subsection 27, notwithstanding that subsection or any
31 other provision of the Code to the contrary.
32 4. SALES, SERVICE, AND USE TAX REFUND. Taxes paid
33 pursuant to chapter 422 or 423 on the gross receipts
34 or rental price of property purchased or rented by the
35 primary business or a supporting business for use by
36 the primary business or a supporting business under
37 this program or on gas, electricity, water, and sewer
38 utility services prior to project completion shall be
39 refunded to the primary business or supporting
40 business if the item was purchased or the service was
41 performed or received prior to project completion.
42 Claims under this section shall be submitted on forms
43 provided by the department of revenue and finance not
44 later than six months after project completion. The
45 refund in this subsection shall not apply to furniture
46 or furnishings, or intangible property.
47 5. SALES, SERVICES, AND USE TAX REFUND --
48 CONTRACTOR OR SUBCONTRACTOR. The primary business or
49 a supporting business shall be entitled to a refund of
50 the taxes paid under chapters 422 and 423 for gas,

1 electricity, water, or sewer utility services, goods,
2 wares, or merchandise, or on services rendered,
3 furnished, or performed to or for a contractor or
4 subcontractor and used in the fulfillment of a written
5 contract relating to the construction or equipping of
6 a facility under this program of the primary business
7 or a supporting business. Taxes attributable to
8 intangible property and furniture and furnishings
9 shall not be refunded.
10 To receive the refund a claim shall be filed by the
11 primary business or a supporting business with the
12 department of revenue and finance as follows:
13 a. The contractor or subcontractor shall state
14 under oath, on forms provided by the department, the
15 amount of the sales of goods, wares, or merchandise or
16 services rendered, furnished, or performed including
17 water, sewer, gas, and electric utility services for
18 use upon which sales or use tax has been paid prior to
19 the project completion, and shall file the forms with
20 the primary business or supporting business before
21 final settlement is made.
22 b. The primary business or a supporting business
23 shall, not more than six months after project
24 completion, make application to the department for any
25 refund of the amount of the taxes paid pursuant to
26 chapter 422 or 423 upon any goods, wares, or
27 merchandise, or services rendered, furnished, or
28 performed, including water, sewer, gas, and electric
29 utility services. The application shall be made in
30 the manner and upon forms to be provided by the
31 department, and the department shall audit the claim
32 and, if approved, issue a warrant to the primary
33 business or supporting business in the amount of the
34 sales or use tax which has been paid to the state of
35 Iowa under a contract. A claim filed by the primary
36 business or a supporting business in accordance with
37 this subsection shall not be denied by reason of a
38 limitation provision set forth in chapter 421, 422, or
39 423.
40 c. A contractor or subcontractor who willfully
41 makes a false report of tax paid under the provisions
42 of this subsection is guilty of a simple misdemeanor
43 and in addition is liable for the payment of the tax
44 and any applicable penalty and interest.
45 6. CORPORATE TAX RESEARCH CREDIT. A corporate tax
46 credit shall be available to the primary business or a
47 supporting business for increasing research activities
48 in this state under this program. The credit equals
49 thirteen percent of the state's apportioned share of
50 the qualifying expenditures for increasing research

1 activities. The state's apportioned share of the
2 qualifying expenditures for increasing research
3 activities is a percent equal to the ratio of
4 qualified research expenditures in this state to total
5 qualified research expenditures. Any credit in excess
6 of the tax liability for the tax year shall be
7 refunded with interest computed under section 422.25.
8 In lieu of claiming a refund, the primary business or
9 a supporting business may elect to have the
10 overpayment shown on its final return credited to its
11 tax liability for the following tax year.
12 For the purposes of this section, "qualifying
13 expenditures for increasing research activities" means
14 the qualifying expenditures as defined for the federal
15 credit for increasing research activities which would
16 be allowable under section 41 of the Internal Revenue
17 Code in effect on January 1, 1994. The credit
18 authorized in this subsection is in lieu of the credit
19 authorized in section 422.33, subsection 5.
20 7. EXEMPTION FROM LAND OWNERSHIP RESTRICTIONS FOR
21 NONRESIDENT ALIENS.
22 a. The primary business and a supporting business,
23 to the extent the primary business or the supporting
24 business is not actively engaged in farming, may
25 acquire, own, and lease up to one thousand three
26 hundred twenty acres of land, notwithstanding the
27 provisions of section 9H.4, 9H.5, and 567.3, and shall
28 be exempt from the requirements of section 567.4. The
29 land not used for the facility shall not be used for a
30 business purpose. The primary business and supporting
31 business shall comply with the remaining provisions of
32 chapters 9H and 567 to the extent they do not conflict
33 with this subsection.
34 b. "Actively engaged in farming" means any of the
35 following:
36 (1) Inspecting agricultural production activities
37 periodically and furnishing at least half of the value
38 of the tools and paying at least half the direct cost
39 of production.
40 (2) Regularly and frequently making or taking an
41 important part in making management decisions
42 substantially contributing to or affecting the success
43 of the farm operations.
44 (3) Performing physical work which significantly
45 contributes to crop or livestock production.
46 Sec. ___. NEW SECTION. 15E.205 ELIGIBILITY
47 CRITERIA.
48 1. To be eligible to receive the economic
49 development incentives under section 15E.204, a
50 primary or supporting business shall, individually or

1 as part of a group of primary or supporting
2 businesses, do all of the following:
3 a. Invest ten million dollars in new equipment and
4 machinery within three years of the date of the
5 agreement with the department required by section
6 15E.206.
7 b. Pay nonmanagement production employees, in each
8 year in which the business receives incentives under
9 the program, cash wages, not including bonuses or
10 profit sharing or pension, medical, dental, life
11 insurance, or other employment benefits, either one
12 hundred fifty percent of the average wage in the
13 county in which the new investment is located.
14 c. Provide and pay up to eighty percent of the
15 cost of a comprehensive medical and dental insurance
16 plan for all full-time employees working at the
17 facility in which the new investment occurred.
18 d. Offer a pension or profit sharing plan to full-
19 time employees.
20 e. Invest annually no less than one percent of
21 pretax profits from the facility in which the new
22 investment occurred in research and development.
23 f. Increase employment by not less than one
24 hundred full-time employees within three years after
25 the date of the agreement with the department required
26 by section 15E.205 and maintain the jobs for at least
27 five years.
28 2. In determining whether to enter into an
29 agreement under the program, the department shall also
30 consider a variety of factors, including but not
31 limited to the following:
32 a. The quality of the jobs to be created. In
33 rating the quality of the jobs the department shall
34 award more points to those jobs that have a higher
35 wage scale, have a lower turnover rate, are full-time
36 or career-type positions, provide comprehensive health
37 benefits, or have other related factors which could be
38 considered to be higher in quality, than to other
39 jobs. Businesses that have wage scales substantially
40 below that of existing Iowa businesses in that area
41 should be rated as providing the lowest quality of
42 jobs and should therefore be given the lowest ranking
43 for providing such assistance.
44 b. The impact of the proposed project on other
45 businesses in competition with the business being
46 considered for assistance. The department shall make
47 a good faith effort to identify existing Iowa
48 businesses within an industry in competition with the
49 business being considered for assistance. The
50 department shall make a good faith effort to determine

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1 the probability that the proposed financial assistance
2 will displace employees of the existing businesses.
3 In determining the impact on businesses in competition
4 with the business being considered for assistance,
5 jobs created as a result of other jobs being displaced
6 elsewhere in the state shall not be considered direct
7 jobs created.
8 c. The impact to the state of the proposed
9 project. In measuring the economic impact the
10 department shall award more points for projects which
11 have greater consistency with the state strategic plan
12 than other projects. Greater consistency may include
13 any or all of the following:
14 (1) A business with a greater percentage of sales
15 out-of-state or of import substitution.
16 (2) A business with a higher proportion of in-
17 state suppliers.
18 (3) A project which would provide greater
19 diversification of the state economy.
20 (4) A business with fewer in-state competitors.
21 (5) A potential for future job growth.
22 (6) A project which is not a retail operation.
23 d. If a business has a record of violations of the
24 law over a period of time that tends to show a
25 consistent pattern, the business shall be given the
26 lowest ranking for providing assistance. The
27 department shall make a good faith effort to compile
28 this information.
29 e. If a business has, within three years of
30 application for assistance, acquired or merged with an
31 Iowa corporation or company, whether the business has
32 made a good faith effort to hire the workers of the
33 acquired or merged company.
34 f. Whether a business provides for a preference
35 for hiring residents of the state or of the economic
36 development area, except for out-of-state employees
37 offered a transfer to Iowa or to the economic
38 development area.
39 g. Whether all known required environmental
40 permits have been issued and regulations met before
41 moneys are released.
42 Sec. 7. NEW SECTION. 15E.206 NONCOMPLIANCE --
43 PENALTIES.
44 A primary or supporting business shall enter into
45 an agreement with the department and the city or
46 county in which the facility will be located or
47 expanded specifying the requirements which must be met
48 to satisfy the criteria of section 15E.204. The
49 agreement shall contain the following provisions:
50 1. Which of the benefits in section 15E.204 the

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1 business is to receive.
2 2. If the business has not met more than ninety
3 percent of the job creation requirements in section
4 15E.205, subsection 1, it shall repay a percentage of
5 the incentives received under section 15E.204,
6 subsection 1, as follows:
7 a. If the business has met fifty percent or less
8 of the requirement, it shall repay the same percentage
9 in benefits as it failed to create in jobs.
10 b. If the business has met between fifty-one and
11 seventy-five percent of the requirement, it shall
12 repay one-half of the percentage in benefits as it
13 failed to create in jobs.
14 c. If the business has met between seventy-six and
15 ninety percent of the requirement, it shall repay one
16 quarter of the percentage in benefits as it failed to
17 create in jobs.
18 3. If a business does not meet the wage and
19 investment requirements in section 15E.205, subsection
20 1, in any one year, it must meet that requirement in
21 the following year or forfeit the incentives for that
22 year."
23 3. Title page, by striking lines 1 through 4 and
24 inserting the following: "An Act creating a quality
25 jobs program, providing for program requirements and
26 benefits, including tax incentives, providing a
27 penalty and".
28 4. By renumbering as necessary.

By WISE of Lee
McCOY of Polk
RUNNING of Linn

H-5054 FILED FEBRUARY 14, 1994

WITHDRAWN 2/16/94
(p. 282)

HOUSE FILE 2180

5055

1 Amend House File 2180 as follows:
2 1. Page 5, by striking lines 16 through 30.
3 2. Page 8, by inserting after line 28 the
4 following:
5 "Sec. ___. Section 427.1, Code Supplement 1993, is
6 amended by adding the following new subsection:
7 NEW SUBSECTION. 44. MACHINERY AND COMPUTER
8 EQUIPMENT. Property defined in section 427A.1,
9 subsection 1, paragraphs "e" and "j", and assessed
10 pursuant to section 427B.17, if owned by the same
11 person and the combined assessed valuation of all such
12 property is one thousand five hundred dollars or less.
13 Sec. ___. NEW SECTION. 427B.19 TEMPORARY
14 EXEMPTION FROM TAX -- NEW MACHINERY.
15 1. Beginning on the effective date of this Act,
16 property described in section 427B.17, and acquired or
17 initially leased on or after the effective date of
18 this Act, shall be exempt from property taxation for a
19 period of time to be determined as provided in this
20 section.
21 The duration of the exemption from property
22 taxation for any one item of property shall not exceed
23 the amount of time that item of property is scheduled
24 to fully depreciate, according to the applicable
25 depreciation schedule contained in the industrial
26 machinery and equipment guide published by the
27 department of revenue and finance. The department is
28 instructed to revise the industrial machinery and
29 equipment guide to provide a depreciation schedule for
30 machinery and equipment with a life of at least thirty
31 years.
32 Upon expiration of the exemption, the property
33 shall be assessed and taxed in accordance with section
34 427B.17.
35 2. On or before July 1 of each year, the treasurer
36 shall prepare a statement listing for each taxing
37 jurisdiction in the county the amount of property
38 taxes which would have been payable in the coming
39 fiscal year if the property was assessed pursuant to
40 section 427B.17 instead of being totally exempt as
41 provided in subsection 1 and shall certify and forward
42 one copy of the statement to the department of revenue
43 and finance not later than July 1 of each year.
44 3. Each county treasurer shall be reimbursed an
45 amount equal to the lost property taxes for that
46 county determined pursuant to subsection 2. The
47 reimbursement shall be made in two equal installments
48 on or before September 30 and March 30 of each year.
49 The county treasurer shall apportion the disbursement
50 in the manner provided in section 445.57."

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1 3. Title page, line 4, by inserting after the
2 word "assistance," the following: "providing an
3 exemption from property taxation for certain new
4 machinery and computer equipment and providing for
5 reimbursement for taxes not levied,".
6 4. By renumbering and correcting internal
7 references as necessary.

By GILL of Woodbury
HANSEN of Woodbury

H-5055 FILED FEBRUARY 14, 1994

Lost
2/16/94
(p. 288)

HOUSE FILE 2180

H-5056

1 Amend House File 2180 as follows:
2 1. Page 8, by inserting after line 28 the
3 following:
4 "11. Any zone established under this section shall
5 have a permanent buffer tract of a minimum depth of
6 one hundred yards. The buffer tract shall encircle
7 the exterior perimeter of the zone but shall not
8 include corridors necessary to provide utility or
9 transportation access to the industries within the
10 zone. The purpose of the buffer tract shall be to
11 provide a biotic laboratory to study pollution effects
12 on soil, air, water, flora, and fauna. The study
13 shall include but not be limited to the effects on
14 agricultural practices, production, and animal
15 husbandry, biomonitoring and bioassays, including
16 those facilities covered by national pollutant
17 discharge elimination system permits, storm water
18 discharge permits, and barge fleeting areas. The
19 protocol for the biotic laboratory shall be
20 established in consultation with the Iowa academy of
21 science.
22 To ensure that the biotic laboratory is permanent,
23 the buffer tract shall be deeded in perpetuity to a
24 nonprofit organization with experience in
25 environmental matters, such as the nature conservancy,
26 Iowa natural heritage foundation, or a similar group.
27 An ongoing environmental effects analysis, using a
28 base-line methodology, shall be conducted by the
29 department of natural resources through the duration
30 of the zone. The analysis shall measure the impact
31 both within and outside of the zone. The department
32 may contract for any services deemed necessary by the
33 director to complete the analysis. All costs of
34 producing the analysis shall be borne by the
35 businesses within the zone in proportion to each
36 business' five-year average employment as compared to
37 total employment within the zone. However, if one
38 business represents ninety percent or more of total
39 employment within the zone it shall bear the entire
40 cost of the analysis.
41 The business or businesses within the zone shall
42 establish an ongoing citizen advisory committee to
43 share information and concerns, foster cooperation,
44 and mediate conflicts. The advisory committee
45 membership shall include local officials,
46 representatives of each business within the zone, and
47 neighbors of the zone. If the committee is unable to
48 resolve a dispute, the committee may refer the dispute
49 to an outside group experienced in conflict
50 resolution.

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1 An economic cost benefit analysis shall be
2 conducted by the legislative fiscal bureau for every
3 five-year period through the duration of the zone.
4 The analysis shall measure the impact upon both
5 revenues and costs of the state and affected
6 governmental subdivisions due to economic activities
7 within the zone. The legislative fiscal bureau may
8 contract for any services deemed necessary by the
9 director to complete the analysis. All costs of
10 producing the analysis shall be borne by the
11 businesses within the zone in proportion to each
12 business' five-year average employment as compared to
13 total employment within the zone. However, if one
14 business represents ninety percent or more of total
15 employment within the zone it shall bear the entire
16 cost of the analysis."

By HENDERSON of Scott

H-5056 FILED FEBRUARY 14, 1994

Lost 2/16/94
(P. 290)

HOUSE FILE 2180

H-5064

1 Amend House File 2180 as follows:
2 1. Page 1, by inserting before line 1 the
3 following:
4 "Section 1. DECLARATION OF POLICY. The general
5 assembly finds and declares that the accelerated use
6 of direct development incentives by the state to
7 attract economic investment is symptomatic of the
8 continuing slow rate of growth of the nation's
9 economy. Iowa finds itself pressured to take whatever
10 steps are necessary to support job creation that
11 otherwise might occur unaided under more healthy
12 economic conditions.
13 The general assembly also finds and declares that
14 the current economic climate also affects the way the
15 business community behaves when making investment
16 decisions. To minimize new investment in plant and
17 equipment, businesses readily take advantage of
18 available subsidies in the form of development
19 incentives.
20 The general assembly further finds that the public
21 and private sectors should undertake cooperative
22 efforts that result in improvements to the general
23 economic climate rather than focus on subsidies for
24 individual projects or businesses. These efforts will
25 require a behavioral change by both the state and
26 business, balancing short-term self-interest with the
27 long-term common good.
28 The general assembly declares that this change
29 should not result from the threat of punitive measures
30 or federal intervention. The state and business
31 leaders should operate in accordance with the
32 following principles because they represent good
33 public policy; in the long run, adherence to these
34 principles will achieve the desired outcomes in terms
35 of new jobs and higher income in all states and
36 sustained profitability for businesses that invest and
37 operate in these jurisdictions.
38 The general assembly finds and declares that the
39 following principles of mutual cooperation should
40 govern state-business development relations:
41 1. Partnership between state government and
42 business. The relationship between state government
43 and business should be a true partnership. Both state
44 government and business have certain responsibilities
45 and anticipated benefits. The state and the business
46 community should maintain an ongoing dialogue for the
47 purpose of developing sound public policy and
48 programs. The state should implement policy processes
49 that are nonthreatening to the business community and
50 the public.

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1 2. State competition. The state will always be in
2 competition with other states for business
3 investments. However, this competition should not be
4 characterized by how much direct assistance the state
5 can provide to individual businesses. Rather the
6 competition should focus on how the state attempts to
7 provide a business climate in which existing
8 businesses can operate profitably and expand and new
9 businesses can be established and survive. The
10 competition should be judged on factors such as
11 improvements in education, transportation, and
12 telecommunication; stable fiscal conditions; tax
13 policies; business regulation; and the provision of
14 quality public services.
15 3. Subsidies. The state will continue to provide
16 subsidies to businesses. However, the provision of
17 subsidies should adhere to the following criteria:
18 a. Public resources should be used to encourage
19 and foster development that otherwise would not occur,
20 not merely to influence the location of private
investment.
b. Public subsidies should benefit and be
23 available to all businesses, large and small, new and
24 existing, of domestic or foreign ownership, based on
25 individual state development objectives, identified
26 criteria, and a calculated rate of return.
27 c. Public subsidies should be in the form of
28 investments in people, resulting in a better educated
29 and skilled workforce, and in communities, by
30 developing the physical and social infrastructures
31 that are prerequisites of healthy economic
32 development. Although such investments may be tied to
33 the location or expansion of an individual business,
34 the improvements in the workforce and community should
35 not be wholly dependent on the fortunes of one
36 business and should be viewed as assets for other
37 businesses that locate in the community.
38 d. To the extent possible, programs that support
39 mutual development objectives should be joint ventures
40 between government and business.
41 e. The business community has an obligation to
42 deliver the promised benefits in return for state
43 development subsidies. The state owes it to its
44 citizens to ensure that all development agreements
45 include provisions for recouping subsidies when
46 businesses fail to meet this obligation.
47 f. Using subsidies to encourage investment in
48 distressed areas of the state of to increase
49 employment opportunities that bring the underclass
50 into the economic mainstream are viewed as legitimate

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1 development objectives."
2 2. By renumbering as necessary.

By DODERER of Johnson
MERTZ of Kossuth
JOCHUM of Dubuque
BRAMMER of Linn
HAMMOND of Story
HARPER of Black Hawk
BURKE of Marshall
GILL of Woodbury

H-5064 FILED FEBRUARY 15, 1994
adopted 2/16/94 (P. 264)

HOUSE FILE 2180

H-5058
1 Amend House File 2180 as follows:
2 1. Page 2, by inserting after line 31, the
3 following:
4 "c. The quality jobs enterprise zone shall become
5 effective only if the city or county in which the zone
6 will be located adopts an ordinance that designates
7 the area as eligible. If a portion of the area is
8 located outside of a city or in more than one city or
9 county, each city and county comprising the area shall
10 jointly establish an entity pursuant to chapter 28E
11 and shall pass an ordinance designating that portion
12 of the area as eligible."

By NEUHAUSER of Johnson

H-5058 FILED FEBRUARY 15, 1994
WITHDRAWN
2-16-94 (P. 282)

HOUSE FILE 2180

H-5062

1 Amend House File 2180 as follows:
2 1. Page 8, by inserting after line 28 the
3 following:
4 "Sec. ___. NEW SECTION. 15E.221 SHORT TITLE.
5 This division shall be known and may be cited as
6 the "Quality Small Business Assistance Program".
7 Sec. ___. NEW SECTION. 15E.222 PURPOSE.
8 The purpose of this program is to assist quality
9 small businesses of the state to expand and to
10 encourage quality small business jobs.
11 Sec. ___. NEW SECTION. 15E.223 PROGRAM.
12 The department shall establish a program to
13 effectuate the purposes of this division by providing
14 the following economic development assistance to an
15 eligible small business:
16 1. A supplemental new jobs credit from withholding
17 for jobs added by the eligible small business under
18 the program. The agreement shall be for program
19 services for an additional job training project, as
20 defined in chapter 260F. The agreement shall provide
21 for the following:
22 a. That the project shall be administered in the
23 same manner as a project under chapter 260F and that a
24 supplemental new jobs credit from withholding in an
25 amount equal to one and one-half percent of the gross
26 wages paid by the eligible small business pursuant to
27 section 422.16 is authorized to fund the program
28 services for the additional project.
29 b. That the supplemental new jobs credit from
30 withholding shall be collected, accounted for, and may
31 be pledged by the community college in the same manner
32 as described in chapter 260F.
33 c. That the community college shall not be allowed
34 any expenses for administering the additional project
35 except those expenses which are directly attributable
36 to the additional project and which are in excess of
37 the expenses allowed for the project under chapter
38 260F.
39 To provide funds for the payment of the costs of
40 the additional project, a community college may borrow
41 money, issue and sell certificates, and secure the
42 payment of the certificates in the same manner as
43 described in chapter 260F, including, but not limited
44 to, providing the assessment of an annual levy as
45 described in section 260F.4. The program and credit
46 authorized by this subsection is in addition to, and
47 not in lieu of, the program and credit authorized in
48 chapter 260F.
49 2. INVESTMENT TAX CREDIT. The eligible small
50 business shall be entitled to a corporate tax credit

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1 equal to ten percent of the new investment made by the
2 eligible small business under the program. A credit
3 in excess of the tax liability for the tax year may be
4 credited to the tax liability for the following twenty
5 years or until depleted, whichever comes first.
6 For purposes of this section, "new investment"
7 means the capitalized cost of all real and personal
8 property, including buildings and other improvements
9 to real estate, purchased or otherwise acquired or
10 relocated to Iowa for use in the operation of the
11 eligible small business. New investment does not
12 include land, intangible property, or furniture and
13 furnishings. The capitalized cost of property shall
14 for the purposes of this section be determined in
15 accordance with generally accepted accounting
16 principles.
17 3. PROPERTY TAX EXEMPTION.
18 a. All property, except land and buildings, used
19 by the eligible small business, shall be exempt from
20 property taxation for a period of twenty years
21 beginning with the year it is first assessed for
22 taxation. In order to be eligible for this exemption,
23 the property shall be acquired or leased by the
24 eligible small business or relocated to Iowa by the
25 eligible small business from outside the state.
26 b. Property which is exempt for property tax
27 purposes under this subsection is eligible for the
28 sales and use tax exemption under section 422.45,
29 subsection 27, notwithstanding that subsection or any
30 other provision of the Code to the contrary.
31 4. SALES, SERVICE, AND USE TAX REFUND. Taxes paid
32 pursuant to chapter 422 or 423 on the gross receipts
33 or rental price of property purchased or rented by the
34 eligible small business for use by the eligible small
35 business or on gas, electricity, water, and sewer
36 utility services shall be refunded to the eligible
37 small business if the item was purchased or the
38 service was performed or received prior to the hiring
39 of the additional employees under the program. Claims
40 under this section shall be submitted on forms
41 provided by the department of revenue and finance not
42 later than six months after project completion. The
43 refund in this subsection shall not apply to furniture
44 or furnishings, or intangible property.
45 5. SALES, SERVICES, AND USE TAX REFUND --
46 CONTRACTOR OR SUBCONTRACTOR. The eligible small
47 business shall be entitled to a refund of the taxes
48 paid under chapters 422 and 423 for gas, electricity,
49 water, or sewer utility services, goods, wares, or
50 merchandise, or on services rendered, furnished, or

1 performed to or for a contractor or subcontractor and
2 used in the fulfillment of a written contract relating
3 to the construction or equipping of a facility under
4 the program. Taxes attributable to intangible
5 property and furniture and furnishings shall not be
6 refunded.
7 To receive the refund a claim shall be filed by the
8 eligible small business with the department of revenue
9 and finance as follows:
10 a. The contractor or subcontractor shall state
11 under path, on forms provided by the department, the
12 amount of the sales of goods, wares, or merchandise or
13 services rendered, furnished, or performed including
14 water, sewer, gas, and electric utility services upon
15 which sales or use tax has been paid, and shall file
16 the forms with the eligible small business before
17 final settlement is made.
18 b. The eligible small business shall, not more
19 than six months after final settlement, make
20 application to the department for any refund of the
21 amount of the taxes paid pursuant to chapter 422 or
22 423 upon any goods, wares, or merchandise, or services
23 rendered, furnished, or performed, including water,
24 sewer, gas, and electric utility services. The
25 application shall be made in the manner and upon forms
26 to be provided by the department, and the department
27 shall audit the claim and, if approved, issue a
28 warrant to the eligible small business in the amount
29 of the sales or use tax which has been paid to the
30 state of Iowa under a contract. A claim filed by the
31 eligible small business in accordance with this
32 subsection shall not be denied by reason of a
33 limitation provision set forth in chapter 421, 422, or
34 423.
35 c. A contractor or subcontractor who willfully
36 makes a false report of tax paid under the provisions
37 of this subsection is guilty of a simple misdemeanor
38 and in addition is liable for the payment of the tax
39 and any applicable penalty and interest.
40 6. CORPORATE TAX RESEARCH CREDIT. A corporate tax
41 credit shall be available to the eligible small
42 business for increasing research activities in this
43 state. The credit equals thirteen percent of the
44 state's apportioned share of the qualifying
45 expenditures for increasing research activities. The
46 state's apportioned share of the qualifying
47 expenditures for increasing research activities is a
48 percent equal to the ratio of qualified research
49 expenditures in this state to total qualified research
50 expenditures. Any credit in excess of the tax

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1 liability for the tax year shall be refunded with
2 interest computed under section 422.25. In lieu of
3 claiming a refund, the eligible small business may
4 elect to have the overpayment shown on its final
5 return credited to its tax liability for the following
6 tax year.
7 For the purposes of this section, "qualifying
8 expenditures for increasing research activities" means
9 the qualifying expenditures as defined for the federal
10 credit for increasing research activities which would
11 be allowable under section 41 of the Internal Revenue
12 Code in effect on January 1, 1994. The credit
13 authorized in this subsection is in lieu of the credit
14 authorized in section 422.33, subsection 5.
15 Sec. ___. NEW SECTION. 15E.224 ELIGIBILITY
16 CRITERIA.
17 To be eligible to receive the economic development
18 incentives under section 15E.223, a small business
19 shall do all of the following:
20 1. Pay its employees cash wages equal to or
21 greater than the average cash wage in the county in
22 which the small business is located.
23 2. Provide its employees with medical and dental
24 benefits in accordance with standards set by the
25 department.
26 3. Increase full-time employment by not less than
27 ten percent within one year after the small business
28 agrees to participate in the program."

By McKINNEY of Dallas
KREIMAN of Davis
HANSEN of Woodbury
GILL of Woodbury
MURPHY of Dubuque

WITHDRAWN 2-16-94 (P. 270)

H-5062 FILED FEBRUARY 15, 1994

HOUSE FILE 2180

H-5063
1 Amend House File 2180 as follows:
2 1. Page 2, line 28, by striking the word "thirty"
3 and inserting the following: "one hundred eighty".
4 2. Page 3, line 9, by striking the word "thirty"
5 and inserting the following: "one hundred eighty".

By HANSEN of Woodbury

H-5063 FILED FEBRUARY 15, 1994

Lost 2/16/94
(P. 265)

HOUSE FILE 2180

H-5059

1 Amend House File 2180 as follows:
2 1. Page 1, by inserting after line 29 the
3 following:
4 "Sec. ___. Section 15A.1, subsection 3, Code 1993,
5 is amended by adding the following new paragraph:
6 NEW PARAGRAPH. c. For the purposes of this
7 paragraph, "financial assistance" means a state grant
8 or loan, or tax credit, tax exemption, or other tax
9 expenditure provided by the state or a local
10 government. If the business employs twenty or more
11 full-time employees, at least five percent of any new
12 full-time positions resulting from financial
13 assistance provided to the business shall be filled by
14 persons who are recipients of the family investment
15 program under chapter 239 or the federal food stamp
16 program administered under 7 U.S.C. chapter 51 at the
17 time of employment or have received benefits under
18 either program during the one-year period prior to
19 employment."
20 2. Page 8, by inserting after line 28 the
21 following:
22 "Sec. ___. Section 18.6, Code 1993, is amended by
23 adding the following new subsection:
24 NEW SUBSECTION. 15. Any contract between a state
25 agency and a private person who employs twenty or more
26 full-time employees shall require that at least five
27 percent of any new full-time positions resulting from
28 the contract shall be filled by persons who are
29 recipients of the family investment program under
30 chapter 239 or the federal food stamp program
31 administered under 7 U.S.C. chapter 51 at the time of
32 employment or who have received benefits under either
33 program during the one-year period prior to
34 employment.
35 Sec. ___. Section 262.9, Code Supplement 1993, is
36 amended by adding the following new subsection:
37 NEW SUBSECTION. 5A. Require that any contract
38 between an institution governed by the board and a
39 private person who employs twenty or more full-time
40 employees shall require that at least five percent of
41 any new full-time positions resulting from the
42 contract shall be filled by persons who are recipients
43 of the family investment program under chapter 239 or
44 the federal food stamp program administered under 7
45 U.S.C. chapter 51 at the time of employment or who
46 have received benefits under either program during the
47 one-year period prior to employment.
48 Sec. ___. Section 307.10, Code 1993, is amended by
49 adding the following new subsection:
50 NEW SUBSECTION. 17. Require that any contract

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1 between the department and a private person who
2 employs twenty or more full-time employees shall
3 require that at least five percent of any new full-
4 time positions resulting from the contract shall be
5 filled by persons who are recipients of the family
6 investment program under chapter 239 or the federal
7 food stamp program administered under 7 U.S.C. chapter
8 51 at the time of employment or who have received
9 benefits under either program during the one-year
10 period prior to employment."
11 3. Title page, line 4, by inserting after the
12 word "assistance," the following: "applying certain
13 requirements to employers enter into a contract
14 with the state,".
15 4. By renumbering as necessary.

By NEUHAUSER of 70.

H-5059 FILED FEBRUARY 15, 1994

WITHDRAWN
2/16/94
(p. 265)

HOUSE FILE 2180

H-5084

1 Amend the amendment, H-5055, to House File 2180 as
2 follows:
3 1. Page 1, by striking lines 13 through 23 and
4 inserting the following:
5 "Sec. ___. NEW SECTION. 427B.19 TEMPORARY
6 REFUNDABLE TAX CREDIT -- NEW MACHINERY.
7 1. Beginning on the effective date of this Act, a
8 business which acquired or initially leased on or
9 after the effective date of this Act, property
10 described in section 427B.17, shall be entitled to a
11 refundable income tax credit for a period of time to
12 be determined as provided in this section.
13 The duration of the credit shall not exceed the
14 amount of time that item of property is scheduled".
15 2. Page 1, by striking line 32 and inserting the
16 following: "Upon expiration of the credit, the
17 property".
18 3. Page 1, by striking lines 35 through 50 and
19 inserting the following:
20 "2. Any credit in excess of the tax liability for
21 the taxable year shall be refunded with interest
22 computed under section 422.25. In lieu of claiming a
23 refund, the business may elect to have the overpayment
24 shown on its final, completed return credited to the
25 tax liability for the following taxable year.""

By GILL of Woodbury

H-5084 FILED FEBRUARY 17, 1994
ADOPTED

HOUSE FILE 2180

H-5072

Amend House File 2180 as follows:

1. Page 8, by inserting after line 28 the following:

"Sec. 101. ECONOMIC COMPACT. The general assembly finds and declares that it has become increasingly apparent that states are involved in bidding wars with each other to lure businesses to locate or remain in their own state and that financial incentives by state and local governments can drastically reduce the benefits of acquiring or keeping a business in Iowa. Furthermore, businesses are increasingly prone to ask for financial incentives as a matter of course regardless of actual need and no demonstrated method of determining actual need for financial incentives has been widely accepted. In addition, it is generally not possible to determine whether the award of or failure to award financial incentives has a significant influence on the decision of a business to locate at a particular site.

Due to these factors the governor is urged to negotiate with the midwest governors to enter into an economic compact to foster coordinated regional economic development efforts and limit economic development warfare as a first step toward a national economic compact."

2. Title page, line 4, by inserting after the word "assistance," the following: "urging the governor to negotiate an economic compact,".

3. By renumbering as necessary.

By FALLON of Polk

H-5072 FILED FEBRUARY 16, 1994
LOST

HOUSE FILE 2180

H-5065

1 Amend House File 2180 as follows:
2 1. Page 8, by inserting after line 30 the
3 following:
4 "Sec. ___. If this Act is a state mandate under
5 chapter 25B, then the state shall reimburse any
6 political subdivision for the costs incurred by it or
7 loss of revenue to it as a result of this mandate."

By BRAMMER of Linn

H-5065 FILED FEBRUARY 16, 1994
WITHDRAWN

HOUSE FILE 2180

H-5070

1 Amend the amendment, H-5064, to House File 2180 as
2 follows:
3 1. By striking page 2, line 47 through page 3,
4 line 1, and inserting the following:
5 "f. Using subsidies to encourage investment in
6 distressed areas of the state to increase employment
7 opportunities that bring low-income Iowans into the
8 economic mainstream is a legitimate development
9 objective.""

By DODERER of Johnson

H-5070 FILED FEBRUARY 16, 1994
ADOPTED

HOUSE FILE 2180

H-5071

1 Amend House File 2180 as follows:
2 1. Page 5, line 17, by striking the words "except
3 land and buildings" and inserting the following: "as
4 defined in section 427A.1, subsection 1, paragraphs
5 "e" and "j", Code 1993".

By HALVORSON of Clayton

H-5071 FILED FEBRUARY 16, 1994
ADOPTED

HOUSE FILE 2180

H-5079

1 Amend the amendment, H-5077, to House File 2180 as
2 follows:
3 1. Page 8, by striking lines 40 through 43, and
4 inserting the following:
5 "___. Page 5, by striking lines 16 through 30.
6 ___. Page 8, by inserting after line 28 the
7 following:
8 Sec. ___. Section 427.1, Code Supplement 1993, is
9 amended by adding the following new subsection:
10 NEW SUBSECTION. 44. MACHINERY AND COMPUTER
11 EQUIPMENT. Property defined in section 427A.1,
12 subsection 1, paragraphs "e" and "j", and assessed
13 pursuant to section 427B.17, if owned by the same
14 person and the combined assessed valuation of all such
15 property is one thousand five hundred dollars or less.
16 Sec. ___. NEW SECTION. 427B.19 TEMPORARY
17 REFUNDABLE TAX CREDIT -- NEW MACHINERY.
18 1. Beginning on the effective date of this Act, a
19 business which acquired or initially leased on or
20 after the effective date of this Act, property
21 described in section 427B.17, shall be entitled to a
22 refundable income tax credit for a period of time to
23 be determined as provided in this section.
24 The duration of the credit shall not exceed the
25 amount of time that item of property is scheduled to
26 fully depreciate, according to the applicable
27 depreciation schedule contained in the industrial
28 machinery and equipment guide published by the
29 department of revenue and finance. The department is
30 instructed to revise the industrial machinery and
31 equipment guide to provide a depreciation schedule for
32 machinery and equipment with a life of at least thirty
33 years. Upon expiration of the credit, the property
34 shall be assessed and taxed in accordance with section
35 427B.17.
36 2. Any credit in excess of the tax liability for
37 the taxable year shall be refunded with interest
38 computed under section 422.25. In lieu of claiming a
39 refund, the business may elect to have the overpayment
40 shown on its final, completed return credited to the
41 tax liability for the following taxable year."
42 2. Page 9, line 16, by inserting after the word
43 "zones," the following: "providing a refundable
44 income tax credit for property taxes paid on certain
45 new machinery and computer equipment,".
46 3. By renumbering and correcting internal
47 references as necessary.

By GILL of Woodbury
HANSEN of Woodbury

H-5079 FILED FEBRUARY 16, 1994
OUT OF ORDER

HOUSE FILE 2180

H-5080

1 Amend the amendment, H-5077, to House File 2180 as
2 follows:
3 1. Page 2, by inserting after line 47 the
4 following:
5 "___. Make day care services available to
6 employees."
7 2. Page 3, by striking lines 29 and 30.
8 3. By renumbering, relettering, and correcting
9 internal references as necessary.

By JOCHUM of Dubuque

H-5080 FILED FEBRUARY 16, 1994
LOST

HOUSE FILE 2180

H-5081

1 Amend amendment, H-5074, to House File 2180 as
2 follows:
3 1. Page 1, line 5, by inserting before the word
4 "jobs" the following: "full-time".

By MURPHY of Dubuque

H-5081 FILED FEBRUARY 16, 1994
ADOPTED

HOUSE FILE 2180

H-5082

1 Amend amendment, H-5077, to House File 2180 as
2 follows:
3 1. Page 1, line 13, by striking the words "which
4 are not" and inserting the following: "unless those
5 benefits are".
6 2. Page 1, line 15, by striking the word "which"
7 and inserting the following: "those benefits".

By HANSON of Delaware
NEUHAUSER of Johnson

H-5082 FILED FEBRUARY 17, 1994
ADOPTED

HOUSE FILE 2180

H-5083

1 Amend the amendment, H-5056, to House File 2180 as
2 follows:
3 1. Page 1, by striking lines 5 through 7 and
4 inserting the following: "have a permanent buffer
5 tract extending a minimum of one hundred yards into
6 the zone from the perimeter of the zone. The buffer
7 tract shall not".

By HENDERSON of Scott

H-5083 FILED FEBRUARY 17, 1994
ADOPTED

HOUSE FILE 2180

H-5074

Amend House File 2180 as follows:

1. Page 3, line 16, by inserting after the figure "1994." the following: "The business shall also guarantee that it will create at least three hundred jobs at the facility."

By HANSEN of Woodbury
GILL of Woodbury
SHOULTZ of Black Hawk
PETERSON of Carroll
OLLIE of Clinton
ARNOULD of Scott
MURPHY of Dubuque
LARKIN of Lee
HALVORSON of Webster
BRAMMER of Linn
HENDERSON of Scott
HARPER of Black Hawk
MORELAND of Wapello
HAMMOND of Story
SCHRADER of Marion
RUNNING of Linn
DICKINSON of Jackson
BEATTY of Warren
BURKE of Marshall
KREIMAN of Davis
RENAUD of Polk
McKINNEY of Dallas
HOLVECK of Polk
BERNAU of Story
BELL of Jasper

H-5074 FILED FEBRUARY 16, 1994
ADOPTED AS AMENDED

HOUSE FILE 2180

H-5077

1 Amend House File 2180 as follows:

2 1. Page 1, by striking lines 1 through 11 and
3 inserting the following:
4 "Section 1. Section 15.308, subsection 2, Code
5 Supplement 1993, is amend by adding the following new
6 paragraph:
7 NEW PARAGRAPH. e. Establish a high quality jobs
8 and targeted industries program.
9 Sec. ___. NEW SECTION. 15.325 NEGOTIATIONS --
10 STATE AND LOCAL OFFICIALS -- RESTRICTIONS.
11 A state or local government official acting in an
12 official capacity shall not offer to a business
13 economic development benefits which are not authorized
14 under the law of this state in effect at the time of
15 the negotiations or which have been enacted, but not
16 yet taken effect."

17 2. Page 1, by inserting before line 12 the
18 following:
19 "Sec. ___. NEW SECTION. 15.326 SHORT TITLE.
20 This division shall be known and may be cited as
21 the "High Quality Jobs and Targeted Industries
22 Program".
23 Sec. ___. NEW SECTION. 15.327 DEFINITIONS.
24 As used in this division, unless the context
25 otherwise requires:
26 1. "Board" means the Iowa economic development
27 board.
28 2. "Community" means a city, county, or entity
29 established pursuant to chapter 28E that is a
30 certified participant under section 15.308 or has
31 established a comprehensive plan approved by the
32 department.
33 3. "Department" means the Iowa department of
34 economic development.
35 4. "Director" means the director of the department
36 or the director's designee.
37 5. "Eligible business" means a business meeting
38 the conditions of section 15.329.
39 6. "Program" means the high quality jobs and
40 targeted industries program.
41 Sec. ___. NEW SECTION. 15.328 POWERS AND DUTIES
42 OF THE DEPARTMENT.
43 The department shall administer this division and
44 shall do all of the following:
45 1. Establish criteria for implementing the high
46 quality jobs and targeted industries program.
47 2. Conduct a continuing evaluation of the use and
48 success of the high quality jobs and targeted
49 industries program.
50 3. Monitor the implementation and operation of

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1 this division and submit an annual report evaluating
2 the effectiveness of the program and providing
3 recommendations for legislation to the governor and
4 general assembly by November 15 of each year.
5 Sec. ___. NEW SECTION. 15.329 ELIGIBLE BUSINESS.
6 1. To be eligible to receive benefits under this
7 division, a business shall meet all of the following
8 requirements:
9 a. The community has approved by ordinance or
10 resolution the start up, location, or expansion of the
11 business for the purpose of receiving the benefits of
12 this division.
13 b. The business has not closed or substantially
14 reduced its operation in one area of the state and
15 relocated substantially the same operation in the
16 community. This subsection does not prohibit a
17 business from expanding its operation in the community
18 if existing operations of a similar nature in the
19 state are not closed or substantially reduced.
20 c. The business shall agree to provide its
21 employees with health insurance coverage and
22 retirement benefits sufficient to meet standards set
23 by the department.
24 d. The business shall agree to pay a median
25 starting wage to full-time hourly nonmanagement
26 production employees of at least eleven dollars per
27 hour indexed to 1993 dollars based on the gross
28 national product implicit price deflator published by
29 the bureau of economic analysis of the United States
30 department of commerce or one hundred thirty percent
31 of the median wage in the county in which the
32 community is located, whichever is higher.
33 e. The business will make a capital investment of
34 at least ten million dollars indexed to 1993 dollars
35 based on the gross national product implicit price
36 deflator published by the bureau of economic analysis
37 of the United States department of commerce. If the
38 business is occupying a vacant building suitable for
39 industrial use, the fair market value of the building
40 shall be counted toward the capital investment
41 threshold.
42 f. The business shall agree to create at least
43 fifty full-time positions at a facility located in
44 Iowa or expanded under the program for a specified
45 period which will be negotiated with the department
46 and the community, but which shall be at least five
47 years.
48 g. The business shall enter into an agreement with
49 the department specifying the manner in which the
50 business shall meet the requirements of this division.

1 The agreement shall also specify that the business
2 shall repay all or part of the value of the incentives
3 granted under this division if the provisions of
4 subsections 1 and 2 are not met.
5 h. The business is a manufacturer, processor,
6 research-service facility, warehouse, or distribution
7 center as described in section 427B.1. Retail
8 businesses shall not be eligible for benefits under
9 this division.
10 2. In addition to meeting the requirements of
11 subsection 1, the business shall also meet at least
12 one of the following requirements:
13 a. The business will occupy an existing facility
14 at least one of the buildings of which shall be vacant
15 and shall contain at least twenty thousand square
16 feet.
17 b. The business is in one of the following target
18 industries:
19 (1) Value-added agricultural products.
20 (2) Insurance and financial services.
21 (3) Plastics.
22 (4) Metals.
23 (5) Printing and paper or packaging products.
24 (6) Drugs and pharmaceuticals.
25 (7) Software development.
26 (8) Instruments and measuring devices and medical
27 instruments.
28 (9) Recycling and waste management.
29 c. The business makes day care services available
30 to its employees.
31 d. Invest annually no less than one percent of
32 pretax profits from the facility located to Iowa or
33 expanded under the program in research and development
34 in Iowa.
35 e. Invest annually no less than one percent of
36 pretax profits from the facility located to Iowa or
37 expanded under the program in worker training and
38 skills enhancement.
39 f. Have an active productivity and safety
40 improvement program involving management and worker
41 participation and cooperation.
42 3. The department shall also consider a variety of
43 factors, including but not limited to the following in
44 determining the eligibility of a business to
45 participate in the program:
46 a. The quality of the jobs to be created. In
47 rating the quality of the jobs the department shall
48 award more points to those jobs that have a higher
49 wage scale, have a lower turnover rate, are full-time
50 or career-type positions, provide comprehensive health

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Page 4

1 benefits, or have other related factors which could be
2 considered to be higher in quality, than to other
3 jobs. Businesses that have wage scales substantially
4 below that of existing Iowa businesses in that area
5 should be rated as providing the lowest quality of
6 jobs and should therefore be given the lowest ranking
7 for providing such assistance.
8 b. The impact of the proposed project on other
9 businesses in competition with the business being
10 considered for assistance. The department shall make
11 a good faith effort to identify existing Iowa
12 businesses within an industry in competition with the
13 business being considered for assistance. The
14 department shall make a good faith effort to determine
15 the probability that the proposed financial assistance
16 will displace employees of the existing businesses.
17 In determining the impact on businesses in competition
18 with the business being considered for assistance,
19 jobs created as a result of other jobs being displaced
20 elsewhere in the state shall not be considered direct
21 jobs created.
22 c. The impact to the state of the proposed
23 project. In measuring the economic impact the
24 department shall award more points for projects which
25 have greater consistency with the state strategic plan
26 than other projects. Greater consistency may include
27 any or all of the following:
28 (1) A business with a greater percentage of sales
29 out-of-state or of import substitution.
30 (2) A business with a higher proportion of in-
31 state suppliers.
32 (3) A project which would provide greater
33 diversification of the state economy.
34 (4) A business with fewer in-state competitors.
35 (5) A potential for future job growth.
36 (6) A project which is not a retail operation.
37 d. If a business has a record of violations of the
38 law over a period of time that tends to show a
39 consistent pattern, the business shall be given the
40 lowest ranking for providing assistance. The
41 department shall make a good faith effort to compile
42 this information.
43 e. If a business has, within three years of
44 application for assistance, acquired or merged with an
45 Iowa corporation or company, whether the business has
46 made a good faith effort to hire the workers of the
47 acquired or merged company.
48 f. Whether a business provides for a preference
49 for hiring residents of the state or of the economic
50 development area, except for out-of-state employees

1 offered a transfer to Iowa or to the economic
2 development area.
3 g. Whether all known required environmental
4 permits have been issued and regulations met before
5 moneys are released.
6 Sec. ___. NEW SECTION. 15.330 NEW JOBS CREDIT
7 FROM WITHHOLDING.
8 An eligible business may enter into an agreement
9 with the department of revenue and finance and a
10 community college, for a supplemental new jobs credit
11 from withholding from jobs created under the program.
12 The agreement shall be for program services for an
13 additional job training project, as defined in chapter
14 260E. The agreement shall provide for the following:
15 1. That the project shall be administered in the
16 same manner as a project under chapter 260E and that a
17 supplemental new jobs credit from withholding in an
18 amount equal to one and one-half percent of the gross
19 wages paid by the eligible business pursuant to
20 section 422.16 is authorized to fund the program
21 services for the additional project.
22 2. That the supplemental new jobs credit from
23 withholding shall be collected, accounted for, and may
24 be pledged by the community college in the same manner
25 as described in section 260E.5.
26 3. That the community college shall not be allowed
27 any expenses for administering the additional project
28 except those expenses which are directly attributable
29 to the additional project and which are in excess of
30 the expenses allowed for the project under chapter
31 260E.
32 4. That the auditor of state shall perform an
33 annual audit regarding how the training funds are
34 being used.
35 To provide funds for the payment of the costs of
36 the additional project, a community college may borrow
37 money, issue and sell certificates, and secure the
38 payment of the certificates in the same manner as
39 described in section 260E.6, including but not limited
40 to, providing the assessment of an annual levy as
41 described in section 260E.6, subsection 4. The
42 program and credit authorized by this section is in
43 addition to, and not in lieu of, the program and
44 credit authorized in chapter 260E.
45 Sec. ___. NEW SECTION. 15.331 VALUE-ADDED
46 PROPERTY TAX EXEMPTION.
47 1. The community may exempt from taxation all or a
48 portion of the actual value added by improvements to
49 real property directly related to new jobs created by
50 the location or expansion of an eligible business

1 under the program and used in the operations of the
2 eligible business. The exemption may be allowed for a
3 period not to exceed twenty years beginning the year
4 the improvements are first assessed for taxation.
5 2. For purposes of this section, "improvements"
6 include rehabilitation of and additions to existing
7 structures. The exemption shall apply to all taxing
8 districts in which the real property is located.
9 Sec. ___. NEW SECTION. 15.332 INVESTMENT TAX
10 CREDIT.
11 The department may authorize a corporate tax credit
12 for an eligible business up to a maximum of five
13 percent of the new investment which is directly
14 related to new jobs created by the location or
15 expansion of an eligible business under the program.
16 Any credit in excess of the tax liability for the tax
17 year may be credited to the tax liability for the
18 following twenty years or until depleted, whichever
19 occurs earlier. If the business is a partnership,
20 subchapter S corporation, limited liability company,
21 or estate or trust electing to have the income taxed
22 directly to the individual, an individual may claim
23 the tax credit allowed. The amount claimed by the
24 individual shall be based upon the pro rata share of
25 the individual's earnings of the partnership,
26 subchapter S corporation, limited liability company,
27 or estate or trust. For purposes of this section,
28 "new investment directly related to new jobs created
29 by the location or expansion of an eligible business
30 under the program" means the cost of machinery and
31 equipment purchased for use in the operation of the
32 eligible business, the purchase price of which has
33 been depreciated in accordance with generally accepted
34 accounting principles, and the cost of improvements
35 made to real property which is used in the operation
36 of the eligible business and which receives a partial
37 property tax exemption for the actual value added
38 under section 15E.186.
39 Sec. ___. NEW SECTION. 15.333 EXEMPTION FROM
40 TAXATION FOR MACHINERY, EQUIPMENT, AND COMPUTERS.
41 The community may exempt from taxation all or a
42 portion of the value of property, directly related to
43 new jobs created by the location or expansion of an
44 eligible business under the program, defined in
45 section 427A.1, subsection 1, paragraphs "e" and "j",
46 used by the eligible business. In order to be
47 eligible for this exemption, the property shall be
48 acquired or initially leased by the eligible business
49 or relocated by the eligible business to the facility
50 from a facility outside the state of Iowa. The

1 duration of the exemption shall be determined by the
2 community but shall not exceed twenty years.
3 Sec. ___. NEW SECTION. 15.334 SALES TAX REFUND -
4 - CONSTRUCTION MATERIALS AND SERVICES.
5 An eligible business may receive a refund of the
6 taxes paid under chapters 422 and 423 for gas,
7 electricity, water, or sewer utility services, goods,
8 wares, or merchandise, or on services rendered,
9 furnished, or performed to or for a contractor or
10 subcontractor and used in the fulfillment of a written
11 contract relating to the construction or equipping of
12 a facility of an eligible business. Taxes
13 attributable to intangible property and furniture and
14 furnishings shall not be refunded.
15 To receive the refund a claim shall be filed by an
16 eligible business with the department of revenue and
17 finance as follows:
18 a. The contractor or subcontractor shall state
19 under oath, on forms provided by the department, the
20 amount of the sales of goods, wares, or merchandise or
21 services rendered, furnished, or performed including
22 water, sewer, gas, and electric utility services upon
23 which sales or use tax has been paid, and shall file
24 the forms with the eligible business before final
25 settlement is made.
26 b. The eligible business shall, not more than six
27 months after final settlement is made, make
28 application to the department for any refund of the
29 amount of the taxes paid pursuant to chapter 422 or
30 423 upon any goods, wares, or merchandise, or services
31 rendered, furnished, or performed, including water,
32 sewer, gas, and electric utility services. The
33 application shall be made in the manner and upon forms
34 to be provided by the department, and the department
35 shall audit the claim and, if approved, issue a
36 warrant to the eligible business in the amount of the
37 sales or use tax which has been paid to the state of
38 Iowa under a contract. A claim filed by the eligible
39 business in accordance with this subsection shall not
40 be denied by reason of a limitation provision set
41 forth in chapter 421, 422, or 423.
42 c. A contractor or subcontractor who willfully
43 makes a false report of tax paid under the provisions
44 of this subsection is guilty of a simple misdemeanor
45 and in addition is liable for the payment of the tax
46 and any applicable penalty and interest.
47 Sec. ___. NEW SECTION. 15.335 RESEARCH
48 ACTIVITIES CREDIT.
49 The department may authorize an eligible business
50 to claim a corporate tax credit for increasing

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1 research activities in this state during the period
2 the eligible business is participating in the high
3 quality jobs and targeted industries program. The
4 credit equals six and one-half percent of the state's
5 apportioned share of the qualifying expenditures for
6 increasing research activities. The state's
7 apportioned share of the qualifying expenditures for
8 increasing research activities is a percent equal to
9 the ratio of qualified research expenditures in this
10 state to total qualified research expenditures. If
11 the eligible business is a partnership, subchapter S
12 corporation, limited liability company, or estate or
13 trust electing to have the income taxed directly to
14 the individual, an individual may claim the tax credit
15 allowed. The amount claimed by the individual shall
16 be based upon the pro rata share of the individual's
17 earnings of the partnership, subchapter S corporation,
18 limited liability company, or estate or trust. For
19 purposes of this section, "qualifying expenditures for
20 increasing research activities" means the qualifying
21 expenditures as defined for the federal credit for
22 increasing research activities which would be
23 allowable under section 41 of the Internal Revenue
24 Code in effect on January 1, 1994.
25 Sec. ___. NEW SECTION. 15.336 OTHER INCENTIVES.
26 An eligible business may receive other applicable
27 federal, state, and local incentives and credits in
28 addition to those provided in this division. However,
29 a business which participates in the program under
30 this division shall not receive any funds from the
31 community economic development account under the
32 community economic betterment program."
33 3. Page 3, line 8, by striking the words "the
34 business" and inserting the following: "a business
35 which pays its full-time production employees at the
36 facility average compensation of fifteen dollars per
37 hour, including bonuses and incentives, but not
38 including retirement benefits, within one year of
39 project completion, and".
40 4. Page 5, line 17, by striking the words "except
41 land and buildings" and inserting the following: "as
42 defined in section 427A.1, subsection 1, paragraphs
43 "e" and "j", Code 1993".
44 5. Page 8, by striking lines 29 and 30 and
45 inserting the following:
46 "11. An economic cost benefit analysis shall be
47 conducted by the legislative fiscal bureau for each
48 zone established under this section for every five-
49 year period through the duration of the zone. The
50 analysis shall measure the impact upon both revenues

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1 and costs of the state and affected governmental
2 subdivisions due to economic activities within the
3 zone. The legislative fiscal bureau may contract for
4 any services deemed necessary by the director to
5 complete the analysis.
6 Sec. ___. EFFECTIVE DATES. Sections 2 through 5
7 of this Act, being deemed of immediate importance,
8 take effect upon enactment. All other sections of
9 this Act take effect thirty-one days after enactment."
10 6. Title page, by striking lines 1 through 5, and
11 inserting the following: "An Act relating to the
12 establishment of quality jobs enterprise zones, and
13 establishing a high quality jobs and targeted
14 industries program, providing economic development
15 assistance to businesses locating in quality jobs
16 enterprise zones, providing a penalty, and providing
17 effective dates."
18 7. By renumbering as necessary.

B

By HANSON of Delaware
HALVORSON of Clayton
McCOY of Polk
METCALF of Polk
NEUHAUSER of Johnson
WISE of Lee

H-5077 FILED FEBRUARY 16, 1994
DIV A & B ADOPTED AS AMENDED; DIV C OUT OF ORDER

HOUSE FILE 2180

H-5078
1 Amend the amendment, H-5077, to House File 2180 as
2 follows:
3 1. Page 2, line 43, by striking the word "fifty"
4 and inserting the following: "twenty-five".

By HALVORSON of Webster

H-5078 FILED FEBRUARY 16, 1994
ADOPTED

p. 347 2/21/94 Senate - Do Pass w/ SS027
p. 348 2/21/94 Senate - Refers to W. & Means + amend
(p. 361) 2/22/92 Senate - Amend / Do Pass w/ S-5030
(p. 376) 2/22/94 Motion to R/C Passage failure by Lund

CORRECTED HOUSE FILE 2180

HOUSE FILE 2180

BY COMMITTEE ON WAYS AND MEANS
(p. 382) 2/23/94 Motion to R/C Non Passage by Palmer

(SUCCESSOR TO HF 2035)

(SUCCESSOR TO HF 2136)
S (p. 389) motion to R/C deferred on 2/23/94
S- (p. 413) 2/28/94 Motion to R/C adopted

(As Amended and Passed by the House February 17, 1994)
S-(p. 431) 2/28/94 Deferred

(425)

~~Passed~~ House, Date 3/3/94 ~~Passed~~ Failed Senate, Date 2/22/94

Vote: Ayes 59 Nays 38 Vote: Ayes 23 Nays 24

Approved March 4, 1994

Vote 27-19
Passed 2/28/94
(p. 506) Vote 32-17
Passed 3-4-94

A BILL FOR

1 An Act relating to the establishment of quality jobs enterprise
2 zones, and establishing a high quality jobs and targeted
3 industries program, providing economic development assistance
4 to businesses locating in quality jobs enterprise zones,
5 providing a penalty, and providing effective dates.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
7
8 House Amendments
9 House Conference Committee 3/1/94 — Senate Conf. Committee 3/1/94
10
11 Halvorson — Bisignano
12 Metcalf — Giannetto
13 Hanson — Vilsack
14 Neuhauser — Drake
15 McCoy — Bennett
16
17
18
19
20
21

HF 2180
mk/pk/25

S.F. _____ H.F. 2180

1 Section 1. DECLARATION OF POLICY. The general assembly
2 finds and declares that the accelerated use of direct
3 development incentives by the state to attract economic
4 investment is symptomatic of the continuing slow rate of
5 growth of the nation's economy. Iowa finds itself pressured
6 to take whatever steps are necessary to support job creation
7 that otherwise might occur unaided under more healthy economic
8 conditions.
9 The general assembly also finds and declares that the
10 current economic climate also affects the way the business
11 community behaves when making investment decisions. To
12 minimize new investment in plant and equipment, businesses
13 readily take advantage of available subsidies in the form of
14 development incentives.
15 The general assembly further finds that the public and
16 private sectors should undertake cooperative efforts that
17 result in improvements to the general economic climate rather
18 than focus on subsidies for individual projects or businesses.
19 These efforts will require a behavioral change by both the
20 state and business, balancing short-term self-interest with
21 the long-term common good.
22 The general assembly declares that this change should not
23 result from the threat of punitive measures or federal
24 intervention. The state and business leaders should operate
25 in accordance with the following principles because they
26 represent good public policy; in the long run, adherence to
27 these principles will achieve the desired outcomes in terms of
28 new jobs and higher income in all states and sustained
29 profitability for businesses that invest and operate in these
30 jurisdictions.
31 The general assembly finds and declares that the following
32 principles of mutual cooperation should govern state-business
33 development relations:
34 1. Partnership between state government and business. The
35 relationship between state government and business should be a

1 true partnership. Both state government and business have
2 certain responsibilities and anticipated benefits. The state
3 and the business community should maintain an ongoing dialogue
4 for the purpose of developing sound public policy and
5 programs. The state should implement policy processes that
6 are nonthreatening to the business community and the public.
7 2. State competition. The state will always be in
8 competition with other states for business investments.
9 However, this competition should not be characterized by how
10 much direct assistance the state can provide to individual
11 businesses. Rather the competition should focus on how the
12 state attempts to provide a business climate in which existing
13 businesses can operate profitably and expand and new
14 businesses can be established and survive. The competition
15 should be judged on factors such as improvements in education,
16 transportation, and telecommunication; stable fiscal
17 conditions; tax policies; business regulation; and the
18 provision of quality public services.
19 3. Subsidies. The state will continue to provide
20 subsidies to businesses. However, the provision of subsidies
21 should adhere to the following criteria:
22 a. Public resources should be used to encourage and foster
23 development that otherwise would not occur, not merely to
24 influence the location of private investment.
25 b. Public subsidies should benefit and be available to all
26 businesses, large and small, new and existing, of domestic or
27 foreign ownership, based on individual state development
28 objectives, identified criteria, and a calculated rate of
29 return.
30 c. Public subsidies should be in the form of investments
31 in people, resulting in a better educated and skilled
32 workforce, and in communities, by developing the physical and
33 social infrastructures that are prerequisites of healthy
34 economic development. Although such investments may be tied
35 to the location or expansion of an individual business, the

1 improvements in the workforce and community should not be
2 wholly dependent on the fortunes of one business and should be
3 viewed as assets for other businesses that locate in the
4 community.
5 d. To the extent possible, programs that support mutual
6 development objectives should be joint ventures between
7 government and business.
8 e. The business community has an obligation to deliver the
9 promised benefits in return for state development subsidies.
10 The state owes it to its citizens to ensure that all
11 development agreements include provisions for recouping
12 subsidies when businesses fail to meet this obligation.
13 f. Using subsidies to encourage investment in distressed
14 areas of the state to increase employment opportunities that
15 bring low-income Iowans into the economic mainstream is a
16 legitimate development objective.
17 Sec. 2. Section 15.308, subsection 2, Code Supplement
18 1993, is amended by adding the following new paragraph:
19 NEW PARAGRAPH. e. Establish a high quality jobs and
20 targeted industries program.
21 Sec. 3. NEW SECTION. 15.325 NEGOTIATIONS --
22 STATE AND LOCAL OFFICIALS -- RESTRICTIONS.
23 A state or local government official acting in an official
24 capacity shall not offer to a business economic development
25 benefits unless those benefits are authorized under the law of
26 this state in effect at the time of the negotiations or those
27 benefits have been enacted, but not yet taken effect.
28 Sec. 4. NEW SECTION. 15.326 SHORT TITLE.
29 This division shall be known and may be cited as the "High
30 Quality Jobs and Targeted Industries Program".
31 Sec. 5. NEW SECTION. 15.327 DEFINITIONS.
32 As used in this division, unless the context otherwise
33 requires:
34 1. "Board" means the Iowa economic development board.
35 2. "Community" means a city, county, or entity established

1 pursuant to chapter 28E that is a certified participant under
2 section 15.308 or has established a comprehensive plan
3 approved by the department.
4 3. "Department" means the Iowa department of economic
5 development.
6 4. "Director" means the director of the department or the
7 director's designee.
8 5. "Eligible business" means a business meeting the
9 conditions of section 15.329.
10 6. "Program" means the high quality jobs and targeted
11 industries program.
12 Sec. 6. NEW SECTION. 15.328 POWERS AND DUTIES OF THE
13 DEPARTMENT.
14 The department shall administer this division and shall do
15 all of the following:
16 1. Establish criteria for implementing the high quality
17 jobs and targeted industries program.
18 2. Conduct a continuing evaluation of the use and success
19 of the high quality jobs and targeted industries program.
20 3. Monitor the implementation and operation of this
21 division and submit an annual report evaluating the
22 effectiveness of the program and providing recommendations for
23 legislation to the governor and general assembly by November
24 15 of each year.
25 Sec. 7. NEW SECTION. 15.329 ELIGIBLE BUSINESS.
26 1. To be eligible to receive benefits under this division,
27 a business shall meet all of the following requirements:
28 a. The community has approved by ordinance or resolution
29 the start up, location, or expansion of the business for the
30 purpose of receiving the benefits of this division.
31 b. The business has not closed or substantially reduced
32 its operation in one area of the state and relocated
33 substantially the same operation in the community. This
34 subsection does not prohibit a business from expanding its
35 operation in the community if existing operations of a similar

1 nature in the state are not closed or substantially reduced.
2 c. The business shall agree to provide its employees with
3 health insurance coverage and retirement benefits sufficient
4 to meet standards set by the department.
5 d. The business shall agree to pay a median starting wage
6 to full-time hourly nonmanagement production employees of at
7 least eleven dollars per hour indexed to 1993 dollars based on
8 the gross national product implicit price deflator published
9 by the bureau of economic analysis of the United States
10 department of commerce or one hundred thirty percent of the
11 median wage in the county in which the community is located,
12 whichever is higher.
13 e. The business will make a capital investment of at least
14 ten million dollars indexed to 1993 dollars based on the gross
15 national product implicit price deflator published by the
16 bureau of economic analysis of the United States department of
17 commerce. If the business is occupying a vacant building
18 suitable for industrial use, the fair market value of the
19 building shall be counted toward the capital investment
20 threshold.
21 f. The business shall agree to create at least twenty-five
22 full-time positions at a facility located in Iowa or expanded
23 under the program for a specified period which will be
24 negotiated with the department and the community, but which
25 shall be at least five years.
26 g. The business shall enter into an agreement with the
27 department specifying the manner in which the business shall
28 meet the requirements of this division. The agreement shall
29 also specify that the business shall repay all or part of the
30 value of the incentives granted under this division if the
31 provisions of subsections 1 and 2 are not met.
32 h. The business is a manufacturer, processor, research-
33 service facility, warehouse, or distribution center as
34 described in section 427B.1. Retail businesses shall not be
35 eligible for benefits under this division.

1 2. In addition to meeting the requirements of subsection
2 1, the business shall also meet at least one of the following
3 requirements:
4 a. The business will occupy an existing facility at least
5 one of the buildings of which shall be vacant and shall
6 contain at least twenty thousand square feet.
7 b. The business is in one of the following target
8 industries:
9 (1) Value-added agricultural products.
10 (2) Insurance and financial services.
11 (3) Plastics.
12 (4) Metals.
13 (5) Printing and paper or packaging products.
14 (6) Drugs and pharmaceuticals.
15 (7) Software development.
16 (8) Instruments and measuring devices and medical
17 instruments.
18 (9) Recycling and waste management.
19 c. The business makes day care services available to its
20 employees.
21 d. Invest annually no less than one percent of pretax
22 profits from the facility located to Iowa or expanded under
23 the program in research and development in Iowa.
24 e. Invest annually no less than one percent of pretax
25 profits from the facility located to Iowa or expanded under
26 the program in worker training and skills enhancement.
27 f. Have an active productivity and safety improvement
28 program involving management and worker participation and
29 cooperation.
30 3. The department shall also consider a variety of
31 factors, including but not limited to the following in
32 determining the eligibility of a business to participate in
33 the program:
34 a. The quality of the jobs to be created. In rating the
35 quality of the jobs the department shall award more points to

1 those jobs that have a higher wage scale, have a lower
2 turnover rate, are full-time or career-type positions, provide
3 comprehensive health benefits, or have other related factors
4 which could be considered to be higher in quality, than to
5 other jobs. Businesses that have wage scales substantially
6 below that of existing Iowa businesses in that area should be
7 rated as providing the lowest quality of jobs and should
8 therefore be given the lowest ranking for providing such
9 assistance.
10 b. The impact of the proposed project on other businesses
11 in competition with the business being considered for
12 assistance. The department shall make a good faith effort to
13 identify existing Iowa businesses within an industry in
14 competition with the business being considered for assistance.
15 The department shall make a good faith effort to determine the
16 probability that the proposed financial assistance will
17 displace employees of the existing businesses. In determining
18 the impact on businesses in competition with the business
19 being considered for assistance, jobs created as a result of
20 other jobs being displaced elsewhere in the state shall not be
21 considered direct jobs created.
22 c. The impact to the state of the proposed project. In
23 measuring the economic impact the department shall award more
24 points for projects which have greater consistency with the
25 state strategic plan than other projects. Greater consistency
26 may include any or all of the following:
27 (1) A business with a greater percentage of sales out-of-
28 state or of import substitution.
29 (2) A business with a higher proportion of in-state
30 suppliers.
31 (3) A project which would provide greater diversification
32 of the state economy.
33 (4) A business with fewer in-state competitors.
34 (5) A potential for future job growth.
35 (6) A project which is not a retail operation.

1 d. If a business has a record of violations of the law
2 over a period of time that tends to show a consistent pattern,
3 the business shall be given the lowest ranking for providing
4 assistance. The department shall make a good faith effort to
5 compile this information.
6 e. If a business has, within three years of application
7 for assistance, acquired or merged with an Iowa corporation or
8 company, whether the business has made a good faith effort to
9 hire the workers of the acquired or merged company.
10 f. Whether a business provides for a preference for hiring
11 residents of the state or of the economic development area,
12 except for out-of-state employees offered a transfer to Iowa
13 or to the economic development area.
14 g. Whether all known required environmental permits have
15 been issued and regulations met before moneys are released.
16 Sec. 8. NEW SECTION. 15.330 NEW JOBS CREDIT FROM
17 WITHHOLDING.
18 An eligible business may enter into an agreement with the
19 department of revenue and finance and a community college, for
20 a supplemental new jobs credit from withholding from jobs
21 created under the program. The agreement shall be for program
22 services for an additional job training project, as defined in
23 chapter 260E. The agreement shall provide for the following:
24 1. That the project shall be administered in the same
25 manner as a project under chapter 260E and that a supplemental
26 new jobs credit from withholding in an amount equal to one and
27 one-half percent of the gross wages paid by the eligible
28 business pursuant to section 422.16 is authorized to fund the
29 program services for the additional project.
30 2. That the supplemental new jobs credit from withholding
31 shall be collected, accounted for, and may be pledged by the
32 community college in the same manner as described in section
33 260E.5.
34 3. That the community college shall not be allowed any
35 expenses for administering the additional project except those

1 expenses which are directly attributable to the additional
2 project and which are in excess of the expenses allowed for
3 the project under chapter 260E.
4 4. That the auditor of state shall perform an annual audit
5 regarding how the training funds are being used.
6 To provide funds for the payment of the costs of the
7 additional project, a community college may borrow money,
8 issue and sell certificates, and secure the payment of the
9 certificates in the same manner as described in section
10 260E.6, including but not limited to, providing the assessment
11 of an annual levy as described in section 260E.6, subsection
12 4. The program and credit authorized by this section is in
13 addition to, and not in lieu of, the program and credit
14 authorized in chapter 260E.
15 Sec. 9. NEW SECTION. 15.331 VALUE-ADDED PROPERTY TAX
16 EXEMPTION.
17 1. The community may exempt from taxation all or a portion
18 of the actual value added by improvements to real property
19 directly related to new jobs created by the location or
20 expansion of an eligible business under the program and used
21 in the operations of the eligible business. The exemption may
22 be allowed for a period not to exceed twenty years beginning
23 the year the improvements are first assessed for taxation.
24 2. For purposes of this section, "improvements" include
25 rehabilitation of and additions to existing structures. The
26 exemption shall apply to all taxing districts in which the
27 real property is located.
28 Sec. 10. NEW SECTION. 15.332 INVESTMENT TAX CREDIT.
29 The department may authorize a corporate tax credit for an
30 eligible business up to a maximum of five percent of the new
31 investment which is directly related to new jobs created by
32 the location or expansion of an eligible business under the
33 program. Any credit in excess of the tax liability for the
34 tax year may be credited to the tax liability for the
35 following twenty years or until depleted, whichever occurs

1 earlier. If the business is a partnership, subchapter S
2 corporation, limited liability company, or estate or trust
3 electing to have the income taxed directly to the individual,
4 an individual may claim the tax credit allowed. The amount
5 claimed by the individual shall be based upon the pro rata
6 share of the individual's earnings of the partnership,
7 subchapter S corporation, limited liability company, or estate
8 or trust. For purposes of this section, "new investment
9 directly related to new jobs created by the location or
10 expansion of an eligible business under the program" means the
11 cost of machinery and equipment purchased for use in the
12 operation of the eligible business, the purchase price of
13 which has been depreciated in accordance with generally
14 accepted accounting principles, and the cost of improvements
15 made to real property which is used in the operation of the
16 eligible business and which receives a partial property tax
17 exemption for the actual value added under section 15E.186.
18 Sec. 11. NEW SECTION. 15.333 EXEMPTION FROM TAXATION FOR
19 MACHINERY, EQUIPMENT, AND COMPUTERS.
20 The community may exempt from taxation all or a portion of
21 the value of property, directly related to new jobs created by
22 the location or expansion of an eligible business under the
23 program, defined in section 427A.1, subsection 1, paragraphs
24 "e" and "j", used by the eligible business. In order to be
25 eligible for this exemption, the property shall be acquired or
26 initially leased by the eligible business or relocated by the
27 eligible business to the facility from a facility outside the
28 state of Iowa. The duration of the exemption shall be
29 determined by the community but shall not exceed twenty years.
30 Sec. 12. NEW SECTION. 15.334 SALES TAX REFUND --
31 CONSTRUCTION MATERIALS AND SERVICES.
32 An eligible business may receive a refund of the taxes paid
33 under chapters 422 and 423 for gas, electricity, water, or
34 sewer utility services, goods, wares, or merchandise, or on
35 services rendered, furnished, or performed to or for a

1 contractor or subcontractor and used in the fulfillment of a
2 written contract relating to the construction or equipping of
3 a facility of an eligible business. Taxes attributable to
4 intangible property and furniture and furnishings shall not be
5 refunded.
6 To receive the refund a claim shall be filed by an eligible
7 business with the department of revenue and finance as
8 follows:
9 a. The contractor or subcontractor shall state under oath,
10 on forms provided by the department, the amount of the sales
11 of goods, wares, or merchandise or services rendered,
12 furnished, or performed including ~~water, sewer, gas,~~ and
13 electric utility services upon which sales or use tax has been
14 paid, and shall file the forms with the eligible business
15 before final settlement is made.
16 b. The eligible business shall, not more than six months
17 after final settlement is made, make application to the
18 department for any refund of the amount of the taxes paid
19 pursuant to chapter 422 or 423 upon any goods, wares, or
20 merchandise, or services rendered, furnished, or performed,
21 including water, sewer, gas, and electric utility services.
22 The application shall be made in the manner and upon forms to
23 be provided by the department, and the department shall audit
24 the claim and, if approved, issue a warrant to the eligible
25 business in the amount of the sales or use tax which has been
26 paid to the state of Iowa under a contract. A claim filed by
27 the eligible business in accordance with this subsection shall
28 not be denied by reason of a limitation provision set forth in
29 chapter 421, 422, or 423.
30 c. A contractor or subcontractor who willfully makes a
31 false report of tax paid under the provisions of this
32 subsection is guilty of a simple misdemeanor and in addition
33 is liable for the payment of the tax and any applicable
34 penalty and interest.
35 Sec. 13. NEW SECTION. 15.335 RESEARCH ACTIVITIES CREDIT.

1 The department may authorize an eligible business to claim
2 a corporate tax credit for increasing research activities in
3 this state during the period the eligible business is
4 participating in the high quality jobs and targeted industries
5 program. The credit equals six and one-half percent of the
6 state's apportioned share of the qualifying expenditures for
7 increasing research activities. The state's apportioned share
8 of the qualifying expenditures for increasing research
9 activities is a percent equal to the ratio of qualified
10 research expenditures in this state to total qualified
11 research expenditures. If the eligible business is a
12 partnership, subchapter S corporation, limited liability
13 company, or estate or trust electing to have the income taxed
14 directly to the individual, an individual may claim the tax
15 credit allowed. The amount claimed by the individual shall be
16 based upon the pro rata share of the individual's earnings of
17 the partnership, subchapter S corporation, limited liability
18 company, or estate or trust. For purposes of this section,
19 "qualifying expenditures for increasing research activities"
20 means the qualifying expenditures as defined for the federal
21 credit for increasing research activities which would be
22 allowable under section 41 of the Internal Revenue Code in
23 effect on January 1, 1994.
24 Sec. 14. NEW SECTION. 15.336 OTHER INCENTIVES.
25 An eligible business may receive other applicable federal,
26 state, and local incentives and credits in addition to those
27 provided in this division. However, a business which
28 participates in the program under this division shall not
29 receive any funds from the community economic development
30 account under the community economic betterment program.
31 Sec. 15. Section 15A.1, subsection 1, unnumbered paragraph
32 1, Code 1993, is amended to read as follows:
33 Economic development is a public purpose for which the
34 state, a city, or a county may provide grants, loans,
35 guarantees, tax incentives, and other financial assistance to

1 or for the benefit of private persons.
2 Sec. 16. Section 15A.1, subsection 2, unnumbered paragraph
3 1, Code 1993, is amended to read as follows:
4 Before public funds are used for grants, loans, tax
5 incentives, or other financial assistance to private persons
6 or on behalf of private persons for economic development, the
7 governing body of the state, city, county, or other public
8 body dispensing those funds or the governing body's designee,
9 shall determine that a public purpose will reasonably be
10 accomplished by the dispensing or use of those funds. In
11 determining whether the funds should be dispensed, the
12 governing body or designee of the governing body shall
13 consider any or all of the following factors:
14 Sec. 17. Section 15A.2, unnumbered paragraph 1, Code 1993,
15 is amended to read as follows:
16 If a member of the governing body of a city or county or an
17 employee of a state, city, or county board, agency,
18 commission, or other governmental entity of the state, city,
19 or county has an interest, either direct or indirect, in a
20 private person for which grants, loans, guarantees, tax
21 incentives, or other financial assistance may be provided by
22 the governing board or governmental entity, the interest shall
23 be disclosed to that governing body or governmental entity in
24 writing. The member or employee having the interest shall not
25 participate in the decision-making process with regard to the
26 providing of such financial assistance to the private person.
27 Sec. 18. NEW SECTION. 15A.9 QUALITY JOBS ENTERPRISE ZONE -
28 - STATE ASSISTANCE.
29 1. FINDINGS -- ZONE DESIGNATION.
30 a. The general assembly finds and declares that the
31 designation of a quality jobs enterprise zone and the
32 provision of economic development assistance within the zone
33 are necessary to diversify the Iowa economy, enhance
34 opportunities for Iowans to obtain quality industrial jobs,
35 and provide significant economic benefits to the state through

1 the expansion of Iowa's economy. Establishment of the quality
2 jobs enterprise zone and the economic development assistance
3 provided by the state or a local community will be for the
4 well-being and benefit of the residents of the state and will
5 be for a public purpose.
6 b. In order to assist a community or communities located
7 within the state to secure new industrial manufacturing jobs,
8 the state of Iowa makes economic development assistance
9 available within the zone, and the department of economic
10 development shall designate a site or sites, which shall not
11 be larger than two thousand five hundred contiguous acres,
12 within thirty days of the effective date of this Act, as a
13 quality jobs enterprise zone or zones for the purpose of
14 attracting a primary business and supporting businesses to
15 locate facilities within the state.
16 The primary business or a supporting business shall not be
17 prohibited from participating in or receiving other economic
18 development programs or services or electing to utilize other
19 tax provisions to the extent authorized elsewhere by law.
20 2. DEFINITIONS. As used in this section:
21 a. "Contractor or subcontractor" means a person who
22 contracts with the primary business or a supporting business
23 or subcontracts with a contractor for the provision of
24 property, materials, or services for the construction or
25 equipping of a facility, located within the zone, of the
26 primary business or a supporting business.
27 b. "Primary business" means a business which pays its
28 full-time production employees at the facility average
29 compensation of fifteen dollars per hour, including bonuses
30 and incentives, but not including retirement benefits, within
31 one year of project completion, and which provides the
32 department of economic development within thirty days of the
33 effective date of this Act, with notice of its intent to
34 develop and operate a new manufacturing facility on a specific
35 location within the state, including the legal description of

1 the site which shall not contain more than two thousand five
2 hundred contiguous acres, to invest at least two hundred fifty
3 million dollars in the facility, and to commence construction
4 of the facility by December 31, 1994. The business shall also
5 guarantee that it will create at least three hundred full-time
6 jobs at the facility. The headquarters of the primary
7 business need not be within the zone.
8 c. "Project completion" means the first date upon which
9 the average annualized production of finished product for the
10 preceding ninety-day period at the manufacturing facility
11 operated by the primary business within the zone is at least
12 fifty percent of the initial design capacity of the facility.
13 The primary business shall inform the department of revenue
14 and finance in writing within two weeks of project completion.
15 d. "Supporting business" means a business under contract
16 with the primary business to provide property, materials, or
17 services which are a necessary component of the operation of
18 the manufacturing facility. To qualify as a supporting
19 business, the business shall have a permanent facility located
20 within the zone and the revenue from fulfilling the contract
21 with the primary business shall constitute at least seventy-
22 five percent of the revenue generated by the business from all
23 activities undertaken from the facility within the zone.
24 e. "Zone" means the quality jobs enterprise zone.
25 3. NEW JOBS CREDIT. At the request of the primary
26 business or a supporting business, an agreement authorizing a
27 supplemental new jobs credit from withholding from jobs within
28 the zone may be entered into between the department of revenue
29 and finance, a community college, and the primary business or
30 a supporting business. The agreement shall be for program
31 services for an additional job training project, as defined in
32 chapter 260E. The agreement shall provide for the following:
33 a. That the project shall be administered in the same
34 manner as a project under chapter 260E and that a supplemental
35 new jobs credit from withholding in an amount equal to one and

1 one-half percent of the gross wages paid by the primary
2 business or a supporting business pursuant to section 422.16
3 is authorized to fund the program services for the additional
4 project.
5 b. That the supplemental new jobs credit from withholding
6 shall be collected, accounted for, and may be pledged by the
7 community college in the same manner as described in section
8 260E.5.
9 c. That the community college shall not be allowed any
10 expenses for administering the additional project except those
11 expenses which are directly attributable to the additional
12 project and which are in excess of the expenses allowed for
13 the project under chapter 260E.
14 To provide funds for the payment of the costs of the
15 additional project, a community college may borrow money,
16 issue and sell certificates, and secure the payment of the
17 certificates in the same manner as described in section
18 260E.6, including, but not limited to, providing the
19 assessment of an annual levy as described in section 260E.6,
20 subsection 4. The program and credit authorized by this
21 subsection is in addition to, and not in lieu of, the program
22 and credit authorized in chapter 260E.
23 4. INVESTMENT TAX CREDIT. The primary business and a
24 supporting business shall be entitled to a corporate tax
25 credit equal to ten percent of the new investment made within
26 the zone by the primary business or a supporting business
27 prior to project completion. A credit in excess of the tax
28 liability for the tax year may be credited to the tax
29 liability for the following twenty years or until depleted,
30 whichever comes first.
31 For purposes of this section, "new investment made within
32 the zone" means the capitalized cost of all real and personal
33 property, including buildings and other improvements to real
34 estate, purchased or otherwise acquired or relocated to the
35 zone for use in the operation of the primary business or a

1 supporting business within the zone. New investment in the
2 zone does not include land, intangible property, or furniture
3 and furnishings. The capitalized cost of property shall for
4 the purposes of this section be determined in accordance with
5 generally accepted accounting principles.
6 5. PROPERTY TAX EXEMPTION.
7 a. All property, as defined in section 427A.1, subsection
8 1, paragraphs "e" and "j", Code 1993, used by the primary
9 business or a supporting business and located within the zone,
10 shall be exempt from property taxation for a period of twenty
11 years beginning with the year it is first assessed for
12 taxation. In order to be eligible for this exemption, the
13 property shall be acquired or leased by the primary business
14 or a supporting business or relocated by the primary business
15 or a supporting business to the zone from outside the state
16 prior to project completion.
17 b. Property which is exempt for property tax purposes
18 under this subsection is eligible for the sales and use tax
19 exemption under section 422.45, subsection 27, notwithstanding
20 that subsection or any other provision of the Code to the
21 contrary.
22 6. SALES, SERVICE, AND USE TAX REFUND. Taxes paid
23 pursuant to chapter 422 or 423 on the gross receipts or rental
24 price of property purchased or rented by the primary business
25 or a supporting business for use by the primary business or a
26 supporting business within the zone or on gas, electricity,
27 water, and sewer utility services prior to project completion
28 shall be refunded to the primary business or supporting
29 business if the item was purchased or the service was
30 performed or received prior to project completion. Claims
31 under this section shall be submitted on forms provided by the
32 department of revenue and finance not later than six months
33 after project completion. The refund in this subsection shall
34 not apply to furniture or furnishings, or intangible property.
35 7. SALES, SERVICES, AND USE TAX REFUND -- CONTRACTOR OR

1 SUBCONTRACTOR. The primary business or a supporting business
2 shall be entitled to a refund of the taxes paid under chapters
3 422 and 423 for gas, electricity, water, or sewer utility
4 services, goods, wares, or merchandise, or on services
5 rendered, furnished, or performed to or for a contractor or
6 subcontractor and used in the fulfillment of a written
7 contract relating to the construction or equipping of a
8 facility within the zone of the primary business or a
9 supporting business. Taxes attributable to intangible
10 property and furniture and furnishings shall not be refunded.
11 To receive the refund a claim shall be filed by the primary
12 business or a supporting business with the department of
13 revenue and finance as follows:
14 a. The contractor or subcontractor shall state under oath,
15 on forms provided by the department, the amount of the sales
16 of goods, wares, or merchandise or services rendered,
17 furnished, or performed including water, sewer, gas, and
18 electric utility services for use in the zone upon which sales
19 or use tax has been paid prior to the project completion, and
20 shall file the forms with the primary business or supporting
21 business before final settlement is made.
22 b. The primary business or a supporting business shall,
23 not more than six months after project completion, make
24 application to the department for any refund of the amount of
25 the taxes paid pursuant to chapter 422 or 423 upon any goods,
26 wares, or merchandise, or services rendered, furnished, or
27 performed, including water, sewer, gas, and electric utility
28 services. The application shall be made in the manner and
29 upon forms to be provided by the department, and the
30 department shall audit the claim and, if approved, issue a
31 warrant to the primary business or supporting business in the
32 amount of the sales or use tax which has been paid to the
33 state of Iowa under a contract. A claim filed by the primary
34 business or a supporting business in accordance with this
35 subsection shall not be denied by reason of a limitation

1 provision set forth in chapter 421, 422, or 423.
2 c. A contractor or subcontractor who willfully makes a
3 false report of tax paid under the provisions of this
4 subsection is guilty of a simple misdemeanor and in addition
5 is liable for the payment of the tax and any applicable
6 penalty and interest.
7 8. CORPORATE TAX RESEARCH CREDIT. A corporate tax credit
8 shall be available to the primary business or a supporting
9 business for increasing research activities in this state
10 within the zone. The credit equals thirteen percent of the
11 state's apportioned share of the qualifying expenditures for
12 increasing research activities. The state's apportioned share
13 of the qualifying expenditures for increasing research
14 activities is a percent equal to the ratio of qualified
15 research expenditures in this state within the zone to total
16 qualified research expenditures. Any credit in excess of the
17 tax liability for the tax year shall be refunded with interest
18 computed under section 422.25. In lieu of claiming a refund,
19 the primary business or a supporting business may elect to
20 have the overpayment shown on its final return credited to its
21 tax liability for the following tax year.
22 For the purposes of this section, "qualifying expenditures
23 for increasing research activities" means the qualifying
24 expenditures as defined for the federal credit for increasing
25 research activities which would be allowable under section 41
26 of the Internal Revenue Code in effect on January 1, 1994.
27 The credit authorized in this subsection is in lieu of the
28 credit authorized in section 422.33, subsection 5.
29 9. EXEMPTION FROM LAND OWNERSHIP RESTRICTIONS FOR
30 NONRESIDENT ALIENS.
31 a. The primary business and a supporting business, to the
32 extent the primary business or the supporting business is not
33 actively engaged in farming within the zone, may acquire, own,
34 and lease land in the zone, notwithstanding the provisions of
35 section 9H.4, 9H.5, and 567.3, and shall be exempt from the

1 requirements of section 567.4. The primary business and
2 supporting business shall comply with the remaining provisions
3 of chapters 9H and 567 to the extent they do not conflict with
4 this subsection.
5 b. "Actively engaged in farming" means any of the
6 following:
7 (1) Inspecting agricultural production activities within
8 the zone periodically and furnishing at least half of the
9 value of the tools and paying at least half the direct cost of
10 production.
11 (2) Regularly and frequently making or taking an important
12 part in making management decisions substantially contributing
13 to or affecting the success of the farm operations within the
14 zone.
15 (3) Performing physical work which significantly
16 contributes to crop or livestock production.
17 10. LIMITATION ON ASSISTANCE. Economic development
18 assistance under subsections 3 through 9 shall only be
19 available to the primary business or a supporting business.
20 11. An economic cost benefit analysis shall be conducted
21 by the legislative fiscal bureau for each zone established
22 under this section for every five-year period through the
23 duration of the zone. The analysis shall measure the impact
24 upon both revenues and costs of the state and affected
25 governmental subdivisions due to economic activities within
26 the zone. The legislative fiscal bureau may contract for any
27 services deemed necessary by the director to complete the
28 analysis.
29 Sec. 19. EFFECTIVE DATES. Sections 15 through 18 of this
30 Act, being deemed of immediate importance, take effect upon
31 enactment. All other sections of this Act take effect thirty-
32 one days after enactment.
33
34
35

HOUSE FILE 2180

S-5027

Amend House File 2180, as amended, passed, and reprinted by the House, as follows:

1. Page 3, by striking lines 17 through 20.

2. Page 3, by striking lines 29 and 30 and inserting the following: "This part shall be known and may be cited as the "New Jobs and Income Act"".

3. Page 3, line 32, by striking the word "division" and inserting the following: "part".

4. Page 3, by striking line 34.

5. Page 4, by striking lines 1 through 7 and inserting the following: "pursuant to chapter 28E."

6. Page 4, by striking lines 10 through 24 and inserting the following:

"___. "Program" means the new jobs and income program."

7. Page 4, line 26, by striking the word "division" and inserting the following: "part".

8. Page 4, line 27, by inserting after the word "shall" the following: ", individually or as part of a group of businesses,".

9. Page 4, line 30, by striking the word "division" and inserting the following: "part".

10. By striking page 5, line 2 through page 8, line 15 and inserting the following:

"c. Invest ten million dollars in new equipment and machinery as defined in section 427A.1, subsection 1, paragraphs "e" and "j", within three years of the date of the agreement with the department required by section 15.330. If the business or group of businesses is occupying a vacant building suitable for industrial use, the fair market value of the building shall be counted toward the investment threshold of this paragraph.

d. Pay nonmanagement production employees at the facility for which the business receives program incentives, in each year in which the business receives incentives under the program, cash wages, not including bonuses or profit sharing or pension, medical, dental, life insurance, or other employment benefits, of fifteen dollars per hour or one hundred fifty percent of the average wage in the county in which the new investment is located.

e. Provide and pay at least eighty percent of the cost of a comprehensive medical and dental insurance plan for all full-time employees working at the facility in which the new investment occurred.

f. Produce or manufacture high value-added goods or services or be in one of the following industries:

(1) Value-added agricultural products.

(2) Insurance and financial services.

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1 (3) Plastics.
2 (4) Metals.
3 (5) Printing paper or packaging products.
4 (6) Drugs and pharmaceuticals.
5 (7) Software development.
6 (8) Instruments and measuring devices and medical
7 instruments.
8 (9) Recycling and waste management.
9 (10) Telecommunications.
10 Retail business shall not be eligible for benefits
11 under this part.
12 2. In addition to the requirements of subsection
13 1, a business or group of businesses shall do at least
14 four of the following in order to be eligible for
15 incentives under the program:
16 a. Offer a pension or profit sharing plan to full-
17 time employees.
18 b. Invest annually no less than one percent of
19 pretax profits in research and development.
20 c. Invest annually no less than one percent of
21 pr ax profits from the facility in which the new
stment occurred in worker retraining and skills
23 en ncement if the business has not entered into an
24 ement under chapter 260E.
25 d. Have an active labor-management safety
26 committee.
27 e. Have a quality assurance or total quality
28 management system in place with benchmarks for gauging
29 compliance.
30 f. Provide adequate quality day care services to
31 employees as part of an employee fringe benefit
32 package.
33 g. Occupy an existing facility at least one of the
34 buildings of which shall be vacant and shall contain
35 at least twenty thousand square feet.
36 3. The business or group of businesses shall also
37 increase employment at the facility for which the
38 business or group of businesses receives program
39 incentives by not less than one hundred full-time
40 employees within three years after the date of the
41 agreement with the department required by section
42 15.330 and maintain the jobs for at least five years.
43 4. Any business located in a quality jobs
44 enterprise zone is ineligible to receive the economic
45 development incentives under the program.
46 5. A business or group of businesses may choose up
47 to three of the program benefits contained in sections
48 15.331 through 15.335. However, before program
49 benefits may be claimed, the business or group of
50 businesses shall show that all required environmental

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1 permits have been issued and regulations met.
2 Sec. ___. NEW SECTION. 15.330 AGREEMENT -- NON-
3 COMPLIANCE -- PENALTIES.
4 A business or group of businesses shall enter into
5 an agreement with the department specifying the
6 requirements which must be met to satisfy the criteria
7 of section 15.329. The department shall consult with
8 the community during negotiations relating to the
9 agreement. The agreement shall contain the following
10 provisions:
11 1. If the business or group of businesses has not
12 met more than ninety percent of the job creation
13 requirement in section 15.329, subsection 3, it shall
14 pay a percentage of the incentive received under
15 section 15.333, or if the business or group of
16 businesses does not receive the incentive under
17 section 15.333, then under section 15.332 as follows:
18 a. If the business or group of businesses has met
19 fifty percent or less of the requirement, the business
20 or group of businesses shall pay the same percentage
21 in benefits as the business or group of businesses
22 failed to create in jobs.
23 b. If the business or group of businesses has met
24 more than fifty percent but not more than seventy-five
25 percent of the requirement, the business or group of
26 businesses shall pay one-half of the percentage in
27 benefits as the business or group of businesses failed
28 to create in jobs.
29 c. If the business or group of businesses has met
30 more than seventy-five percent but not more than
31 ninety percent of the requirement, the business or
32 group of businesses shall pay one quarter of the
33 percentage in benefits as the business or group of
34 businesses failed to create in jobs.
35 2. If a business or group of businesses does not
36 meet the wage, investment, and job training
37 requirements in section 15.239, subsection 1,
38 paragraph "d", and subsection 2, paragraphs "b" and
39 "c", in any one year, it must meet that requirement in
40 the following year or forfeit the incentives for that
41 year."
42 11. Page 8, line 16, by striking the figure
43 "15.330" and inserting the following: "15.331".
44 12. Page 9, by striking lines 15 through 27.
45 13. Page 9, by striking lines 29 and 30 and
46 inserting the following: "An eligible business may
47 claim a corporate tax credit up to a maximum of ten
48 percent of the new".
49 14. Page 9, line 35, by striking the word
50 "twenty" and inserting the following: "seven".

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1 15. Page 10, line 20, by striking the words "The
2 community may" and inserting the following: "An
3 eligible business may claim as".
4 16. By striking page 10, line 30 through page 11,
5 line 34.
6 17. Page 12, by striking line 1 and inserting the
7 following: "An eligible business may claim".
8 18. Page 12, line 4, by striking the words "high
9 quality jobs and targeted industries".
10 19. Page 12, by inserting after line 23 the
11 following:
12 "A credit in excess of the tax liability for the
13 tax year may be credited to the tax liability for the
14 following three years or until depleted, whichever
15 comes first."
16 20. Page 12, line 27, by striking the word
17 "division" and inserting the following: "part".
18 21. Page 12, line 28, by striking the word
19 "division" and inserting the following: "part".
20 22. Page 20, by inserting after line 28 the
21 following:
22 "Sec. ___. LEGISLATIVE STUDY. The legislative
23 council is requested to establish a task force to
24 examine the service delivery system for economic
25 development programs and to study the relationship
26 between local and state governments and businesses in
27 utilizing financial and tax incentives as economic
28 development tools. Membership on the task force is
29 requested to be the following:
30 1. Ten voting members from the senate and house of
31 representatives, three members appointed by the
32 majority leader of the senate, two members appointed
33 by the minority leader of the senate, three members
34 appointed by the speaker of the house of
35 representatives, and two members appointed by the
36 minority leader of the house of representatives.
37 2. Eight nonvoting members as follows:
38 a. The director of the department of economic
39 development or the director's designee.
40 b. One member each designated by the association
41 of business and industry, the Iowa state association
42 of counties, the league of Iowa municipalities, the
43 professional developers of Iowa, the Iowa business
44 council, and two statewide labor organizations."
45 23. Page 20, by striking lines 29 through 32 and
46 inserting the following:
47 "Sec. ___. EFFECTIVE DATE. This Act, being deemed
48 of immediate importance, takes effect upon enactment."
49 24. Title page, lines 2 and 3, by striking the
50 words "high quality jobs and targeted industries" and

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Page 5 A
1 inserting the following: "new jobs and income".
25. By renumbering and correcting internal references as necessary.

By COMMITTEE ON SMALL BUSINESS,
ECONOMIC DEVELOPMENT AND TOURISM

S-5027 FILED FEBRUARY 21, 1994

A. adopted

B – withdrawn

SENATE CLIP SHEET
FEBRUARY 23, 1994

HOUSE FILE 2180

S-5028

1 Amend House File 2180, as amended, passed, and re-
2 printed by the House, as follows:
3 1. By striking page 8, line 34, through page 9,
4 line 3.
5 2. By renumbering and correcting internal
6 references as necessary.

By JOHN P. KIBBIE
PAUL D. PATE

S-5028 FILED FEBRUARY 22, 1994
ADOPTED

HOUSE FILE 2180

S-5029

1 Amend the amendment, S-5027, to House File 2180 as
2 amended, passed, and reprinted by the House, as
3 follows:
4 1. Page 4, line 28, by inserting after the word
5 "tools." the following: "The task force shall also
6 study the need for and benefits of a compact with
7 other states regarding economic noncompetition and the
8 steps necessary to implement such a compact."

By ANDY McKEAN
JIM RIORDAN

S-5029 FILED FEBRUARY 22, 1994
ADOPTED

HOUSE FILE 2180

S-5030

1 Amend House File 2180, as amended, passed, and
2 reprinted by the House, as follows:
A 3 1. Page 14, by striking lines 29 through 31 and
4 inserting the following: "cash compensation of
5 fifteen dollars per hour by the end of the second full
6 year of operation following project completion, and
7 which provides the".
B 8 2. By striking page 17, line 22, through page 19,
9 line 6.
C 10 3. By striking page 19, line 29, through page 20,
11 line 16.
D 12 4. Page 20, by striking lines 31 and 32 and
13 inserting the following: "enactment. All other
14 sections of this Act take effect July 1, 1994."
15 5. By renumbering and correcting internal
16 references as necessary.

By COMMITTEE ON WAYS AND MEANS
WILLIAM DIELEMAN, Chairperson

S-5030 FILED FEBRUARY 22, 1994
DIV. A-ADOPTED, DIV. B-ADOPTED, DIV. C-ADOPTED, DIV. D-ADOPTED

HOUSE FILE 2180

S-5031

1 Amend the amendment, S-5027, to House File 2180, as
2 amended, passed, and reprinted by the House, as
3 follows:
4 1. Page 4, by inserting before line 1 the
5 following:
6 "___. Page 10, line 11, by inserting after the
7 word "equipment" the following: ", as defined in
8 section 427A.1, subsection 1, paragraphs "e" and
9 "j",".
10 ___. Page 10, by striking lines 14 through 17 and
11 inserting the following: "accepted accounting
12 principles.""

By TOM VILSACK

S-5031 FILED FEBRUARY 22, 1994
ADOPTED

HOUSE FILE 2180

5032

Amend House File 2180, as amended, passed, and reprinted by the House, as follows:

1. Page 20, by inserting after line 28, the following:

"Sec. 501. Section 327I.26, Code 1993, is amended to read as follows:

327I.26 APPROPRIATION TO AUTHORITY.

Notwithstanding section 423.24 and prior to the application of section 423.24, subsection 1, paragraph "c", there is appropriated to the authority from ~~eighty-percent~~ two-thirds of the revenues derived from the operation of section 423.7 the amounts certified by the authority under section 327I.25. However, the total amount credited to the Iowa railway finance authority under this section shall not exceed two million dollars annually. Moneys credited to the Iowa railway finance authority under this section are appropriated only for the payment of principal and interest on obligations or the payment of leases guaranteed by the authority as provided under section 327I.25.

Sec. ___. Section 422.5, subsection 1, paragraphs a through i, Code 1993, are amended to read as follows:

~~a.--On-all-taxable-income-from-zero-through-one thousand-dollars,-four-tenths-of-one-percent.~~

~~---b.--On-all-taxable-income-exceeding-one-thousand dollars-but-not-exceeding-two-thousand-dollars,-eight-tenths-of-one-percent.~~

~~c~~ a. On all taxable income exceeding two thousand dollars but not exceeding four thousand dollars, two ~~and-seven-tenths~~ percent.

~~d~~ b. On all taxable income exceeding four thousand dollars but not exceeding nine thousand dollars, ~~five~~ four and two-tenths percent.

~~e~~ c. On all taxable income exceeding nine thousand dollars but not exceeding fifteen thousand dollars, six ~~and-eight-tenths~~ percent.

~~f~~ d. On all taxable income exceeding fifteen thousand dollars but not exceeding twenty thousand dollars, ~~seven-and-two-tenths~~ six and five-tenths percent.

~~g~~ e. On all taxable income exceeding twenty thousand dollars but not exceeding thirty thousand dollars, ~~seven~~ six and ~~fifty-five-hundredths~~ eight-tenths percent.

~~h~~ f. On all taxable income exceeding thirty thousand dollars but not exceeding forty-five thousand dollars, eight and ~~eight-tenths~~ one-tenth percent.

~~i~~ g. On all taxable income exceeding forty-five

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1 thousand dollars, nine and ~~ninety-eight~~ twenty-five
2 hundredths percent.
3 Sec. ___. Section 422.43, subsections 1, 2, 4, 5,
4 6, 7, and 10, Code Supplement 1993, are amended to
5 read as follows:
6 1. There is imposed a tax of ~~five~~ six percent upon
7 the gross receipts from all sales of tangible personal
8 property, consisting of goods, wares, or merchandise,
9 except as otherwise provided in this division, sold at
10 retail in the state to consumers or users; a like rate
11 of tax upon the gross receipts from the sales,
12 furnishing, or service of gas, electricity, water,
13 heat, pay television service, and communication
14 service, including the gross receipts from such sales
15 by any municipal corporation or joint water utility
16 furnishing gas, electricity, water, heat, pay
17 television service, and communication service to the
18 public in its proprietary capacity, except as
19 otherwise provided in this division, when sold at
20 retail in the state to consumers or users; a like rate
21 of tax upon the gross receipts from all sales of
22 tickets or admissions to places of amusement, fairs,
23 and athletic events except those of elementary and
24 secondary educational institutions; a like rate of tax
25 on the gross receipts from an entry fee or like charge
26 imposed solely for the privilege of participating in
27 an activity at a place of amusement, fair, or athletic
28 event unless the gross receipts from the sales of
29 tickets or admissions charges for observing the same
30 activity are taxable under this division; and a like
31 rate of tax upon that part of private club membership
32 fees or charges paid for the privilege of
33 participating in any athletic sports provided club
34 members.
35 2. There is imposed a tax of ~~five~~ six percent upon
36 the gross receipts derived from the operation of all
37 forms of amusement devices and games of skill, games
38 of chance, raffles, and bingo games as defined in
39 chapter 99B, operated or conducted within the state,
40 the tax to be collected from the operator in the same
41 manner as for the collection of taxes upon the gross
42 receipts of tickets or admission as provided in this
43 section. The tax shall also be imposed upon the gross
44 receipts derived from the sale of lottery tickets or
45 shares pursuant to chapter 99E. The tax on the
46 lottery tickets or shares shall be included in the
47 sales price and distributed to the general fund as
48 provided in section 99E.10.
49 4. There is imposed a tax of ~~five~~ six percent upon
50 the gross receipts from the sales of engraving,

photography, retouching, printing, and binding services. For the purpose of this division, the sales of engraving, photography, retouching, printing, and binding services are sales of tangible property.

5. There is imposed a tax of ~~five~~ six percent upon the gross receipts from the sales of vulcanizing, recapping, and retreading services. For the purpose of this division, the sales of vulcanizing, recapping, and retreading services are sales of tangible property.

6. There is imposed a tax of ~~five~~ six percent upon the gross receipts from the sales of optional service or warranty contracts which provide for the furnishing of labor and materials and require the furnishing of any taxable service enumerated under this section. The gross receipts are subject to tax even if some of the services furnished are not enumerated under this section. For the purpose of this division, the sale of an optional service or warranty contract is a sale of tangible personal property. Additional sales, services, or use taxes shall not be levied on services, parts, or labor provided under optional service or warranty contracts which are subject to tax under this section.

7. There is imposed a tax of ~~five~~ six percent upon the gross receipts from the renting of rooms, apartments, or sleeping quarters in a hotel, motel, inn, public lodging house, rooming house, mobile home which is tangible personal property, or tourist court, or in any place where sleeping accommodations are furnished to transient guests for rent, whether with or without meals. "Renting" and "rent" include any kind of direct or indirect charge for such rooms, apartments, or sleeping quarters, or their use. For the purposes of this division, such renting is regarded as a sale of tangible personal property at retail. However, this tax does not apply to the gross receipts from the renting of a room, apartment, or sleeping quarters while rented by the same person for a period of more than thirty-one consecutive days.

10. There is imposed a tax of ~~five~~ six percent upon the gross receipts from the rendering, furnishing, or performing of services as defined in section 422.42.

Sec. ___. Section 422.43, subsection 12, unnumbered paragraph 1, Code Supplement 1993, is amended to read as follows:

A tax of ~~five~~ six percent is imposed upon the gross receipts from all sales of tangible personal property, consisting of goods, wares, or merchandise, except as

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otherwise provided in this division, sold at retail in the state to consumers or users within the state by retailers that meet any of the following criteria:

Sec. ___. Section 422.43, subsection 13, paragraph a, unnumbered paragraph 1, Code Supplement 1993, is amended to read as follows:

A tax of ~~five~~ six percent is imposed upon the gross receipts from the sales, furnishing, or service of solid waste collection and disposal service.

Sec. ___. Section 422.47, subsection 2, Code 1993, is amended to read as follows:

2. Construction contractors may make application to the department for a refund of the additional one percent tax paid under this division or the additional one percent tax paid under chapter 423 by reason of the increase in the tax from ~~four to~~ five to six percent for taxes paid on goods, wares, or merchandise under the following conditions:

a. The goods, wares, or merchandise are incorporated into an improvement to real estate in fulfillment of a written contract fully executed prior to July 1, ~~1992~~ 1994. The refund shall not apply to equipment transferred in fulfillment of a mixed construction contract.

b. The contractor has paid to the department or to a retailer the full ~~five~~ six percent tax.

c. The claim is filed on forms provided by the department and is filed within one year of the date the tax is paid.

A contractor who makes an erroneous application for refund shall be liable for payment of the excess refund paid plus interest at the rate in effect under section 421.7. In addition, a contractor who willfully makes a false application for refund is guilty of a simple misdemeanor and is liable for a penalty equal to fifty percent of the excess refund claimed. Excess refunds, penalties, and interest due under this subsection may be enforced and collected in the same manner as the tax imposed by this division.

Sec. ___. Section 422C.3, subsection 1, Code 1993, is amended to read as follows:

1. A tax of ~~five~~ six percent is imposed upon the rental price of an automobile if the rental transaction is subject to the sales and services tax under chapter 422, division IV, or the use tax under chapter 423. The tax shall not be imposed on any rental transaction not taxable under the state sales and services tax, as provided in section 422.45, or the state use tax, as provided in section 423.4, on automobile rental receipts.

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Sec. ___. Section 423.2, Code 1993, is amended to read as follows:

423.2 IMPOSITION OF TAX.

An excise tax is imposed on the use in this state of tangible personal property purchased for use in this state, at the rate of ~~five~~ six percent of the purchase price of the property. The excise tax is imposed upon every person using the property within this state until the tax has been paid directly to the county treasurer or the state department of transportation, to a retailer, or to the department. An excise tax is imposed on the use in this state of services enumerated in section 422.43 at the rate of ~~five~~ six percent. This tax is applicable where services are rendered, furnished, or performed in this state or where the product or result of the service is used in this state. This tax is imposed on every person using the services or the product of the services in this state until the user has paid the tax either to an Iowa use tax permit holder or to the department.

Sec. 508. Section 423.24, subsection 1, unnumbered paragraph 1, Code Supplement 1993, is amended to read as follows:

~~Eighty-percent~~ Two-thirds of all revenues derived from the use tax on motor vehicles, trailers, and motor vehicle accessories and equipment as collected pursuant to section 423.7 shall be deposited and credited as follows:

Sec. 509. Section 423.24, subsection 2, Code Supplement 1993, is amended to read as follows:

2. ~~Twenty-percent~~ One-sixth of all revenue derived from the use tax on motor vehicles, trailers, and motor vehicle accessories and equipment as collected pursuant to section 423.7 shall be deposited in the GAAP deficit reduction account established in the department of management pursuant to section 8.57, subsection 2, and shall be used in accordance with the provisions of that section.

Sec. ___. NEW SECTION. 427B.19 EXEMPTION FROM TAX -- NEW MACHINERY.

1. Beginning on the effective date of this section, property described in section 427B.17, and acquired or initially leased on or after the effective date of this section, shall be exempt from property taxation for a period of time to be determined as provided in this section.

2. On or before July 1 of each year, the treasurer shall prepare a statement listing for each taxing jurisdiction in the county the amount of property

1 taxes which would have been payable in the coming
2 fiscal year if the property was assessed pursuant to
3 section 427B.17 instead of being totally exempt as
4 provided in subsection 1 and shall certify and forward
5 one copy of the statement to the department of revenue
6 and finance not later than July 1 of each year.
7 3. Each county treasurer shall be reimbursed an
8 amount equal to the lost property taxes for that
9 county determined pursuant to subsection 2. The
10 reimbursement shall be made in two equal installments
11 on or before September 30 and March 30 of each year.
12 The county treasurer shall apportion the disbursement
13 in the manner provided in section 445.57.
14 Sec. ___. APPLICABILITY. This section applies in
15 regard to the increase in the state sales, services,
16 and use taxes from five to six percent. The six
17 percent rate applies to all sales of taxable personal
18 property, consisting of goods, wares, or merchandise
19 if delivery occurs on or after July 1, 1994. The use
20 tax rate of six percent applies to motor vehicles
21 subject to registration which are registered on or
22 after July 1, 1994. The six percent use tax rate
23 applies to the use of property when the first taxable
24 use in this state occurs on or after July 1, 1994.
25 The six percent rate applies to the gross receipts
26 from the sale, furnishing, or service of gas,
27 electricity, water, heat, pay television service, and
28 communication service if the date of billing the
29 customer is on or after July 1, 1994. In the case of
30 a service contract entered into prior to July 1, 1994,
31 which contract calls for periodic payments, the six
32 percent rate applies to those payments made or due on
33 or after July 1, 1994. This periodic payment applies,
34 but is not limited to, tickets or admissions, private
35 club membership fees, sources of amusement, equipment
36 rental, dry cleaning, reducing salons, dance schools,
37 and all other services subject to tax, except the
38 aforementioned utility services which are subject to a
39 special transitional rule. Unlike periodic payments
40 under service contracts, installment sales of goods,
41 wares, and merchandise are subject to the full amount
42 of sales or use tax when the sales contract is entered
43 into or the property is first used in Iowa.
44 Sec. ___. Sections 501, 508, and 509 of this Act
45 apply to the revenues derived from the six percent use
46 tax on motor vehicles, trailers, and motor vehicle
47 accessories and equipment as collected on and after
48 July 1, 1994, pursuant to section 423.7."
49 2. Title page, line 4, by inserting after the
50 word "zones," the following: "providing for changes

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1 in the personal income taxation and sales tax rates
2 and for an exemption from property taxation for
3 certain new machinery and computer equipment and
4 providing for reimbursement for taxes not levied,".
5 3. By renumbering and correcting internal
6 references as necessary.

By JIM KERSTEN

S-5032 FILED FEBRUARY 22, 1994
WITHDRAWN

HOUSE FILE 2180

S-5033
1 Amend House File 2180, as amended, passed, and
2 reprinted by the House, as follows:
3 1. Page 13, by inserting after line 13 the
4 following:
5 "Sec. ___. NEW SECTION. 15A.1A ECONOMIC
6 DEVELOPMENT -- HEALTH INSURANCE REQUIREMENTS.
7 Before public funds are used for grants, loans, tax
8 incentives, or other financial assistance to a private
9 person or on behalf of a private person for economic
10 development, the private person seeking to receive
11 economic development assistance shall provide evidence
12 that the person offers, or will offer, health
13 insurance benefits equal to a standard benefit package
14 determined by the commissioner of insurance, and pays,
15 or will pay, at least eighty percent of the cost of a
16 single policy, and offer its employees family coverage
17 at the employee's cost."

By MICHAEL GRONSTAL
LARRY MURPHY

S-5033 FILED FEBRUARY 22, 1994
ADOPTED

HOUSE FILE 2180

S-5034

1 Amend House File 2180, as amended, passed, and
2 reprinted by the House as follows:
3 1. Page 1, by striking everything after the
4 enacting clause and inserting the following:
5 "Section 1. Section 15A.1, subsection 1,
6 unnumbered paragraph 1, Code 1993, is amended to read
7 as follows:
8 Economic development is a public purpose for which
9 the state, a city, or a county may provide grants,
10 loans, guarantees, tax incentives, and other financial
11 assistance to or for the benefit of private persons.
12 Sec. ___. Section 15A.1, subsection 2, unnumbered
13 paragraph 1, Code 1993, is amended to read as follows:
14 Before public funds are used for grants, loans, tax
15 incentives, or other financial assistance to private
16 persons or on behalf of private persons for economic
17 development, the governing body of the state, city,
18 county, or other public body dispensing those funds or
19 the governing body's designee, shall determine that a
20 public purpose will reasonably be accomplished by the
21 dispensing or use of those funds. In determining
22 whether the funds should be dispensed, the governing
23 body or designee of the governing body shall consider
24 any or all of the following factors:
25 Sec. ___. Section 15A.2, unnumbered paragraph 1,
26 Code 1993, is amended to read as follows:
27 If a member of the governing body of a city or
28 county or an employee of a state, city, or county
29 board, agency, commission, or other governmental
30 entity of the state, city, or county has an interest,
31 either direct or indirect, in a private person for
32 which grants, loans, guarantees, tax incentives, or
33 other financial assistance may be provided by the
34 governing board or governmental entity, the interest
35 shall be disclosed to that governing body or
36 governmental entity in writing. The member or
37 employee having the interest shall not participate in
38 the decision-making process with regard to the
39 providing of such financial assistance to the private
40 person.
41 Sec. ___. NEW SECTION. 15A.9 QUALITY JOBS
42 ENTERPRISE ZONE --STATE ASSISTANCE.
43 1. FINDINGS -- ZONE DESIGNATION.
44 a. The general assembly finds and declares that
45 the designation of a quality jobs enterprise zone and
46 the provision of economic development assistance
47 within the zone are necessary to diversify the Iowa
48 economy, enhance opportunities for Iowans to obtain
49 quality industrial jobs, and provide significant
50 economic benefits to the state through the expansion

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1 of Iowa's economy. Establishment of the quality jobs
2 enterprise zone and the economic development
3 assistance provided by the state or a local community
4 will be for the well-being and benefit of the
5 residents of the state and will be for a public
6 purpose.
7 b. In order to assist a community or communities
8 located within the state to secure new industrial
9 manufacturing jobs, the state of Iowa makes economic
10 development assistance available within the zone, and
11 the department of economic development shall designate
12 a site or sites, which shall not be larger than two
13 thousand five hundred contiguous acres, within thirty
14 days of the effective date of this Act, as a quality
15 jobs enterprise zone or zones for the purpose of
16 attracting a primary business and supporting
17 businesses to locate facilities within the state.
18 The primary business or a supporting business shall
19 not be prohibited from participating in or receiving
20 other economic development programs or services or
21 electing to utilize other tax provisions to the extent
22 authorized elsewhere by law.
23 2. DEFINITIONS. As used in this section:
24 a. "Contractor or subcontractor" means a person
25 who contracts with the primary business or a
26 supporting business or subcontracts with a contractor
27 for the provision of property, materials, or services
28 for the construction or equipping of a facility,
29 located within the zone, of the primary business or a
30 supporting business.
31 b. "Primary business" means a business which
32 provides the department of economic development within
33 thirty days of the effective date of this Act, with
34 notice of its intent to develop and operate a new
35 manufacturing facility on a specific location within
36 the state, including the legal description of the site
37 which shall not contain more than two thousand five
38 hundred contiguous acres, to invest at least one
39 hundred million dollars in the facility, and to
40 commence construction of the facility by December 31,
41 1994. The headquarters of the primary business need
42 not be within the zone.
43 c. "Project completion" means the first date upon
44 which the average annualized production of finished
45 product for the preceding ninety-day period at the
46 manufacturing facility operated by the primary
47 business within the zone is at least fifty percent of
48 the initial design capacity of the facility. The
49 primary business shall inform the department of
50 revenue and finance in writing within two weeks of

1 project completion.
2 d. "Supporting business" means a business under
3 contract with the primary business to provide
4 property, materials, or services which are a necessary
5 component of the operation of the manufacturing
6 facility. To qualify as a supporting business, the
7 business shall have a permanent facility located
8 within the zone and the revenue from fulfilling the
9 contract with the primary business shall constitute at
10 least seventy-five percent of the revenue generated by
11 the business from all activities undertaken from the
12 facility within the zone.
13 e. "Zone" means the quality jobs enterprise zone.
14 3. NEW JOBS CREDIT. At the request of the primary
15 business or a supporting business, an agreement
16 authorizing a supplemental new jobs credit from
17 withholding from jobs within the zone may be entered
18 into between the department of revenue and finance, a
19 community college, and the primary business or a
20 supporting business. The agreement shall be for
21 program services for an additional job training
22 project, as defined in chapter 260E. The agreement
23 shall provide for the following:
24 a. That the project shall be administered in the
25 same manner as a project under chapter 260E and that a
26 supplemental new jobs credit from withholding in an
27 amount equal to one and one-half percent of the gross
28 wages paid by the primary business or a supporting
29 business pursuant to section 422.16 is authorized to
30 fund the program services for the additional project.
31 b. That the supplemental new jobs credit from
32 withholding shall be collected, accounted for, and may
33 be pledged by the community college in the same manner
34 as described in section 260E.5.
35 c. That the community college shall not be allowed
36 any expenses for administering the additional project
37 except those expenses which are directly attributable
38 to the additional project and which are in excess of
39 the expenses allowed for the project under chapter
40 260E.
41 To provide funds for the payment of the costs of
42 the additional project, a community college may borrow
43 money, issue and sell certificates, and secure the
44 payment of the certificates in the same manner as
45 described in section 260E.6, including, but not
46 limited to, providing the assessment of an annual levy
47 as described in section 260E.6, subsection 4. The
48 program and credit authorized by this subsection is in
49 addition to, and not in lieu of, the program and
50 credit authorized in chapter 260E.

4. INVESTMENT TAX CREDIT. The primary business and a supporting business shall be entitled to a corporate tax credit equal to ten percent of the new investment made within the zone by the primary business or a supporting business prior to project completion. A credit in excess of the tax liability for the tax year may be credited to the tax liability for the following twenty years or until depleted, whichever comes first.

For purposes of this section, "new investment made within the zone" means the capitalized cost of all real and personal property, including buildings and other improvements to real estate, purchased or otherwise acquired or relocated to the zone for use in the operation of the primary business or a supporting business within the zone. New investment in the zone does not include land, intangible property, or furniture and furnishings. The capitalized cost of property shall for the purposes of this section be determined in accordance with generally accepted accounting principles.

5. PROPERTY TAX EXEMPTION.

a. All property, except land and buildings, used by the primary business or a supporting business and located within the zone, shall be exempt from property taxation for a period of twenty years beginning with the year it is first assessed for taxation. In order to be eligible for this exemption, the property shall be acquired or leased by the primary business or a supporting business or relocated by the primary business or a supporting business to the zone from outside the state prior to project completion.

b. Property which is exempt for property tax purposes under this subsection is eligible for the sales and use tax exemption under section 422.45, subsection 27, notwithstanding that subsection or any other provision of the Code to the contrary.

6. SALES, SERVICE, AND USE TAX REFUND. Taxes paid pursuant to chapter 422 or 423 on the gross receipts or rental price of property purchased or rented by the primary business or a supporting business for use by the primary business or a supporting business within the zone or on gas, electricity, water, and sewer utility services prior to project completion shall be refunded to the primary business or supporting business if the item was purchased or the service was performed or received prior to project completion. Claims under this section shall be submitted on forms provided by the department of revenue and finance not later than six months after project completion. The

1 refund in this subsection shall not apply to furniture
2 or furnishings, or intangible property.
3 7. SALES, SERVICES, AND USE TAX REFUND --
4 CONTRACTOR OR SUBCONTRACTOR. The primary business or
5 a supporting business shall be entitled to a refund of
6 the taxes paid under chapters 422 and 423 for gas,
7 electricity, water, or sewer utility services, goods,
8 wares, or merchandise, or on services rendered,
9 furnished, or performed to or for a contractor or
10 subcontractor and used in the fulfillment of a written
11 contract relating to the construction or equipping of
12 a facility within the zone of the primary business or
13 a supporting business. Taxes attributable to
14 intangible property and furniture and furnishings
15 shall not be refunded.
16 To receive the refund a claim shall be filed by the
17 primary business or a supporting business with the
18 department of revenue and finance as follows:
19 a. The contractor or subcontractor shall state
20 under oath, on forms provided by the department, the
21 amount of the sales of goods, wares, or merchandise or
22 services rendered, furnished, or performed including
23 water, sewer, gas, and electric utility services for
24 use in the zone upon which sales or use tax has been
25 paid prior to the project completion, and shall file
26 the forms with the primary business or supporting
27 business before final settlement is made.
28 b. The primary business or a supporting business
29 shall, not more than six months after project
30 completion, make application to the department for any
31 refund of the amount of the taxes paid pursuant to
32 chapter 422 or 423 upon any goods, wares, or
33 merchandise, or services rendered, furnished, or
34 performed, including water, sewer, gas, and electric
35 utility services. The application shall be made in
36 the manner and upon forms to be provided by the
37 department, and the department shall audit the claim
38 and, if approved, issue a warrant to the primary
39 business or supporting business in the amount of the
40 sales or use tax which has been paid to the state of
41 Iowa under a contract. A claim filed by the primary
42 business or a supporting business in accordance with
43 this subsection shall not be denied by reason of a
44 limitation provision set forth in chapter 421, 422, or
45 423.
46 c. A contractor or subcontractor who willfully
47 makes a false report of tax paid under the provisions
48 of this subsection is guilty of a simple misdemeanor
49 and in addition is liable for the payment of the tax
50 and any applicable penalty and interest.

8. CORPORATE TAX RESEARCH CREDIT. A corporate tax credit shall be available to the primary business or a supporting business for increasing research activities in this state within the zone. The credit equals thirteen percent of the state's apportioned share of the qualifying expenditures for increasing research activities. The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state within the zone to total qualified research expenditures. Any credit in excess of the tax liability for the tax year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, the primary business or a supporting business may elect to have the overpayment shown on its final return credited to its tax liability for the following tax year.

For the purposes of this section, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities which would be allowable under section 41 of the Internal Revenue Code in effect on January 1, 1994. The credit authorized in this subsection is in lieu of the credit authorized in section 422.33, subsection 5.

9. EXEMPTION FROM LAND OWNERSHIP RESTRICTIONS FOR NONRESIDENT ALIENS.

a. The primary business and a supporting business, to the extent the primary business or the supporting business is not actively engaged in farming within the zone, may acquire, own, and lease land in the zone, notwithstanding the provisions of section 9H.4, 9H.5, and 567.3, and shall be exempt from the requirements of section 567.4. The primary business and supporting business shall comply with the remaining provisions of chapters 9H and 567 to the extent they do not conflict with this subsection.

b. "Actively engaged in farming" means any of the following:

(1) Inspecting agricultural production activities within the zone periodically and furnishing at least half of the value of the tools and paying at least half the direct cost of production.

(2) Regularly and frequently making or taking an important part in making management decisions substantially contributing to or affecting the success of the farm operations within the zone.

(3) Performing physical work which significantly contributes to crop or livestock production.

1 10. LIMITATION ON ASSISTANCE. Economic
2 development assistance under subsections 3 through 9
3 shall only be available to the primary business or a
4 supporting business.
5 Sec. ___. Section 427B.17, Code Supplement 1993,
6 is amended to read as follows:
7 427B.17 PROPERTY SUBJECT TO SPECIAL VALUATION.
8 1. For property defined in section 427A.1,
9 subsection 1, paragraphs "e" and "j", acquired or
10 initially leased on or after January 1, 1982, the
11 taxpayer's valuation shall be limited to thirty
12 percent of the net acquisition cost of the property.
13 For purposes of this section, "net acquisition cost"
14 means the acquired cost of the property including all
15 foundations and installation cost less any excess cost
16 adjustment.
17 2. For purposes of this section:
18 ~~1~~ a. Property assessed by the department of
19 revenue and finance pursuant to sections 428.24 to
20 428.29, or chapters 433, 434 and 436 to 438 shall not
21 receive the benefits of this section.
22 ~~2~~ b. Property acquired before January 1, 1982,
23 which was owned or used before January 1, 1982, by a
24 related person shall not receive the benefits of this
25 section.
26 ~~3~~ c. Property acquired on or after January 1,
27 1982, which was owned and used by a related person
28 shall not receive any additional benefits under this
29 section.
30 ~~4~~ d. Property which was owned or used before
31 January 1, 1982, and subsequently acquired by an
32 exchange of like property shall not receive the
33 benefits of this section.
34 ~~5~~ e. Property which was acquired on or after
35 January 1, 1982, and subsequently exchanged for like
36 property shall not receive any additional benefits
37 under this section.
38 ~~6~~ f. Property acquired before January 1, 1982,
39 which is subsequently leased to a taxpayer or related
40 person who previously owned the property shall not
41 receive the benefits of this section.
42 ~~7~~ g. Property acquired on or after January 1,
43 1982, which is subsequently leased to a taxpayer or
44 related person who previously owned the property shall
45 not receive any additional benefits under this
46 section.
47 h. ~~For purposes of this section, "related~~ "Related
48 person" means a person who owns or controls the
49 taxpayer's business and another business entity from
50 which property is acquired or leased or to which

property is sold or leased. Business entities are owned or controlled by the same person if the same person directly or indirectly owns or controls fifty percent or more of the assets or any class of stock or who directly or indirectly has an interest of fifty percent or more in the ownership or profits.

3. Property assessed pursuant to this section shall not be eligible to receive a partial exemption under sections 427B.1 to 427B.6.

4. a. A city council or county board of supervisors may provide by ordinance an exemption from taxation for property defined in this section whose valuation is computed pursuant to subsection 1, and which is acquired after December 31, 1993. The ordinance shall provide that an application be filed for each project for which an exemption is claimed.

b. An ordinance enacted by a city shall exempt that entire portion of the total levy against property defined in this section which is equal to the sum of the city levy and school district levy for school districts whose taxable property is located within the incorporated area of the city. An ordinance enacted by a county shall exempt that entire portion of the total levy against property defined in this section which is equal to the sum of the county levy in the unincorporated and incorporated areas of the county and the school district levy for school districts whose taxable property is located in the unincorporated area of the county.

c. The ordinance may be enacted not less than thirty days after a public hearing on the ordinance is held. Notice of the hearing shall be published in accordance with section 331.305 in the case of a county, or section 362.3 in the case of a city.

d. If in the opinion of the city council or the county board of supervisors continuation of the exemption granted under this subsection ceases to be of benefit to the city or county, the city council or the county board of supervisors may repeal the ordinance authorized by this subsection. Exemptions allowed prior to repeal of the ordinance shall continue until their expiration.

Sec. ___. TASK FORCE ESTABLISHED. A task force to examine the service delivery system for economic development programs and to study the relationship between local and state governments and businesses in utilizing financial and tax incentives as economic development tools is established. Membership on the task force is the following:

1. Ten voting members from the senate and house of

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Page 9
1 representatives, three members appointed by the
2 majority leader of the senate, two members appointed
3 by the minority leader of the senate, three members
4 appointed by the speaker of the house of
5 representatives, and two members appointed by the
6 minority leader of the house of representatives.
7 2. Eight nonvoting members as follows:
8 a. The director of the department of economic
9 development or the director's designee.
10 b. One member each designated by the association
11 of business and industry, the Iowa state association
12 of counties, the league of Iowa municipalities, the
13 professional developers of Iowa, the Iowa business
14 council, and two statewide labor organizations.
15 3. The task force shall report its findings and
16 recommendations to the governor and the general
17 assembly not later than December 1, 1994.
18 Sec. ___. EFFECTIVE DATES. This Act, being deemed
19 of immediate importance, take effect upon enactment."
20 2. Title page, by striking lines 2 and 3 and
21 inserting the following: "zones, providing economic
22 development assistance".
23 3. Title page, line 5, by inserting after the
24 word "penalty," the following: "providing a property
25 tax exemption for new machinery and equipment,
26 establishing a task force,".

By WAYNE BENNETT

S-5034 FILED FEBRUARY 22, 1994
WITHDRAWN

HOUSE FILE 2180

S-5035
1 Amend the amendment, S-5027, to House File 2180, as
2 amended, passed, and reprinted by the House, as
3 follows:
4 1. Page 1, line 29, by inserting after the figure
5 "15.330" the following: "or invest in new equipment
6 and machinery as defined in section 427A.1, subsection
7 1, paragraphs "e" and "j", in a ratio of one hundred
8 thousand dollars of investment for each full-time
9 position created".
10 2. Page 2, line 42, by inserting after the figure
11 "15.330" the following: "or by one full-time employee
12 for each one hundred thousand dollars of new equipment
13 and machinery as defined in section 427A.1, subsection
14 1, paragraphs "e" and "j", invested at the facility,".

By WAYNE BENNETT
WILMER RENSINK
RAY TAYLOR
LYLE E. ZIEMAN
JIM KERSTEN
SHELDON RITTMER
ALLEN BORLAUG
JOHN W. JENSEN

S-5035 FILED FEBRUARY 22, 1994
LOST

HOUSE FILE 2180

S-5036

Amend the amendment, S-5027, to House File 2180, as amended, passed, and reprinted by the House, as follows:

1. Page 1, by striking line 15 and inserting the following:

"program.

___. "Project completion" means the first date upon which the average annualized production of finished product for the preceding ninety-day period at a facility operated by an eligible business is at least fifty percent of the initial design capacity of the facility. The eligible business shall inform the community in writing within two weeks of project completion."

2. Page 4, by inserting after line 3 the following:

"___. Page 10, line 28, by inserting after the word "Iowa" the following: ", or installed at a cost of one hundred million dollars or more within three years prior to the effective date of this Act in a facility which on the effective date of this Act has not yet achieved project completion".

3. By renumbering as necessary.

By JIM RIORDAN
TONY BISIGNANO
JIM RIORDAN
TONY BISIGNANO
WILLIAM W. DIELEMAN
BILL FINK
JACK W. HESTER
JOHN W. JENSEN
JIM KERSTEN
ANDY McKEAN
PAUL D. PATE

S-5036 FILED FEBRUARY 22, 1994
WITHDRAWN

HOUSE FILE 2180

S-5056

Amend House File 2180, as amended, passed, and reprinted by the House, as follows:

1. Page 20, by inserting after line 28 the following:

"Sec. ___. Section 257.1, Code 1993, is amended by adding the following new subsection:

NEW SUBSECTION. 4. FOUNDATION PROPERTY TAX. In any school district where property defined in section 427A.1, subsection 1, paragraphs "e" and "j", is exempt from property tax, the amount of foundation property tax revenues raised for computing state foundation aid shall equal the sum of the foundation levy on all taxable property in the district plus the amount that would have been raised if the exempt property was valued pursuant to section 427B.17."

By BERL E. PRIEBE

S-5056 FILED FEBRUARY 28, 1994
WITHDRAWN

HOUSE FILE 2180

S-5037

1 Amend House File 2180, as amended, passed, and
2 reprinted by the House as follows:
3 1. Page 1, by striking everything after the
4 enacting clause and inserting the following:
5 "Section 1. Section 15A.1, subsection 1,
6 unnumbered paragraph 1, Code 1993, is amended to read
7 as follows:
8 Economic development is a public purpose for which
9 the state, a city, or a county may provide grants,
10 loans, guarantees, tax incentives, and other financial
11 assistance to or for the benefit of private persons.
12 Sec. ___. Section 15A.1, subsection 2, unnumbered
13 paragraph 1, Code 1993, is amended to read as follows:
14 Before public funds are used for grants, loans, tax
15 incentives, or other financial assistance to private
16 persons or on behalf of private persons for economic
17 development, the governing body of the state, city,
18 county, or other public body dispensing those funds or
19 the governing body's designee, shall determine that a
20 public purpose will reasonably be accomplished by the
21 dispensing or use of those funds. In determining
22 whether the funds should be dispensed, the governing
23 body or designee of the governing body shall consider
24 any or all of the following factors:
25 Sec. ___. Section 15A.2, unnumbered paragraph 1,
26 Code 1993, is amended to read as follows:
27 If a member of the governing body of a city or
28 county or an employee of a state, city, or county
29 board, agency, commission, or other governmental
30 entity of the state, city, or county has an interest,
31 either direct or indirect, in a private person for
32 which grants, loans, guarantees, tax incentives, or
33 other financial assistance may be provided by the
34 governing board or governmental entity, the interest
35 shall be disclosed to that governing body or
36 governmental entity in writing. The member or
37 employee having the interest shall not participate in
38 the decision-making process with regard to the
39 providing of such financial assistance to the private
40 person.
41 Sec. ___. NEW SECTION. 15A.9 QUALITY JOBS ENTER-
42 PRISE ZONE -- STATE ASSISTANCE.
43 1. FINDINGS -- ZONE DESIGNATION.
44 a. The general assembly finds and declares that
45 the designation of a quality jobs enterprise zone and
46 the provision of economic development assistance
47 within the zone are necessary to diversify the Iowa
48 economy, enhance opportunities for Iowans to obtain
49 quality industrial jobs, and provide significant
50 economic benefits to the state through the expansion

1 of Iowa's economy. Establishment of the quality jobs
2 enterprise zone and the economic development
3 assistance provided by the state or a local community
4 will be for the well-being and benefit of the
5 residents of the state and will be for a public
6 purpose.
7 b. In order to assist a community or communities
8 located within the state to secure new industrial
9 manufacturing jobs, the state of Iowa makes economic
10 development assistance available within the zone, and
11 the department of economic development shall designate
12 a site or sites, which shall not be larger than two
13 thousand five hundred contiguous acres, within thirty
14 days of the effective date of this Act, as a quality
15 jobs enterprise zone or zones for the purpose of
16 attracting a primary business and supporting
17 businesses to locate facilities within the state.
18 The primary business or a supporting business shall
19 not be prohibited from participating in or receiving
20 other economic development programs or services or
21 electing to utilize other tax provisions to the extent
22 authorized elsewhere by law.
23 2. DEFINITIONS. As used in this section:
24 a. "Contractor or subcontractor" means a person
25 who contracts with the primary business or a
26 supporting business or subcontracts with a contractor
27 for the provision of property, materials, or services
28 for the construction or equipping of a facility,
29 located within the zone, of the primary business or a
30 supporting business.
31 b. "Primary business" means a business which
32 provides the department of economic development within
33 thirty days of the effective date of this Act, with
34 notice of its intent to develop and operate a new
35 manufacturing facility on a specific location within
36 the state, including the legal description of the site
37 which shall not contain more than two thousand five
38 hundred contiguous acres, to invest at least one
39 hundred million dollars in the facility, and to
40 commence construction of the facility by December 31,
41 1994. The headquarters of the primary business need
42 not be within the zone.
43 c. "Project completion" means the first date upon
44 which the average annualized production of finished
45 product for the preceding ninety-day period at the
46 manufacturing facility operated by the primary
47 business within the zone is at least fifty percent of
48 the initial design capacity of the facility. The
49 primary business shall inform the department of
50 revenue and finance in writing within two weeks of

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1 project completion.
2 d. "Supporting business" means a business under
3 contract with the primary business to provide
4 property, materials, or services which are a necessary
5 component of the operation of the manufacturing
6 facility. To qualify as a supporting business, the
7 business shall have a permanent facility located
8 within the zone and the revenue from fulfilling the
9 contract with the primary business shall constitute at
10 least seventy-five percent of the revenue generated by
11 the business from all activities undertaken from the
12 facility within the zone.
13 e. "Zone" means the quality jobs enterprise zone.
14 3. NEW JOBS CREDIT. At the request of the primary
15 business or a supporting business, an agreement
16 authorizing a supplemental new jobs credit from
17 withholding from jobs within the zone may be entered
18 into between the department of revenue and finance, a
19 community college, and the primary business or a
20 supporting business. The agreement shall be for
21 program services for an additional job training
22 project, as defined in chapter 260E. The agreement
23 shall provide for the following:
24 a. That the project shall be administered in the
25 same manner as a project under chapter 260E and that a
26 supplemental new jobs credit from withholding in an
27 amount equal to one and one-half percent of the gross
28 wages paid by the primary business or a supporting
29 business pursuant to section 422.16 is authorized to
30 fund the program services for the additional project.
31 b. That the supplemental new jobs credit from
32 withholding shall be collected, accounted for, and may
33 be pledged by the community college in the same manner
34 as described in section 260E.5.
35 c. That the community college shall not be allowed
36 any expenses for administering the additional project
37 except those expenses which are directly attributable
38 to the additional project and which are in excess of
39 the expenses allowed for the project under chapter
40 260E.
41 To provide funds for the payment of the costs of
42 the additional project, a community college may borrow
43 money, issue and sell certificates, and secure the
44 payment of the certificates in the same manner as
45 described in section 260E.6, including, but not
46 limited to, providing the assessment of an annual levy
47 as described in section 260E.6, subsection 4. The
48 program and credit authorized by this subsection is in
49 addition to, and not in lieu of, the program and
50 credit authorized in chapter 260E.

1 4. INVESTMENT TAX CREDIT. The primary business
2 and a supporting business shall be entitled to a
3 corporate tax credit equal to ten percent of the new
4 investment made within the zone by the primary
5 business or a supporting business prior to project
6 completion. A credit in excess of the tax liability
7 for the tax year may be credited to the tax liability
8 for the following twenty years or until depleted,
9 whichever comes first.
10 For purposes of this section, "new investment made
11 within the zone" means the capitalized cost of all
12 real and personal property, including buildings and
13 other improvements to real estate, purchased or
14 otherwise acquired or relocated to the zone for use in
15 the operation of the primary business or a supporting
16 business within the zone. New investment in the zone
17 does not include land, intangible property, or
18 furniture and furnishings. The capitalized cost of
19 property shall for the purposes of this section be
20 determined in accordance with generally accepted
21 accounting principles.
22 5. PROPERTY TAX EXEMPTION.
23 a. All property, except land and buildings, used
24 by the primary business or a supporting business and
25 located within the zone, shall be exempt from property
26 taxation for a period of twenty years beginning with
27 the year it is first assessed for taxation. In order
28 to be eligible for this exemption, the property shall
29 be acquired or leased by the primary business or a
30 supporting business or relocated by the primary
31 business or a supporting business to the zone from
32 outside the state prior to project completion.
33 b. Property which is exempt for property tax
34 purposes under this subsection is eligible for the
35 sales and use tax exemption under section 422.45,
36 subsection 27, notwithstanding that subsection or any
37 other provision of the Code to the contrary.
38 6. SALES, SERVICE, AND USE TAX REFUND. Taxes paid
39 pursuant to chapter 422 or 423 on the gross receipts
40 or rental price of property purchased or rented by the
41 primary business or a supporting business for use by
42 the primary business or a supporting business within
43 the zone or on gas, electricity, water, and sewer
44 utility services prior to project completion shall be
45 refunded to the primary business or supporting
46 business if the item was purchased or the service was
47 performed or received prior to project completion.
48 Claims under this section shall be submitted on forms
49 provided by the department of revenue and finance not
50 later than six months after project completion. The

1 refund in this subsection shall not apply to furniture
2 or furnishings, or intangible property.
3 7. SALES, SERVICES, AND USE TAX REFUND --
4 CONTRACTOR OR SUBCONTRACTOR. The primary business or
5 a supporting business shall be entitled to a refund of
6 the taxes paid under chapters 422 and 423 for gas,
7 electricity, water, or sewer utility services, goods,
8 wares, or merchandise, or on services rendered,
9 furnished, or performed to or for a contractor or
10 subcontractor and used in the fulfillment of a written
11 contract relating to the construction or equipping of
12 a facility within the zone of the primary business or
13 a supporting business. Taxes attributable to
14 intangible property and furniture and furnishings
15 shall not be refunded.
16 To receive the refund a claim shall be filed by the
17 primary business or a supporting business with the
18 department of revenue and finance as follows:
19 a. The contractor or subcontractor shall state
20 under oath, on forms provided by the department, the
21 amount of the sales of goods, wares, or merchandise or
22 services rendered, furnished, or performed including
23 water, sewer, gas, and electric utility services for
24 use in the zone upon which sales or use tax has been
25 paid prior to the project completion, and shall file
26 the forms with the primary business or supporting
27 business before final settlement is made.
28 b. The primary business or a supporting business
29 shall, not more than six months after project
30 completion, make application to the department for any
31 refund of the amount of the taxes paid pursuant to
32 chapter 422 or 423 upon any goods, wares, or
33 merchandise, or services rendered, furnished, or
34 performed, including water, sewer, gas, and electric
35 utility services. The application shall be made in
36 the manner and upon forms to be provided by the
37 department, and the department shall audit the claim
38 and, if approved, issue a warrant to the primary
39 business or supporting business in the amount of the
40 sales or use tax which has been paid to the state of
41 Iowa under a contract. A claim filed by the primary
42 business or a supporting business in accordance with
43 this subsection shall not be denied by reason of a
44 limitation provision set forth in chapter 421, 422, or
45 423.
46 c. A contractor or subcontractor who willfully
47 makes a false report of tax paid under the provisions
48 of this subsection is guilty of a simple misdemeanor
49 and in addition is liable for the payment of the tax
50 and any applicable penalty and interest.

1 8. CORPORATE TAX RESEARCH CREDIT. A corporate tax
2 credit shall be available to the primary business or a
3 supporting business for increasing research activities
4 in this state within the zone. The credit equals
5 thirteen percent of the state's apportioned share of
6 the qualifying expenditures for increasing research
7 activities. The state's apportioned share of the
8 qualifying expenditures for increasing research
9 activities is a percent equal to the ratio of
10 qualified research expenditures in this state within
11 the zone to total qualified research expenditures.
12 Any credit in excess of the tax liability for the tax
13 year shall be refunded with interest computed under
14 section 422.25. In lieu of claiming a refund, the
15 primary business or a supporting business may elect to
16 have the overpayment shown on its final return
17 credited to its tax liability for the following tax
18 year.
19 For the purposes of this section, "qualifying
20 expenditures for increasing research activities" means
21 the qualifying expenditures as defined for the federal
22 credit for increasing research activities which would
23 be allowable under section 41 of the Internal Revenue
24 Code in effect on January 1, 1994. The credit
25 authorized in this subsection is in lieu of the credit
26 authorized in section 422.33, subsection 5.
27 9. EXEMPTION FROM LAND OWNERSHIP RESTRICTIONS FOR
28 NONRESIDENT ALIENS.
29 a. The primary business and a supporting business,
30 to the extent the primary business or the supporting
31 business is not actively engaged in farming within the
32 zone, may acquire, own, and lease land in the zone,
33 notwithstanding the provisions of section 9H.4, 9H.5,
34 and 567.3, and shall be exempt from the requirements
35 of section 567.4. The primary business and supporting
36 business shall comply with the remaining provisions of
37 chapters 9H and 567 to the extent they do not conflict
38 with this subsection.
39 b. "Actively engaged in farming" means any of the
40 following:
41 (1) Inspecting agricultural production activities
42 within the zone periodically and furnishing at least
43 half of the value of the tools and paying at least
44 half the direct cost of production.
45 (2) Regularly and frequently making or taking an
46 important part in making management decisions
47 substantially contributing to or affecting the success
48 of the farm operations within the zone.
49 (3) Performing physical work which significantly
50 contributes to crop or livestock production.

1 10. LIMITATION ON ASSISTANCE. Economic
2 development assistance under subsections 3 through 9
3 shall only be available to the primary business or a
4 supporting business.
5 Sec. ___. Section 427B.17, Code Supplement 1993,
6 is amended to read as follows:
7 427B.17 PROPERTY SUBJECT TO SPECIAL VALUATION.
8 1. For property defined in section 427A.1,
9 subsection 1, paragraphs "e" and "j", acquired or
10 initially leased on or after January 1, 1982, the
11 taxpayer's valuation shall be limited to thirty
12 percent of the net acquisition cost of the property.
13 For purposes of this section, "net acquisition cost"
14 means the acquired cost of the property including all
15 foundations and installation cost less any excess cost
16 adjustment.
17 2. For purposes of this section:
18 ~~1~~ a. Property assessed by the department of
19 revenue and finance pursuant to sections 428.24 to
20 428.29, or chapters 433, 434 and 436 to 438 shall not
21 receive the benefits of this section.
22 ~~2~~ b. Property acquired before January 1, 1982,
23 which was owned or used before January 1, 1982, by a
24 related person shall not receive the benefits of this
25 section.
26 ~~3~~ c. Property acquired on or after January 1,
27 1982, which was owned and used by a related person
28 shall not receive any additional benefits under this
29 section.
30 ~~4~~ d. Property which was owned or used before
31 January 1, 1982, and subsequently acquired by an
32 exchange of like property shall not receive the
33 benefits of this section.
34 ~~5~~ e. Property which was acquired on or after
35 January 1, 1982, and subsequently exchanged for like
36 property shall not receive any additional benefits
37 under this section.
38 ~~6~~ f. Property acquired before January 1, 1982,
39 which is subsequently leased to a taxpayer or related
40 person who previously owned the property shall not
41 receive the benefits of this section.
42 ~~7~~ g. Property acquired on or after January 1,
43 1982, which is subsequently leased to a taxpayer or
44 related person who previously owned the property shall
45 not receive any additional benefits under this
46 section.
47 h. ~~For purposes of this section, "related~~ "Related
48 person" means a person who owns or controls the
49 taxpayer's business and another business entity from
50 which property is acquired or leased or to which

1 property is sold or leased. Business entities are
2 owned or controlled by the same person if the same
3 person directly or indirectly owns or controls fifty
4 percent or more of the assets or any class of stock or
5 who directly or indirectly has an interest of fifty
6 percent or more in the ownership or profits.
7 3. Property assessed pursuant to this section
8 shall not be eligible to receive a partial exemption
9 under sections 427B.1 to 427B.6.
10 4. a. A city council or county board of
11 supervisors may provide by ordinance an exemption from
12 taxation for property defined in this section whose
13 valuation is computed pursuant to subsection 1, and
14 which is acquired after December 31, 1993. The
15 ordinance shall provide that an application be filed
16 for each project for which an exemption is claimed.
17 b. An ordinance enacted by a city shall exempt
18 that entire portion of the total levy against property
19 defined in this section which is equal to the sum of
20 the city levy and school district levy for school
21 districts whose taxable property is located within the
22 incorporated area of the city. An ordinance enacted
23 by a county shall exempt that entire portion of the
24 total levy against property defined in this section
25 which is equal to the sum of the county levy in the
26 unincorporated and incorporated areas of the county
27 and the school district levy for school districts
28 whose taxable property is located in the
29 unincorporated area of the county.
30 c. The ordinance may be enacted not less than
31 thirty days after a public hearing on the ordinance is
32 held. Notice of the hearing shall be published in
33 accordance with section 331.305 in the case of a
34 county, or section 362.3 in the case of a city.
35 d. If in the opinion of the city council or the
36 county board of supervisors continuation of the
37 exemption granted under this subsection ceases to be
38 of benefit to the city or county, the city council or
39 the county board of supervisors may repeal the
40 ordinance authorized by this subsection. Exemptions
41 allowed prior to repeal of the ordinance shall
42 continue until their expiration.
43 Sec. ___. TASK FORCE ESTABLISHED. A task force to
44 examine the service delivery system for economic
45 development programs and to study the relationship
46 between local and state governments and businesses in
47 utilizing financial and tax incentives as economic
48 development tools is established. Membership on the
49 task force is the following:
50 1. Ten voting members from the senate and house of

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Page 9
1 representatives, three members appointed by the
2 majority leader of the senate, two members appointed
3 by the minority leader of the senate, three members
4 appointed by the speaker of the house of
5 representatives, and two members appointed by the
6 minority leader of the house of representatives.
7 2. Eight nonvoting members as follows:
8 a. The director of the department of economic
9 development or the director's designee.
10 b. One member each designated by the association
11 of business and industry, the Iowa state association
12 of counties, the league of Iowa municipalities, the
13 professional developers of Iowa, the Iowa business
14 council, and two statewide labor organizations.
15 3. The task force shall report its findings and
16 recommendations to the governor and the general
17 assembly not later than December 1, 1994.
18 Sec. ___. EFFECTIVE DATES. This Act, being deemed
19 of immediate importance, take effect upon enactment."
By WAYNE BENNETT

S-5037 FILED FEBRUARY 22, 1994
LOST

HOUSE FILE 2180

S-5038

Amend the amendment, S-5027, to House File 2180, as amended, passed, and reprinted by the House, as follows:

1. Page 1, by striking line 15 and inserting the following:

"Program.

___. "Project completion" means the first date upon which the average annualized production of finished product for the preceding ninety-day period at a facility operated by an eligible business is at least fifty percent of the initial design capacity of the facility. The eligible business shall inform the community in writing within two weeks of project completion."

2. Page 4, by inserting after line 3 the following:

"___. Page 10, line 28, by inserting after the word "Iowa." the following: "Upon approval of the community, by ordinance or resolution, property installed at a cost of one hundred million dollars or more within three years prior to the effective date of this Act in a facility which on the effective date of this Act has not yet achieved project completion shall be exempt.

3. By renumbering as necessary.

JIM RIORDAN
TONY BISIGNANO
WILLIAM W. DIELEMAN
BILL FINK
JACK W. HESTER
JOHN W. JENSEN
JIM KERSTEN
ANDY McKEAN
PAUL D. PATE

S-5038 FILED FEBRUARY 22, 1994
LOST, RECONSIDERED & LOST

HOUSE FILE 2180

S-5039

Amend House File 2180, as amended, passed, and reprinted by the House, as follows:

1. By striking page 12, line 31, through page 20, line 32, and inserting the following:

"Sec. ___. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment."

2. Title page, by striking lines 1 through 5 and inserting the following: "An Act relating to the establishment of the new jobs and income program and providing an effective date."

3. By renumbering as necessary.

By JIM RIORDAN
WILLIAM W. DIELEMAN
EMIL J. HUSAK

039 FILED FEBRUARY 22, 1994
T

HOUSE FILE 2180

S-5040

1 Amend House File 2180, as amended, passed, and
2 reprinted by the House, as follows:

A 3 1. Page 8, line 5, by inserting after the word
4 "information." the following: "However, prior to
5 granting any economic development incentives under
6 this division the department shall make a finding that
7 the business has not been in violation, or if it has
8 been in violation within the previous five years of
9 any federal, state, or foreign country's environmental
10 protection or occupational safety and health statute,
11 regulation, or rule, the department found that the
12 violation did not seriously affect public health,
13 safety, or the environment or if it did that there
14 were mitigating circumstances. In making its
15 findings, the department shall consult with the state
16 industrial commissioner and the state department of
17 natural resources."

B 18 2. Page 20, line 19, by inserting after the words
19 "supporting business." the following: "However, prior
20 to granting any economic development assistance under
21 subsections 3 through 9 the department shall make a
22 finding that the primary or supporting business has
23 not been in violation, or if it has been in violation
24 within the previous five years of any federal, state,
25 or foreign country's environmental protection or
26 occupational safety and health statute, regulation, or
27 rule, the department found that the violation did not
28 seriously affect public health, safety, or the
29 environment or if it did that there were mitigating
30 circumstances. In making its findings, the department
31 shall consult with the state industrial commissioner
32 and the state department of natural resources."

By RALPH ROSENBERG

S-5040 FILED FEBRUARY 22, 1994
ADOPTED, RECONSIDERED, DIV. A-WITHDRAWN, DIV. B-ADOPTED

HOUSE FILE 2180

S-5041

1 Amend the amendment, S-5027, to House File 2180 as
2 amended, passed, and reprinted by the House, as
3 follows:
4 1. Page 2, line 39, by striking the words "one
5 hundred" and inserting the following: "twenty".

By JAMES KERSTEN

S-5041 FILED FEBRUARY 22, 1994
LOST

HOUSE FILE 2180

S-5042

1 Amend the amendment, S-5030, to House File 2180, as
2 amended, passed, and reprinted by the House, as
3 follows:

B 4 1. Page 1, by inserting after line 2 the
5 following:
6 "___. Page 13, by inserting after line 13 the
7 following:
8 "Sec. ___. NEW SECTION. 15A.1A ECONOMIC
9 DEVELOPMENT -- HEALTH INSURANCE REQUIREMENTS.
10 Before public funds are used for grants, loans, tax
11 incentives, or other financial assistance to private
12 persons or on behalf of private persons for economic
13 development, the person seeking to receive the
14 economic development assistance shall provide evidence
15 that the person pays, or will pay, at least eighty
16 percent of the cost of a comprehensive medical and
17 dental insurance plan for all full-time employees of
18 the person.""

A 19 2. Page 1, line 4, by inserting after the word
20 "compensation" the following: ", which shall not
21 include the cost of the business' contribution to
22 retirement or health benefit plans,".

By RALPH ROSENBERG
JIM RIORDAN

S-5042 FILED FEBRUARY 22, 1994
DIVISION A-ADOPTED, DIVISION B-WITHDRAWN

HOUSE FILE 2180

S-5043

1 Amend House File 2180, as amended, passed, and re-
2 printed by the House, as follows:
3 1. Page 14, line 11, by striking the words "two
4 thousand five hundred" and inserting the following:
5 "one thousand".
6 2. Page 15, lines 1 and 2, by striking the words
7 "two thousand five hundred" and inserting the
8 following: "one thousand".

By TOM VILSACK

S-5043 FILED FEBRUARY 22, 1994
RULED OUT OF ORDER

HOUSE FILE 2180

S-5044

1 Amend the amendment, S-5030, to House File 2180, as
2 amended, passed, and reprinted by the House as
3 follows:
4 1. Page 1, by striking lines 10 and 11 and
5 inserting the following:
6 "___. Page 19, line 34, by inserting after the
7 word "zone," the following: "up to one thousand
8 contiguous acres,"."
9 2. By renumbering as necessary.

By TOM VILSACK

S-5044 FILED FEBRUARY 22, 1994
ADOPTED

HOUSE FILE 2180

S-5045

1 Amend House File 2180, as amended, passed, and
2 reprinted by the House, as follows:
3 1. Page 8, by inserting before line 16 the
4 following: "Prior to granting any economic
5 development incentives under this division the
6 department shall make a finding that the business has
7 not been in violation, or if it has been in violation
8 within the previous five years of any federal, state,
9 or foreign country's environmental protection or
10 occupational safety and health statute, regulation, or
11 rule, the department found that the violation did not
12 seriously affect public health, safety, or the
13 environment or if it did that there were mitigating
14 circumstances. In making its findings, the department
15 shall consult with the state industrial commissioner
16 and the state department of natural resources."

By RALPH ROSENBERG

S-5045 FILED FEBRUARY 22, 1994
ADOPTED

HOUSE FILE 2180

S-5046

1 Amend the amendment, S-5030, to House File 2180, as
2 amended, passed, and reprinted by the House as
3 follows:
4 1. Page 1, by striking lines 10 and 11 and
5 inserting the following:
6 "___. Page 19, line 34, by inserting after the
7 word "zone," the following: "up to six hundred forty
8 contiguous acres,"."
9 2. By renumbering as necessary.

By JIM RIORDAN

S-5046 FILED FEBRUARY 22, 1994
RULED OUT OF ORDER

SENATE AMENDMENT TO HOUSE FILE 2180

H-5106

1 Amend House File 2180, as amended, passed, and
2 reprinted by the House, as follows:
3 1. Page 3, by striking lines 17 through 20.
4 2. Page 3, by striking lines 29 and 30 and
5 inserting the following: "This part shall be known
6 and may be cited as the "New Jobs and Income Act"".
7 3. Page 3, line 32, by striking the word
8 "division" and inserting the following: "part".
9 4. Page 3, by striking line 34.
10 5. Page 4, by striking lines 1 through 7 and
11 inserting the following: "pursuant to chapter 28E."
12 6. Page 4, by striking lines 10 through 24 and
13 inserting the following:
14 "___. "Program" means the new jobs and income
15 program."
16 7. Page 4, line 26, by striking the word
17 "division" and inserting the following: "part".
18 8. Page 4, line 27, by inserting after the word
19 "shall" the following: ", individually or as part of
20 a group of businesses,".
21 9. Page 4, line 30, by striking the word
22 "division" and inserting the following: "part".
23 10. By striking page 5, line 2 through page 8,
24 line 15 and inserting the following:
25 "c. Invest ten million dollars in new equipment
26 and machinery as defined in section 427A.1, subsection
27 1, paragraphs "e" and "j", within three years of the
28 date of the agreement with the department required by
29 section 15.330. If the business or group of
30 businesses is occupying a vacant building suitable for
31 industrial use, the fair market value of the building
32 shall be counted toward the investment threshold of
33 this paragraph.
34 d. Pay nonmanagement production employees at the
35 facility for which the business receives program
36 incentives, in each year in which the business
37 receives incentives under the program, cash wages, not
38 including bonuses or profit sharing or pension,
39 medical, dental, life insurance, or other employment
40 benefits, of fifteen dollars per hour or one hundred
41 fifty percent of the average wage in the county in
42 which the new investment is located.
43 e. Provide and pay at least eighty percent of the
44 cost of a comprehensive medical and dental insurance
45 plan for all full-time employees working at the
46 facility in which the new investment occurred.
47 f. Produce or manufacture high value-added goods
48 or services or be in one of the following industries:
49 (1) Value-added agricultural products.
50 (2) Insurance and financial services.

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1 (3) Plastics.
2 (4) Metals.
3 (5) Printing paper or packaging products.
4 (6) Drugs and pharmaceuticals.
5 (7) Software development.
6 (8) Instruments and measuring devices and medical
7 instruments.
8 (9) Recycling and waste management.
9 (10) Telecommunications.
10 Retail business shall not be eligible for benefits
11 under this part.
12 2. In addition to the requirements of subsection
13 1, a business or group of businesses shall do at least
14 four of the following in order to be eligible for
15 incentives under the program:
16 a. Offer a pension or profit sharing plan to full-
17 time employees.
18 b. Invest annually no less than one percent of
19 pretax profits in research and development.
20 c. Invest annually no less than one percent of
21 pretax profits from the facility in which the new
22 investment occurred in worker retraining and skills
23 enhancement if the business has not entered into an
24 agreement under chapter 260E.
25 d. Have an active labor-management safety
26 committee.
27 e. Have a quality assurance or total quality
28 management system in place with benchmarks for gauging
29 compliance.
30 f. Provide adequate quality day care services to
31 employees as part of an employee fringe benefit
32 package.
33 g. Occupy an existing facility at least one of the
34 buildings of which shall be vacant and shall contain
35 at least twenty thousand square feet.
36 3. The business or group of businesses shall also
37 increase employment at the facility for which the
38 business or group of businesses receives program
39 incentives by not less than one hundred full-time
40 employees within three years after the date of the
41 agreement with the department required by section
42 15.330 and maintain the jobs for at least five years.
43 4. Any business located in a quality jobs
44 enterprise zone is ineligible to receive the economic
45 development incentives under the program.
46 5. A business or group of businesses may choose up
47 to three of the program benefits contained in sections
48 15.331 through 15.335. However, before program
49 benefits may be claimed, the business or group of
50 businesses shall show that all required environmental

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1 permits have been issued and regulations met.
2 Sec. ___. NEW SECTION. 15.330 AGREEMENT -- NON-
3 COMPLIANCE -- PENALTIES.
4 A business or group of businesses shall enter into
5 an agreement with the department specifying the
6 requirements which must be met to satisfy the criteria
7 of section 15.329. The department shall consult with
8 the community during negotiations relating to the
9 agreement. The agreement shall contain the following
10 provisions:
11 1. If the business or group of businesses has not
12 met more than ninety percent of the job creation
13 requirement in section 15.329, subsection 3, it shall
14 pay a percentage of the incentive received under
15 section 15.333, or if the business or group of
16 businesses does not receive the incentive under
17 section 15.333, then under section 15.332 as follows:
18 a. If the business or group of businesses has met
19 fifty percent or less of the requirement, the business
20 or group of businesses shall pay the same percentage
21 in benefits as the business or group of businesses
22 failed to create in jobs.
23 b. If the business or group of businesses has met
24 more than fifty percent but not more than seventy-five
25 percent of the requirement, the business or group of
26 businesses shall pay one-half of the percentage in
27 benefits as the business or group of businesses failed
28 to create in jobs.
29 c. If the business or group of businesses has met
30 more than seventy-five percent but not more than
31 ninety percent of the requirement, the business or
32 group of businesses shall pay one quarter of the
33 percentage in benefits as the business or group of
34 businesses failed to create in jobs.
35 2. If a business or group of businesses does not
36 meet the wage, investment, and job training
37 requirements in section 15.239, subsection 1,
38 paragraph "d", and subsection 2, paragraphs "b" and
39 "c", in any one year, it must meet that requirement in
40 the following year or forfeit the incentives for that
41 year."
42 11. Page 8, by inserting before line 16 the
43 following:
44 "Prior to granting any economic development
45 incentives under this division the department shall
46 make a finding that the business has not been in
47 violation, or if it has been in violation within the
48 previous five years of any federal, state, or foreign
49 country's environmental protection or occupational
50 safety and health statute, regulation, or rule, the

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1 department found that the violation did not seriously
2 affect public health, safety, or the environment or if
3 it did that there were mitigating circumstances. In
4 making its findings, the department shall consult with
5 the state industrial commissioner and the state
6 department of natural resources."
7 12. Page 8, line 16, by striking the figure
8 "15.330" and inserting the following: "15.331".
9 13. By striking page 8, line 34, through page 9,
10 line 3.
11 14. Page 9, by striking lines 15 through 27.
12 15. Page 9, by striking lines 29 and 30 and
13 inserting the following: "An eligible business may
14 claim a corporate tax credit up to a maximum of ten
15 percent of the new".
16 16. Page 9, line 35, by striking the word
17 "twenty" and inserting the following: "seven".
18 17. Page 10, line 11, by inserting after the word
19 "equipment" the following: ", as defined in section
20 427A.1, subsection 1, paragraphs "e" and "j",".
21 18. Page 10, by striking lines 14 through 17 and
22 inserting the following: "accepted accounting
23 principles."
24 19. Page 10, line 20, by striking the words "The
25 community may" and inserting the following: "An
26 eligible business may claim as".
27 20. By striking page 10, line 30 through page 11,
28 line 34.
29 21. Page 12, by striking line 1 and inserting the
30 following: "An eligible business may claim".
31 22. Page 12, line 4, by striking the words "high
32 quality jobs and targeted industries".
33 23. Page 12, by inserting after line 23 the
34 following:
35 "A credit in excess of the tax liability for the
36 tax year may be credited to the tax liability for the
37 following three years or until depleted, whichever
38 comes first."
39 24. Page 12, line 27, by striking the word
40 "division" and inserting the following: "part".
41 25. Page 12, line 28, by striking the word
42 "division" and inserting the following: "part".
43 26. Page 13, by inserting after line 13 the
44 following:
45 "Sec. ___. NEW SECTION. 15A.1A ECONOMIC
46 DEVELOPMENT -- HEALTH INSURANCE REQUIREMENTS.
47 Before public funds are used for grants, loans, tax
48 incentives, or other financial assistance to a private
49 person or on behalf of a private person for economic
50 development, the private person seeking to receive

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1 economic development assistance shall provide evidence
2 that the person offers, or will offer, health
3 insurance benefits equal to a standard benefit package
4 determined by the commissioner of insurance, and pays,
5 or will pay, at least eighty percent of the cost of a
6 single policy, and offer its employees family coverage
7 at the employee's cost."
8 27. Page 14, by striking lines 29 through 31 and
9 inserting the following: "cash compensation, which
10 shall not include the cost of the business'
11 contribution to retirement or health benefit plans, of
12 fifteen dollars per hour by the end of the second full
13 year of operation following project completion, and
14 which provides the".
15 28. By striking page 17, line 22, through page
16 19, line 6.
17 29. Page 19, line 34, by inserting after the word
18 "zone," the following: "up to one thousand contiguous
19 acres,".
20 30. Page 20, line 19, by inserting after the
21 words "supporting business." the following: "However,
22 prior to granting any economic development assistance
23 under subsections 3 through 9 the department shall
24 make a finding that the primary or supporting business
25 has not been in violation, or if it has been in
26 violation within the previous five years of any
27 federal, state, or foreign country's environmental
28 protection or occupational safety and health statute,
29 regulation, or rule, the department found that the
30 violation did not seriously affect public health,
31 safety, or the environment or if it did that there
32 were mitigating circumstances. In making its
33 findings, the department shall consult with the state
34 industrial commissioner and the state department of
35 natural resources."
36 31. Page 20, by inserting after line 28 the
37 following:
38 "Sec. ___. LEGISLATIVE STUDY. The legislative
39 council is requested to establish a task force to
40 examine the service delivery system for economic
41 development programs and to study the relationship
42 between local and state governments and businesses in
43 utilizing financial and tax incentives as economic
44 development tools. The task force shall also study
45 the need for and benefits of a compact with other
46 states regarding economic noncompetition and the steps
47 necessary to implement such a compact. Membership on
48 the task force is requested to be the following:
49 1. Ten voting members from the senate and house of
50 representatives, three members appointed by the

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1 majority leader of the senate, two members appointed
2 by the minority leader of the senate, three members
3 appointed by the speaker of the house of
4 representatives, and two members appointed by the
5 minority leader of the house of representatives.
6 2. Eight nonvoting members as follows:
7 a. The director of the department of economic
8 development or the director's designee.
9 b. One member each designated by the association
10 of business and industry, the Iowa state association
11 of counties, the league of Iowa municipalities, the
12 professional developers of Iowa, the Iowa business
13 council, and two statewide labor organizations."
14 32. Page 20, by striking lines 31 and 32 and
15 inserting the following: "enactment. All other
16 sections of this Act take effect July 1, 1994."
17 33. Title page, lines 2 and 3, by striking the
18 words "high quality jobs and targeted industries" and
19 inserting the following: "new jobs and income".
20 34. By renumbering, relettering, or redesignating
21 and correcting internal references as necessary.

RECEIVED FROM THE SENATE

H-5106 FILED FEBRUARY 28, 1994
REFUSED TO CONCUR AS AMENDED Senate Journal 3/1/94 (p. 445)

HOUSE FILE 2180

H-5107
1 Amend the amendment, H-5106, to House File 2180, as
2 amended, passed, and reprinted by the House as
3 follows:
4 1. Page 2, line 39, by striking the words "one
5 hundred" and inserting the following: "twenty-five".

By HALVORSON of Webster

H-5107 FILED FEBRUARY 28, 1994
ADOPTED

HOUSE FILE 2180

H-5108
1 Amend the amendment, H-5106, to House File 2180, as
2 amended, passed, and reprinted by the House, as
3 follows:
4 1. Page 5, line 18, by striking the words "one
5 thousand" and inserting the following: "six hundred
6 forty".

By WEIGEL of Chickasaw
HALVORSON of Webster

H-5108 FILED FEBRUARY 28, 1994
LOST

HOUSE FILE 2180

H-5113

1 Amend the amendment, H-5106, to House File 2180, as
2 amended, passed, and reprinted by the House, as
3 follows:
4 1. Page 6, by inserting after line 13 the follow-
5 ing:
6 "Sec. ___. Section 427.1, Code Supplement 1993, is
7 amended by adding the following new subsection:
8 NEW SUBSECTION. 44. Property defined in section
9 427A.1, subsection 1, paragraphs "e" and "j", which is
10 acquired or initially leased on or after July 1, 1994,
11 and which would qualify to be assessed under section
12 427B.17 but for this subsection.
13 Sec. ___. NEW SECTION. 427B.30 TAX REPLACEMENT -
14 - APPROPRIATION.
15 1. An eligible city or eligible county may apply
16 for fiscal years beginning on or after July 1, 1996,
17 to the department of revenue and finance for state tax
18 replacement of the reduction in property tax revenues
19 as a result of the exemption from property tax of
20 property specified in section 427.1, subsection 44.
21 The city or county shall make application for tax
22 replacement for a fiscal year by July 1 of the fiscal
23 year.
24 There is appropriated annually from the general
25 fund of the state to the department of revenue and
26 finance an amount sufficient to pay all tax
27 replacement applications under this section.
28 2. For purposes of this section, "eligible city"
29 or "eligible county" means a city or county where the
30 taxable valuation on which is calculated the property
31 taxes to be collected in the fiscal year for which tax
32 replacement is applied for is less than the taxable
33 valuation on which was calculated the property taxes
34 to be collected in the fiscal year beginning July 1,
35 1995, and the city or county has property exempt under
36 section 427.1, subsection 44, located within its
37 boundaries. A city or county shall not be an eligible
38 city or eligible county if the current taxable
39 valuation is lower than the amount used for the fiscal
40 year beginning July 1, 1995, solely because of plant
41 closings.
42 3. The eligible city or eligible county shall
43 determine the amount of state tax replacement by
44 determining the sum of the amount of the last taxable
45 valuation of each unit of property assessed under
46 section 427B.17 which was replaced by a unit of
47 property exempt under section 427.1, subsection 44;
48 then multiplying the lesser of this sum or the
49 difference in the taxable valuation used for the two
50 fiscal years mentioned in subsection 2 by the city or

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1 county, as applicable, property tax levy rate. The
2 resulting product is the state tax replacement. These
3 computations shall be shown on or attached to the
4 application for the tax replacement.
5 4. Notwithstanding any provision of chapter 260E
6 or 260F or the agreement entered pursuant to that
7 chapter specifying how the new jobs training program
8 was to be paid for, if as a result of the replacement
9 of property assessed pursuant to section 427B.17 by
10 property exempt under section 427.1, subsection 44,
11 the community college will not receive enough revenue
12 pursuant to section 260E.4 or 260F.4 to pay for the
13 training program or its certificates then the
14 community college is entitled to pay program costs and
15 certificates from the credit from withholding option
16 under section 260E.5 or 260F.5. If program costs or
17 certificate repayments are still not met, the
18 community college may apply for state tax replacement
19 of the amount of shortfall from the appropriation made
20 in subsection 1.""
21 2. Page 6, by inserting after line 19 the
22 following:
23 "___. Title page, line 5, by inserting after the
24 word "penalty," the following: "providing an
25 appropriation,"."

By GILL of Woodbury

H-5113 FILED FEBRUARY 28, 1994
WITHDRAWN

HOUSE FILE 2180

H-5114

1 Amend the amendment, H-5113, to the Senate
2 amendment, H-5106, to House File 2180, as amended,
3 passed, and reprinted by the House as follows:
4 1. By striking page 1, line 6, through page 2,
5 line 25, and inserting the following:
6 "Sec. ___. Section 422.35, subsection 4, Code
7 1993, is amended by striking the subsection.
8 Sec. ___. NEW SECTION. 427B.19 REFUNDABLE TAX
9 CREDIT -- NEW MACHINERY.
10 1. Beginning on the effective date of this
11 section, a business which acquired or initially leased
12 on or after the effective date of this section,
13 property described in section 427A.1, subsection 1,
14 paragraphs "e" and "j", shall be entitled to a
15 refundable income tax credit equal to the amount of
16 property taxes paid on the property during the tax
17 year.
18 2. Any credit in excess of the tax liability for
19 the taxable year shall be refunded with interest
20 computed under section 422.25. In lieu of claiming a
21 refund, the business may elect to have the overpayment
22 shown on its final, completed return credited to the
23 tax liability for the following taxable year."
24 2. Page 6, by inserting after line 19 the
25 following:
26 "___. Title page, line 4, by inserting after the
27 word "zones," the following: "providing a refundable
28 income tax credit for property taxes paid on certain
29 new machinery and computer equipment, eliminating the
30 deductibility of federal taxes paid from corporate
31 income tax,"."
32 3. By renumbering and correcting internal
33 references as necessary.

By NEUHAUSER of Johnson

H-5114 FILED FEBRUARY 28, 1994
OUT OF ORDER

HOUSE FILE 2180

H-5110

1 Amend the amendment, H-5106, to House File 2180, as
2 amended, passed, and reprinted by the House as
3 follows:
4 1. Page 5, by inserting after line 19 the
5 following:
6 "___. Page 20, by inserting after line 16 the
7 following:
8 "A primary or supporting business shall not sell
9 land acquired under this subsection for a price
10 greater than the acquisition price paid by the primary
11 business or supporting business prior to project
12 completion.""

By WEIGEL of Chickasaw

H-5110 FILED FEBRUARY 28, 1994
ADOPTED

HOUSE FILE 2180

H-5111

1 Amend the Senate amendment, H-5106, to House File
2 2180, as amended, passed, and reprinted by the House,
3 as follows:
4 1. Page 5, by inserting after line 35 the
5 following:
6 "___. Page 20, by inserting after line 19 the
7 following:
8 "___. Notwithstanding any requirement to the
9 contrary, a city or county has the power to require,
10 prior to providing any essential service to a primary
11 or supporting business, that a contract be entered
12 into upon terms, including payment, as may be agreed
13 upon for providing the specified service.""

By DODERER of Johnson

H-5111 FILED FEBRUARY 28, 1994
LOST

HOUSE FILE 2180

H-5112

1 Amend the amendment, H-5106, to House File 2180, as
2 amended, passed, and reprinted by the House, as
3 follows:
4 1. Page 1, by striking lines 40 through 42 and
5 inserting the following: "benefits, of eleven dollars
6 per hour or one hundred thirty percent of the average
7 wage in the county in which the new investment is
8 located, whichever is higher."
9 2. Page 2, line 39, by striking the words "one
10 hundred" and inserting the following: "twenty-five".

By HALVORSON of Webster

H-5112 FILED FEBRUARY 28, 1994
WITHDRAWN

REPORT OF THE CONFERENCE COMMITTEE
ON HOUSE FILE 2180

To the Speaker of the House of Representatives and the President of the Senate:

We, the undersigned members of the conference committee appointed to resolve the differences between the House of Representatives and the Senate on House File 2180, a bill for an Act relating to the establishment of quality jobs enterprise zones, and establishing a high quality jobs and targeted industries program, providing economic development assistance to businesses locating in quality jobs enterprise zones, providing a penalty, and providing effective dates, respectfully make the following report:

1. That the Senate recedes from its amendment, H-5106.

2. That House File 2180, as amended, passed, and reprinted by the House, is amended to read as follows:

1. Page 3, lines 19 and 20, by striking the words "high quality jobs and targeted industries" and inserting the following: "new jobs and income".

2. Page 3, by striking lines 29 and 30 and inserting the following: "This part shall be known and may be cited as the "New Jobs and Income Act"".

3. Page 3, line 32, by striking the word "division" and inserting the following: "part".

4. Page 3, by striking line 34.

5. Page 4, by striking lines 10 through 24 and inserting the following:

"___. "Program" means the new jobs and income program."

6. Page 4, line 26, by striking the word "division" and inserting the following: "part".

7. Page 4, line 27, by inserting after the word "shall"

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the following: ", individually or as part of a group of businesses,".

8. Page 4, line 30, by striking the word "division" and inserting the following: "part".

9. Page 5, by striking lines 2 through 4 and inserting the following:

"___. Provide and pay at least eighty percent of the cost of a standard medical and dental insurance plan for all full-time employees working at the facility in which the new investment occurred."

10. Page 5, lines 5 and 6, by striking the words "starting wage to" and inserting the following: "wage for new".

11. Page 5, line 6, by striking the word "employees" and inserting the following: "jobs".

12. Page 5, line 11, by striking the word "median" and inserting the following: "average".

13. Page 5, line 21, by striking the word "twenty-five" and inserting the following: "fifty or the group of businesses at least seventy-five".

14. Page 5, by striking lines 26 through 35.

15. Page 6, by striking lines 1 through 18 and inserting the following:

"2. In addition to the requirements of subsection 1, a business or group of businesses shall do at least three of the following in order to be eligible for incentives under the program:

a. Offer a pension or profit sharing plan to full-time employees.

b. Produce or manufacture high value-added goods or services or be in one of the following industries:

(1) Value-added agricultural products.

(2) Insurance and financial services.

(3) Plastics.

(4) Metals.

(5) Printing paper or packaging products.

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(6) Drugs and pharmaceuticals.

(7) Software development.

(8) Instruments and measuring devices and medical instruments.

(9) Recycling and waste management.

(10) Telecommunications.

Retail business shall not be eligible for benefits under this part."

16. Page 6, line 29, by inserting after the word "cooperation" the following: "with benchmarks for gauging compliance.

g. Occupy an existing facility at least one of the buildings of which shall be vacant and shall contain at least twenty thousand square feet.

3. Any business located in a quality jobs enterprise zone is ineligible to receive the economic development incentives under the program.

4. If the department finds that a business has a record of violations of the law, including but not limited to environmental and worker safety statutes, rules, and regulations, over a period of time that tends to show a consistent pattern, the business shall not qualify for economic development assistance under this part, unless the department finds that the violations did not seriously affect public health or safety, or the environment, or if it did that there were mitigating circumstances. In making the findings and determinations regarding violations, mitigating circumstances, and whether the business is disqualified for economic development assistance under this part, the department shall be exempt from chapter 17A".

17. Page 6, line 35, by striking the words "award more points to" and inserting the following: "place greater emphasis on".

18. Page 7, lines 23 and 24, by striking the words "award more points for" and inserting the following: "place greater emphasis on".

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19. Page 8, by striking lines 1 through 5.

20. Page 8, by inserting after line 15 the following:

"Sec. __. NEW SECTION. 15.330 AGREEMENT -- NONCOMPLIANCE -- PENALTIES.

A business or group of businesses shall enter into an agreement with the department specifying the requirements which must be met to satisfy the criteria of section 15.329. The department shall consult with the community during negotiations relating to the agreement. The agreement shall contain the following provisions:

1. If the business or group of businesses has not met more than ninety percent of the job creation requirement in section 15.329, subsection 1, paragraph "f", it shall pay a percentage of the incentive received under section 15.333, or if the business or group of businesses does not receive the incentive under section 15.333, then under section 15.332 as follows:

a. If the business or group of businesses has met fifty percent or less of the requirement, the business or group of businesses shall pay the same percentage in benefits as the business or group of businesses failed to create in jobs.

b. If the business or group of businesses has met more than fifty percent but not more than seventy-five percent of the requirement, the business or group of businesses shall pay one-half of the percentage in benefits as the business or group of businesses failed to create in jobs.

c. If the business or group of businesses has met more than seventy-five percent but not more than ninety percent of the requirement, the business or group of businesses shall pay one quarter of the percentage in benefits as the business or group of businesses failed to create in jobs.

2. If a business or group of businesses does not meet the wage requirement of section 15.329, subsection 1, or any of the three criteria selected by the business or group of businesses under section 15.329, subsection 2, in any one year, it must meet that requirement in the following year or forfeit the incentives for that year.

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The department shall adopt rules for repayment of incentives by the business or group of businesses if the business or group of businesses has not met any of the requirements of this part."

21. By striking page 8, line 34, through page 9, line 3.

22. Page 9, by striking lines 29 and 30 and inserting the following: "An eligible business may claim a corporate tax credit up to a maximum of ten percent of the new".

23. Page 9, line 35, by striking the word "twenty" and inserting the following: "seven".

24. Page 10, line 11, by inserting after the word "equipment" the following: ", as defined in section 427A.1, subsection 1, paragraphs "e" and "j",".

25. Page 10, line 17, by striking the figure "15E.186" inserting the following: "15.331".

26. Page 10, line 20, by striking the words "The community may" and inserting the following: "An eligible business may claim as".

27. Page 10, lines 28 and 29, by striking the words "shall be determined by the community but".

28. By striking page 10, line 30 through page 11, line 34.

29. Page 12, by striking line 1 and inserting the following: "An eligible business may claim".

30. Page 12, line 4, by striking the words "high quality jobs and targeted industries".

31. Page 12, by inserting after line 23 the following: "A credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever comes first."

32. Page 12, line 27, by striking the word "division" and inserting the following: "part".

33. Page 12, line 28, by striking the word "division" and inserting the following: "part".

34. Page 13, line 31, by inserting after the word "zone" the following: "or zones".

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35. Page 13, line 32, by inserting after the word "zone" the following: "or zones".

36. Page 14, line 2, by inserting after the word "zone" the following: "or zones".

37. Page 14, line 9, by inserting after the word "zone" the following: "or zones".

38. Page 14, line 11, by striking the word "contiguous".

39. Page 14, by striking lines 29 through 31 and inserting the following: "cash compensation, which shall not include the cost of the business' contribution to retirement or health benefit plans, equating to fifteen dollars per hour worked by the end of the second full year of operation following project completion, and which provides the".

40. Page 15, line 2, by striking the word "contiguous".

41. Page 15, line 4, by inserting after the figure "1994" the following: ", providing all necessary permits have been issued and zoning changes made in time for construction to begin by that date".

42. Page 15, line 19, by inserting after the word "facility" the following: "or operations".

43. Page 15, by striking line 24 and inserting the following:

"e. "Zone or zones" means a quality jobs enterprise zone or zones".

44. Page 20, line 19, by inserting after the words "supporting business." the following: "However, if the department finds that a primary business or a supporting business has a record of violations of the law, including but not limited to environmental and worker safety statutes, rules, and regulations, over a period of time that tends to show a consistent pattern, the primary business or supporting business shall not qualify for economic development assistance under subsections 3 through 9, unless the department finds that the violations did not seriously affect public health or safety or the environment, or if it did that there were mitigating circumstances. In making the findings and

determinations regarding violations, mitigating circumstances, and whether a primary business or a supporting business is eligible for economic development assistance under subsections 3 through 9, the department shall be exempt from chapter 17A."

45. Page 20, by inserting after line 28 the following:

"Sec. 100. LEGISLATIVE STUDY. The legislative council is requested to establish a task force to examine the service delivery system for economic development programs and to study the relationship between local and state governments and businesses in utilizing financial and tax incentives as economic development tools. The task force shall also study the need for and benefits of a compact with other states regarding economic noncompetition and the steps necessary to implement such a compact. Membership on the task force is requested to be the following:

1. Ten voting members from the senate and house of representatives, three members appointed by the majority leader of the senate, two members appointed by the minority leader of the senate, three members appointed by the speaker of the house of representatives, and two members appointed by the minority leader of the house of representatives.

2. Eight nonvoting members appointed by the legislative council as follows:

a. The director of the department of economic development or the director's designee.

b. One member each from lists provided by the association of business and industry, the Iowa state association of counties, the league of Iowa municipalities, the professional developers of Iowa, the Iowa business council, and two statewide labor organizations."

46. Page 20, by striking lines 29 through 32 and inserting the following:

"Sec. ___. EFFECTIVE DATES. Sections 15 through 18 and 100 of this Act, being deemed of immediate importance, take effect upon enactment. All other sections of this Act take effect May 1, 1994."

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47. Title page, lines 2 and 3, by striking the words "high quality jobs and targeted industries" and inserting the following: "new jobs and income".

48. By renumbering, relettering, or redesignating and correcting internal references as necessary.

ON THE PART OF THE HOUSE:

ROGER HALVORSON, Chairperson
DARRELL HANSON
MATT McCOY
JANET METCALF
MARY NEUHAUSER

ON THE PART OF THE SENATE:

TONY BISIGNANO, Chairperson
WAYNE BENNETT
RICHARD DRAKE
RANDAL GIANNETTO
TOM VILSACK

CCH-2180.1 FILED MARCH 3, 1994

(p.425) 3/3/94 ADOPTED

(p.506) 3/3/94 ADOPTED

HOUSE FILE 2180

AN ACT

RELATING TO THE ESTABLISHMENT OF QUALITY JOBS ENTERPRISE ZONES, AND ESTABLISHING A NEW JOBS AND INCOME PROGRAM, PROVIDING ECONOMIC DEVELOPMENT ASSISTANCE TO BUSINESSES LOCATING IN QUALITY JOBS ENTERPRISE ZONES, PROVIDING A PENALTY, AND PROVIDING EFFECTIVE DATES.

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

Section 1. DECLARATION OF POLICY. The general assembly finds and declares that the accelerated use of direct development incentives by the state to attract economic investment is symptomatic of the continuing slow rate of growth of the nation's economy. Iowa finds itself pressured to take whatever steps are necessary to support job creation that otherwise might occur unaided under more healthy economic conditions.

The general assembly also finds and declares that the current economic climate also affects the way the business community behaves when making investment decisions. To minimize new investment in plant and equipment, businesses readily take advantage of available subsidies in the form of development incentives.

The general assembly further finds that the public and private sectors should undertake cooperative efforts that result in improvements to the general economic climate rather than focus on subsidies for individual projects or businesses. These efforts will require a behavioral change by both the state and business, balancing short-term self-interest with the long-term common good.

The general assembly declares that this change should not result from the threat of punitive measures or federal intervention. The state and business leaders should operate

in accordance with the following principles because they represent good public policy; in the long run, adherence to these principles will achieve the desired outcomes in terms of new jobs and higher income in all states and sustained profitability for businesses that invest and operate in these jurisdictions.

The general assembly finds and declares that the following principles of mutual cooperation should govern state-business development relations:

1. Partnership between state government and business. The relationship between state government and business should be a true partnership. Both state government and business have certain responsibilities and anticipated benefits. The state and the business community should maintain an ongoing dialogue for the purpose of developing sound public policy and programs. The state should implement policy processes that are nonthreatening to the business community and the public.

2. State competition. The state will always be in competition with other states for business investments. However, this competition should not be characterized by how much direct assistance the state can provide to individual businesses. Rather the competition should focus on how the state attempts to provide a business climate in which existing businesses can operate profitably and expand and new businesses can be established and survive. The competition should be judged on factors such as improvements in education, transportation, and telecommunication; stable fiscal conditions; tax policies; business regulation; and the provision of quality public services.

3. Subsidies. The state will continue to provide subsidies to businesses. However, the provision of subsidies should adhere to the following criteria:

a. Public resources should be used to encourage and foster development that otherwise would not occur, not merely to influence the location of private investment.

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b. Public subsidies should benefit and be available to all businesses, large and small, new and existing, of domestic or foreign ownership, based on individual state development objectives, identified criteria, and a calculated rate of return.

c. Public subsidies should be in the form of investments in people, resulting in a better educated and skilled workforce, and in communities, by developing the physical and social infrastructures that are prerequisites of healthy economic development. Although such investments may be tied to the location or expansion of an individual business, the improvements in the workforce and community should not be wholly dependent on the fortunes of one business and should be viewed as assets for other businesses that locate in the community.

d. To the extent possible, programs that support mutual development objectives should be joint ventures between government and business.

e. The business community has an obligation to deliver the promised benefits in return for state development subsidies. The state owes it to its citizens to ensure that all development agreements include provisions for recouping subsidies when businesses fail to meet this obligation.

f. Using subsidies to encourage investment in distressed areas of the state to increase employment opportunities that bring low-income Iowans into the economic mainstream is a legitimate development objective.

Sec. 2. Section 15.308, subsection 2, Code Supplement 1993, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. Establish a new jobs and income program.

Sec. 3. NEW SECTION. 15.325 NEGOTIATIONS -- STATE AND LOCAL OFFICIALS -- RESTRICTIONS.

A state or local government official acting in an official capacity shall not offer to a business economic development

benefits unless those benefits are authorized under the law of this state in effect at the time of the negotiations or those benefits have been enacted, but not yet taken effect.

Sec. 4. NEW SECTION. 15.326 SHORT TITLE.

This part shall be known and may be cited as the "New Jobs and Income Act."

Sec. 5. NEW SECTION. 15.327 DEFINITIONS.

As used in this part, unless the context otherwise requires:

1. "Community" means a city, county, or entity established pursuant to chapter 28E that is a certified participant under section 15.308 or has established a comprehensive plan approved by the department.

2. "Department" means the Iowa department of economic development.

3. "Director" means the director of the department or the director's designee.

4. "Eligible business" means a business meeting the conditions of section 15.329.

5. "Program" means the new jobs and income program.

Sec. 6. NEW SECTION. 15.329 ELIGIBLE BUSINESS.

1. To be eligible to receive benefits under this part, a business shall, individually or as part of a group of businesses, meet all of the following requirements:

a. The community has approved by ordinance or resolution the start up, location, or expansion of the business for the purpose of receiving the benefits of this part.

b. The business has not closed or substantially reduced its operation in one area of the state and relocated substantially the same operation in the community. This subsection does not prohibit a business from expanding its operation in the community if existing operations of a similar nature in the state are not closed or substantially reduced.

c. Provide and pay at least eighty percent of the cost of a standard medical and dental insurance plan for all full-time

there were mitigating circumstances. In making the findings and determinations regarding violations, mitigating circumstances, and whether the business is disqualified for economic development assistance under this part, the department shall be exempt from chapter 17A.

5. The department shall also consider a variety of factors, including but not limited to the following in determining the eligibility of a business to participate in the program:

a. The quality of the jobs to be created. In rating the quality of the jobs the department shall place greater emphasis on those jobs that have a higher wage scale, have a lower turnover rate, are full-time or career-type positions, provide comprehensive health benefits, or have other related factors which could be considered to be higher in quality, than to other jobs. Businesses that have wage scales substantially below that of existing Iowa businesses in that area should be rated as providing the lowest quality of jobs and should therefore be given the lowest ranking for providing such assistance.

b. The impact of the proposed project on other businesses in competition with the business being considered for assistance. The department shall make a good faith effort to identify existing Iowa businesses within an industry in competition with the business being considered for assistance. The department shall make a good faith effort to determine the probability that the proposed financial assistance will displace employees of the existing businesses. In determining the impact on businesses in competition with the business being considered for assistance, jobs created as a result of other jobs being displaced elsewhere in the state shall not be considered direct jobs created.

c. The impact to the state of the proposed project. In measuring the economic impact the department shall place greater emphasis on projects which have greater consistency

with the state strategic plan than other projects. Greater consistency may include any or all of the following:

(1) A business with a greater percentage of sales out-of-state or of import substitution.

(2) A business with a higher proportion of in-state suppliers.

(3) A project which would provide greater diversification of the state economy.

(4) A business with fewer in-state competitors.

(5) A potential for future job growth.

(6) A project which is not a retail operation.

d. If a business has, within three years of application for assistance, acquired or merged with an Iowa corporation or company, whether the business has made a good faith effort to hire the workers of the acquired or merged company.

e. Whether a business provides for a preference for hiring residents of the state or of the economic development area, except for out-of-state employees offered a transfer to Iowa or to the economic development area.

f. Whether all known required environmental permits have been issued and regulations met before moneys are released.

Sec. 7. NEW SECTION. 15.330 AGREEMENT -- NONCOMPLIANCE -- PENALTIES.

A business or group of businesses shall enter into an agreement with the department specifying the requirements which must be met to satisfy the criteria of section 15.329. The department shall consult with the community during negotiations relating to the agreement. The agreement shall contain the following provisions:

1. If the business or group of businesses has not met more than ninety percent of the job creation requirement in section 15.329, subsection 1, paragraph "f", it shall pay a percentage of the incentive received under section 15.334, or if the business or group of businesses does not receive the incentive under section 15.334, then under section 15.333 as follows:

employees working at the facility in which the new investment occurred.

d. The business shall agree to pay a median wage for new full-time hourly nonmanagement production jobs of at least eleven dollars per hour indexed to 1993 dollars based on the gross national product implicit price deflator published by the bureau of economic analysis of the United States department of commerce or one hundred thirty percent of the average wage in the county in which the community is located, whichever is higher.

e. The business will make a capital investment of at least ten million dollars indexed to 1993 dollars based on the gross national product implicit price deflator published by the bureau of economic analysis of the United States department of commerce. If the business is occupying a vacant building suitable for industrial use, the fair market value of the building shall be counted toward the capital investment threshold.

f. The business shall agree to create at least fifty or the group of businesses at least seventy-five full-time positions at a facility located in Iowa or expanded under the program for a specified period which will be negotiated with the department and the community, but which shall be at least five years.

2. In addition to the requirements of subsection 1, a business or group of businesses shall do at least three of the following in order to be eligible for incentives under the program:

a. Offer a pension or profit sharing plan to full-time employees.

b. Produce or manufacture high value-added goods or services or be in one of the following industries:

(1) Value-added agricultural products.

(2) Insurance and financial services.

(3) Plastics.

(4) Metals.

(5) Printing paper or packaging products.

(6) Drugs and pharmaceuticals.

(7) Software development.

(8) Instruments and measuring devices and medical instruments.

(9) Recycling and waste management.

(10) Telecommunications.

Retail business shall not be eligible for benefits under this part.

c. The business makes day care services available to its employees.

d. Invest annually no less than one percent of pretax profits from the facility located to Iowa or expanded under the program in research and development in Iowa.

e. Invest annually no less than one percent of pretax profits from the facility located to Iowa or expanded under the program in worker training and skills enhancement.

f. Have an active productivity and safety improvement program involving management and worker participation and cooperation with benchmarks for gauging compliance.

g. Occupy an existing facility at least one of the buildings of which shall be vacant and shall contain at least twenty thousand square feet.

3. Any business located in a quality jobs enterprise zone is ineligible to receive the economic development incentives under the program.

4. If the department finds that a business has a record of violations of the law, including but not limited to environmental and worker safety statutes, rules, and regulations, over a period of time that tends to show a consistent pattern, the business shall not qualify for economic development assistance under this part, unless the department finds that the violations did not seriously affect public health or safety, or the environment, or if it did that

a. If the business or group of businesses has met fifty percent or less of the requirement, the business or group of businesses shall pay the same percentage in benefits as the business or group of businesses failed to create in jobs.

b. If the business or group of businesses has met more than fifty percent but not more than seventy-five percent of the requirement, the business or group of businesses shall pay one-half of the percentage in benefits as the business or group of businesses failed to create in jobs.

c. If the business or group of businesses has met more than seventy-five percent but not more than ninety percent of the requirement, the business or group of businesses shall pay one quarter of the percentage in benefits as the business or group of businesses failed to create in jobs.

2. If a business or group of businesses does not meet the wage requirement of section 15.329, subsection 1, or any of the three criteria selected by the business or group of businesses under section 15.329, subsection 2, in any one year, it must meet that requirement in the following year or forfeit the incentives for that year.

The department shall adopt rules for repayment of incentives by the business or group of businesses if the business or group of businesses has not met any of the requirements of this part.

Sec. 8. NEW SECTION. 15.331 NEW JOBS CREDIT FROM WITHHOLDING.

An eligible business may enter into an agreement with the department of revenue and finance and a community college, for a supplemental new jobs credit from withholding from jobs created under the program. The agreement shall be for program services for an additional job training project, as defined in chapter 260E. The agreement shall provide for the following:

1. That the project shall be administered in the same manner as a project under chapter 260E and that a supplemental new jobs credit from withholding in an amount equal to one and

one-half percent of the gross wages paid by the eligible business pursuant to section 422.16 is authorized to fund the program services for the additional project.

2. That the supplemental new jobs credit from withholding shall be collected, accounted for, and may be pledged by the community college in the same manner as described in section 260E.5.

3. That the auditor of state shall perform an annual audit regarding how the training funds are being used.

To provide funds for the payment of the costs of the additional project, a community college may borrow money, issue and sell certificates, and secure the payment of the certificates in the same manner as described in section 260E.6, including but not limited to, providing the assessment of an annual levy as described in section 260E.6, subsection 4. The program and credit authorized by this section is in addition to, and not in lieu of, the program and credit authorized in chapter 260E.

Sec. 9. NEW SECTION. 15.332 VALUE-ADDED PROPERTY TAX EXEMPTION.

1. The community may exempt from taxation all or a portion of the actual value added by improvements to real property directly related to new jobs created by the location or expansion of an eligible business under the program and used in the operations of the eligible business. The exemption may be allowed for a period not to exceed twenty years beginning the year the improvements are first assessed for taxation.

2. For purposes of this section, "improvements" include rehabilitation of and additions to existing structures. The exemption shall apply to all taxing districts in which the real property is located.

Sec. 10. NEW SECTION. 15.333 INVESTMENT TAX CREDIT.

An eligible business may claim a corporate tax credit up to a maximum of ten percent of the new investment which is directly related to new jobs created by the location or

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expansion of an eligible business under the program. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs earlier. If the business is a partnership, subchapter S corporation, limited liability company, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, subchapter S corporation, limited liability company, or estate or trust. For purposes of this section, "new investment directly related to new jobs created by the location or expansion of an eligible business under the program" means the cost of machinery and equipment, as defined in section 427A.1, subsection 1, paragraphs "e" and "j", purchased for use in the operation of the eligible business, the purchase price of which has been depreciated in accordance with generally accepted accounting principles, and the cost of improvements made to real property which is used in the operation of the eligible business and which receives a partial property tax exemption for the actual value added under section 15.332.

Sec. 11. NEW SECTION. 15.334 EXEMPTION FROM TAXATION FOR MACHINERY, EQUIPMENT, AND COMPUTERS.

An eligible business may claim as exempt from taxation all or a portion of the value of property, directly related to new jobs created by the location or expansion of an eligible business under the program, defined in section 427A.1, subsection 1, paragraphs "e" and "j", used by the eligible business. In order to be eligible for this exemption, the property shall be acquired or initially leased by the eligible business or relocated by the eligible business to the facility from a facility outside the state of Iowa. The duration of the exemption shall not exceed twenty years.

Sec. 12. NEW SECTION. 15.335 RESEARCH ACTIVITIES CREDIT.

An eligible business may claim a corporate tax credit for increasing research activities in this state during the period the eligible business is participating in the program. The credit equals six and one-half percent of the state's apportioned share of the qualifying expenditures for increasing research activities. The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to total qualified research expenditures. If the eligible business is a partnership, subchapter S corporation, limited liability company, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, subchapter S corporation, limited liability company, or estate or trust. For purposes of this section, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities which would be allowable under section 41 of the Internal Revenue Code in effect on January 1, 1994.

A credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever comes first.

Sec. 13. NEW SECTION. 15.336 OTHER INCENTIVES.

An eligible business may receive other applicable federal, state, and local incentives and credits in addition to those provided in this part. However, a business which participates in the program under this part shall not receive any funds from the community economic development account under the community economic betterment program.

Sec. 14. Section 15A.1, subsection 1, unnumbered paragraph 1, Code 1993, is amended to read as follows:

Economic development is a public purpose for which the state, a city, or a county may provide grants, loans, guarantees, tax incentives, and other financial assistance to or for the benefit of private persons.

Sec. 15. Section 15A.1, subsection 2, unnumbered paragraph 1, Code 1993, is amended to read as follows:

Before public funds are used for grants, loans, tax incentives, or other financial assistance to private persons or on behalf of private persons for economic development, the governing body of the state, city, county, or other public body dispensing those funds or the governing body's designee, shall determine that a public purpose will reasonably be accomplished by the dispensing or use of those funds. In determining whether the funds should be dispensed, the governing body or designee of the governing body shall consider any or all of the following factors:

Sec. 16. Section 15A.2, unnumbered paragraph 1, Code 1993, is amended to read as follows:

If a member of the governing body of a city or county or an employee of a state, city, or county board, agency, commission, or other governmental entity of the state, city, or county has an interest, either direct or indirect, in a private person for which grants, loans, guarantees, tax incentives, or other financial assistance may be provided by the governing board or governmental entity, the interest shall be disclosed to that governing body or governmental entity in writing. The member or employee having the interest shall not participate in the decision-making process with regard to the providing of such financial assistance to the private person.

Sec. 17. NEW SECTION. 15A.9 QUALITY JOBS ENTERPRISE ZONE -- STATE ASSISTANCE.

1. FINDINGS -- ZONE DESIGNATION.

a. The general assembly finds and declares that the designation of a quality jobs enterprise zone or zones and the provision of economic development assistance within the zone

or zones are necessary to diversify the Iowa economy, enhance opportunities for Iowans to obtain quality industrial jobs, and provide significant economic benefits to the state through the expansion of Iowa's economy. Establishment of the quality jobs enterprise zone or zones and the economic development assistance provided by the state or a local community will be for the well-being and benefit of the residents of the state and will be for a public purpose.

b. In order to assist a community or communities located within the state to secure new industrial manufacturing jobs, the state of Iowa makes economic development assistance available within the zone or zones, and the department of economic development shall designate a site or sites, which shall not be larger than two thousand five hundred acres, within thirty days of the effective date of this Act, as a quality jobs enterprise zone or zones for the purpose of attracting a primary business and supporting businesses to locate facilities within the state.

The primary business or a supporting business shall not be prohibited from participating in or receiving other economic development programs or services or electing to utilize other tax provisions to the extent authorized elsewhere by law.

2. DEFINITIONS. As used in this section:

a. "Contractor or subcontractor" means a person who contracts with the primary business or a supporting business or subcontracts with a contractor for the provision of property, materials, or services for the construction or equipping of a facility, located within the zone, of the primary business or a supporting business.

b. "Primary business" means a business which pays its full-time production employees at the facility average cash compensation, which shall not include the cost of the business' contribution to retirement or health benefit plans, equating to fifteen dollars per hour worked by the end of the second full year of operation following project completion,

and which provides the department of economic development within thirty days of the effective date of this Act, with notice of its intent to develop and operate a new manufacturing facility on a specific location within the state, including the legal description of the site which shall not contain more than two thousand five hundred acres, to invest at least two hundred fifty million dollars in the facility, and to commence construction of the facility by December 31, 1994, providing all necessary permits have been issued and zoning changes made in time for construction to begin by that date. The business shall also guarantee that it will create at least three hundred full-time jobs at the facility. The headquarters of the primary business need not be within the zone.

c. "Project completion" means the first date upon which the average annualized production of finished product for the preceding ninety-day period at the manufacturing facility operated by the primary business within the zone is at least fifty percent of the initial design capacity of the facility. The primary business shall inform the department of revenue and finance in writing within two weeks of project completion.

d. "Supporting business" means a business under contract with the primary business to provide property, materials, or services which are a necessary component of the operation of the manufacturing facility. To qualify as a supporting business, the business shall have a permanent facility or operations located within the zone and the revenue from fulfilling the contract with the primary business shall constitute at least seventy-five percent of the revenue generated by the business from all activities undertaken from the facility within the zone.

e. "Zone or zones" means a quality jobs enterprise zone or zones.

3. NEW JOBS CREDIT. At the request of the primary business or a supporting business, an agreement authorizing a

supplemental new jobs credit from withholding from jobs within the zone may be entered into between the department of revenue and finance, a community college, and the primary business or a supporting business. The agreement shall be for program services for an additional job training project, as defined in chapter 260E. The agreement shall provide for the following:

a. That the project shall be administered in the same manner as a project under chapter 260E and that a supplemental new jobs credit from withholding in an amount equal to one and one-half percent of the gross wages paid by the primary business or a supporting business pursuant to section 422.16 is authorized to fund the program services for the additional project.

b. That the supplemental new jobs credit from withholding shall be collected, accounted for, and may be pledged by the community college in the same manner as described in section 260E.5.

c. That the community college shall not be allowed any expenses for administering the additional project except those expenses which are directly attributable to the additional project and which are in excess of the expenses allowed for the project under chapter 260E.

To provide funds for the payment of the costs of the additional project, a community college may borrow money, issue and sell certificates, and secure the payment of the certificates in the same manner as described in section 260E.6, including, but not limited to, providing the assessment of an annual levy as described in section 260E.6, subsection 4. The program and credit authorized by this subsection is in addition to, and not in lieu of, the program and credit authorized in chapter 260E.

4. INVESTMENT TAX CREDIT. The primary business and a supporting business shall be entitled to a corporate tax credit equal to ten percent of the new investment made within the zone by the primary business or a supporting business

prior to project completion. A credit in excess of the tax liability for the tax year may be credited to the tax liability for the following twenty years or until depleted, whichever comes first.

For purposes of this section, "new investment made within the zone" means the capitalized cost of all real and personal property, including buildings and other improvements to real estate, purchased or otherwise acquired or relocated to the zone for use in the operation of the primary business or a supporting business within the zone. New investment in the zone does not include land, intangible property, or furniture and furnishings. The capitalized cost of property shall for the purposes of this section be determined in accordance with generally accepted accounting principles.

5. PROPERTY TAX EXEMPTION.

a. All property, as defined in section 427A.1, subsection 1, paragraphs "e" and "j", Code 1993, used by the primary business or a supporting business and located within the zone, shall be exempt from property taxation for a period of twenty years beginning with the year it is first assessed for taxation. In order to be eligible for this exemption, the property shall be acquired or leased by the primary business or a supporting business or relocated by the primary business or a supporting business to the zone from outside the state prior to project completion.

b. Property which is exempt for property tax purposes under this subsection is eligible for the sales and use tax exemption under section 422.45, subsection 27, notwithstanding that subsection or any other provision of the Code to the contrary.

6. SALES, SERVICE, AND USE TAX REFUND. Taxes paid pursuant to chapter 422 or 423 on the gross receipts or rental price of property purchased or rented by the primary business or a supporting business for use by the primary business or a supporting business within the zone or on gas, electricity,

water, and sewer utility services prior to project completion shall be refunded to the primary business or supporting business if the item was purchased or the service was performed or received prior to project completion. Claims under this section shall be submitted on forms provided by the department of revenue and finance not later than six months after project completion. The refund in this subsection shall not apply to furniture or furnishings, or intangible property.

7. SALES, SERVICES, AND USE TAX REFUND -- CONTRACTOR OR SUBCONTRACTOR. The primary business or a supporting business shall be entitled to a refund of the taxes paid under chapters 422 and 423 for gas, electricity, water, or sewer utility services, goods, wares, or merchandise, or on services rendered, furnished, or performed to or for a contractor or subcontractor and used in the fulfillment of a written contract relating to the construction or equipping of a facility within the zone of the primary business or a supporting business. Taxes attributable to intangible property and furniture and furnishings shall not be refunded.

To receive the refund a claim shall be filed by the primary business or a supporting business with the department of revenue and finance as follows:

a. The contractor or subcontractor shall state under oath, on forms provided by the department, the amount of the sales of goods, wares, or merchandise or services rendered, furnished, or performed including water, sewer, gas, and electric utility services for use in the zone upon which sales or use tax has been paid prior to the project completion, and shall file the forms with the primary business or supporting business before final settlement is made.

b. The primary business or a supporting business shall, not more than six months after project completion, make application to the department for any refund of the amount of the taxes paid pursuant to chapter 422 or 423 upon any goods, wares, or merchandise, or services rendered, furnished, or

performed, including water, sewer, gas, and electric utility services. The application shall be made in the manner and upon forms to be provided by the department, and the department shall audit the claim and, if approved, issue a warrant to the primary business or supporting business in the amount of the sales or use tax which has been paid to the state of Iowa under a contract. A claim filed by the primary business or a supporting business in accordance with this subsection shall not be denied by reason of a limitation provision set forth in chapter 421, 422, or 423.

c. A contractor or subcontractor who willfully makes a false report of tax paid under the provisions of this subsection is guilty of a simple misdemeanor and in addition is liable for the payment of the tax and any applicable penalty and interest.

8. CORPORATE TAX RESEARCH CREDIT. A corporate tax credit shall be available to the primary business or a supporting business for increasing research activities in this state within the zone. The credit equals thirteen percent of the state's apportioned share of the qualifying expenditures for increasing research activities. The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state within the zone to total qualified research expenditures. Any credit in excess of the tax liability for the tax year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, the primary business or a supporting business may elect to have the overpayment shown on its final return credited to its tax liability for the following tax year.

For the purposes of this section, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities which would be allowable under section 41 of the Internal Revenue Code in effect on January 1, 1994.

The credit authorized in this subsection is in lieu of the credit authorized in section 422.33, subsection 5.

9. EXEMPTION FROM LAND OWNERSHIP RESTRICTIONS FOR NONRESIDENT ALIENS.

a. The primary business and a supporting business, to the extent the primary business or the supporting business is not actively engaged in farming within the zone, may acquire, own, and lease land in the zone, notwithstanding the provisions of section 9H.4, 9H.5, and 567.3, and shall be exempt from the requirements of section 567.4. The primary business and supporting business shall comply with the remaining provisions of chapters 9H and 567 to the extent they do not conflict with this subsection.

b. "Actively engaged in farming" means any of the following:

(1) Inspecting agricultural production activities within the zone periodically and furnishing at least half of the value of the tools and paying at least half the direct cost of production.

(2) Regularly and frequently making or taking an important part in making management decisions substantially contributing to or affecting the success of the farm operations within the zone.

(3) Performing physical work which significantly contributes to crop or livestock production.

10. LIMITATION ON ASSISTANCE. Economic development assistance under subsections 3 through 9 shall only be available to the primary business or a supporting business. However, if the department finds that a primary business or a supporting business has a record of violations of the law, including but not limited to environmental and worker safety statutes, rules, and regulations, over a period of time that tends to show a consistent pattern, the primary business or supporting business shall not qualify for economic development assistance under subsections 3 through 9, unless the

department finds that the violations did not seriously affect public health or safety or the environment, or if it did that there were mitigating circumstances. In making the findings and determinations regarding violations, mitigating circumstances, and whether a primary business or a supporting business is eligible for economic development assistance under subsections 3 through 9, the department shall be exempt from chapter 17A.

11. An economic cost benefit analysis shall be conducted by the legislative fiscal bureau for each zone established under this section for every five-year period through the duration of the zone. The analysis shall measure the impact upon both revenues and costs of the state and affected governmental subdivisions due to economic activities within the zone. The legislative fiscal bureau may contract for any services deemed necessary by the director to complete the analysis.

Sec. 18. LEGISLATIVE STUDY. The legislative council is requested to establish a task force to examine the service delivery system for economic development programs and to study the relationship between local and state governments and businesses in utilizing financial and tax incentives as economic development tools. The task force shall also study the need for and benefits of a compact with other states regarding economic noncompetition and the steps necessary to implement such a compact. Membership on the task force is requested to be the following:

1. Ten voting members from the senate and house of representatives, three members appointed by the majority leader of the senate, two members appointed by the minority leader of the senate, three members appointed by the speaker of the house of representatives, and two members appointed by the minority leader of the house of representatives.

2. Eight nonvoting members appointed by the legislative council as follows:

a. The director of the department of economic development or the director's designee.

b. One member each from lists provided by the association of business and industry, the Iowa state association of counties, the league of Iowa municipalities, the professional developers of Iowa, the Iowa business council, and two statewide labor organizations.

Sec. 19. EFFECTIVE DATES. Sections 14 through 18 of this Act, being deemed of immediate importance, take effect upon enactment. All other sections of this Act take effect May 1, 1994.

HAROLD VAN MAANEN
Speaker of the House

LEONARD L. BOSWELL
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2180, Seventy-fifth General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved March 4, 1994

TERRY E. BRANSTAD
Governor

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