

FEB 29 1996  
ECONOMIC DEVELOPMENT

HOUSE FILE 2410  
BY VAN FOSSEN

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to establishing enterprise zones, providing  
2 development benefits, and establishing a penalty.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2410

1 Section 1. NEW SECTION. 15.351 SHORT TITLE.

2 This chapter shall be known as the "Iowa Enterprise Zone  
3 Act."

4 Sec. 2. NEW SECTION. 15.352 DEFINITIONS.

5 As used in this chapter:

6 1. "Enterprise zone" means an area of this state declared  
7 by the department to be eligible for the benefits of this  
8 part.

9 2. "Qualified business" means any person, corporation, or  
10 other entity engaged in the active conduct of a trade or  
11 business, limited to the business location within the  
12 enterprise zone and not extending to related interests or  
13 business locations outside the zone, which meets the following  
14 criteria:

15 a. Has at least fifty percent of its employees performing  
16 substantially all of their services within an enterprise zone.

17 b. Has individuals from one or more of the following three  
18 categories constituting at least twenty-five percent of the  
19 employees of the business.

20 (1) Residents of an enterprise zone.

21 (2) Individuals who have been unemployed for at least the  
22 entire year prior to obtaining employment with the business.

23 (3) Individuals who have rejected public assistance  
24 benefits, based on need and intended to alleviate poverty, for  
25 at least the entire year prior to obtaining employment with  
26 the business.

27 3. "Qualified employee" means any employee who works for a  
28 qualified business.

29 4. "Qualified property" means any of the following:

30 a. Any tangible personal property located in an enterprise  
31 zone used predominantly by the taxpayer in the zone in the  
32 active conduct of a trade or business.

33 b. Any real property located in such zone which is used  
34 predominantly by the taxpayer in the active conduct of a trade  
35 or business.

1     Sec. 3. NEW SECTION. 15.353 APPLICATION TO DEPARTMENT.

2     1. Any city or county may designate any area or areas  
3 within its jurisdiction to be an economically depressed area.  
4 The city or county may then make written application to the  
5 department to have the area declared to be an enterprise zone.  
6 The application shall include a description of the location of  
7 the area or areas in question and such other information as  
8 the department may require.

9     2. Upon receipt of an application from a city or county  
10 the department shall review the application to determine  
11 whether the area or areas described in the application qualify  
12 to be designated an enterprise zone.

13     3. The department shall complete its review within one  
14 hundred twenty days of receipt of the application, but may  
15 extend this time period an additional sixty days if necessary.  
16 If the department denies the application, it shall inform the  
17 city or county of the fact along with the reasons for the  
18 denial.

19     Sec. 4. NEW SECTION. 15.354 ENTERPRISE ZONES --

20     1. Any area of a city or county may be designated an  
21 enterprise zone if the area has a continuous boundary, and is  
22 an area of low standard of living, unemployment above the  
23 statewide average, and economic distress.

24     2. An area meets the requirements of subsection 1 if any  
25 of the following exist:

26     a. The average rate of unemployment in the area for the  
27 most recent eighteen-month period for which data is available  
28 was at least one and one-half times the average state rate of  
29 unemployment for the eighteen-month period.

30     b. At least seventy percent of the residents living in the  
31 area have incomes below eighty percent of the median income of  
32 the residents of the city or county requesting designation.

33     c. The population of the area decreased by ten percent or  
34 more between 1980 and 1990 as indicated by the appropriate  
35 federal census.

1     Sec. 5. NEW SECTION. 15.355 DESIGNATION OF ENTERPRISE  
2 ZONES.

3     1. In each of the three calendar years beginning January  
4 1, 1997, the authority may designate four enterprise zones.  
5 In the year 2000, the authority may designate two enterprise  
6 zones. In deciding which areas should be designated as  
7 enterprise zones, the authority shall give preference to:

8     a. Areas with the lowest average wages, highest  
9 unemployment, and general distress.

10    b. Areas that have the widest support from the city or  
11 county seeking designation, the community, residents, local  
12 business, and private organizations.

13    c. Areas for which the city or county seeking designation  
14 has made or will make the greatest effort to encourage  
15 economic activity and remove impediments to job creation,  
16 including but not limited to a reduction of tax rates or fees,  
17 an increase in the level or efficiency of local services, and  
18 a simplification or streamlining of governmental requirements  
19 on employers or employees, taking into account the resources  
20 available to the city or county to make such efforts.

21    2. Any designation of an area as an enterprise zone shall  
22 remain in effect during the period beginning on the date of  
23 designation and ending on December 31 of the twentieth year  
24 following designation.

25    3. The department may remove designation of any area as an  
26 enterprise zone if such area no longer meets the criteria for  
27 designation as set out in this part or by rule adopted by the  
28 department, provided that no designation shall be removed less  
29 than ten years from the date of original designation.

30    Sec. 6. NEW SECTION. 15.356 ADMINISTRATION.

31    The department shall administer this part and shall have  
32 the following powers and duties:

33    1. To establish criteria for determining which areas shall  
34 be designated as enterprise zones.

35    2. To monitor the implementation of this part and submit

1 reports evaluating the effectiveness of the program and any  
2 suggestions for legislation to the governor and general  
3 assembly by October 1 of any year.

4 3. To conduct a continuing evaluation program of  
5 enterprise zones.

6 4. To assist the city or county in obtaining federal  
7 status as enterprise zones.

8 5. To assist the city or county which designated the  
9 enterprise zone in obtaining assistance from any other agency  
10 of state government, including, but not limited to, assistance  
11 in providing training and technical assistance to qualified  
12 businesses within an enterprise zone.

13 Sec. 7. NEW SECTION. 15.357 LICENSES.

14 1. The department shall establish and design for public  
15 display a master business license which shall certify that the  
16 qualifying business has obtained all necessary state agency  
17 permits, licenses, certificates, approvals, registrations,  
18 charters, or any other form of permission required by law,  
19 including agency rule, to engage in business in an enterprise  
20 zone.

21 2. The department shall provide information and  
22 appropriate assistance to persons desiring to locate and  
23 engage in business in a zone regarding the state licenses,  
24 permits, certificates, approvals, registrations, charters, and  
25 any other forms of permission required by law to engage in  
26 business in the state.

27 3. Notwithstanding any provision of this part, the  
28 authority for determining if any requested licenses, permits,  
29 certificates, approvals, registrations, charters, or any other  
30 form of permission required by law to be issued shall remain  
31 with the agency otherwise legally authorized to issue the  
32 license.

33 Sec. 8. NEW SECTION. 15.358 DEVELOPMENT BENEFITS.

34 1. A qualified business may claim a corporate tax credit  
35 up to a maximum of ten percent. Any credit in excess of the

1 tax liability for the tax year may be credited to the tax  
2 liability for the following seven years or until depleted,  
3 whichever occurs earlier. If the business is a partnership,  
4 subchapter S corporation, limited liability company, or estate  
5 or trust electing to have the income taxed directly to the  
6 individual, an individual may claim the tax credit allowed.  
7 The amount claimed by the individual shall be based upon the  
8 pro rata share of the individual's earnings of the  
9 partnership, subchapter S corporation, limited liability  
10 company, or estate or trust.

11 2. Employees shall receive, for the purpose of determining  
12 their state income tax liability, a deduction of up to ten  
13 thousand dollars for wage income earned from employment within  
14 an enterprise zone.

15 3. Sales, services, and use tax refund -- contractor or  
16 subcontractor. The qualified business shall be entitled to a  
17 refund of the taxes paid under chapters 422 and 423 for gas,  
18 electricity, water, or sewer utility services, goods, wares,  
19 or merchandise, or on services rendered, furnished, or  
20 performed to or for a contractor or subcontractor and used in  
21 the fulfillment of a written contract relating to the  
22 construction or rehabilitation or equipping of a facility  
23 within the zone of the qualified business. Taxes attributable  
24 to intangible property and furniture and furnishings shall not  
25 be refunded.

26 To receive the refund a claim shall be filed by the  
27 qualified business with the department of revenue and finance  
28 as follows:

29 a. The contractor or subcontractor shall state under oath,  
30 on forms provided by the department, the amount of the sales  
31 of goods, wares, or merchandise or services rendered,  
32 furnished, or performed, including water, sewer, gas, and  
33 electric utility services for use in the zone upon which sales  
34 or use tax has been paid, and shall file the forms with the  
35 qualified business before final settlement is made.

1 b. The qualified business shall, not more than six months  
2 after project completion, make application to the department  
3 for any refund of the amount of the taxes paid pursuant to  
4 chapter 422 or 423 upon any goods, wares, or merchandise, or  
5 services rendered, furnished, or performed, including water,  
6 sewer, gas, and electric utility services. The application  
7 shall be made in the manner and upon forms to be provided by  
8 the department, and the department shall audit the claim and,  
9 if approved, issue a warrant to the qualified business in the  
10 amount of the sales or use tax which has been paid to the  
11 state of Iowa under a contract. A claim filed by the  
12 qualified business in accordance with this subsection shall  
13 not be denied by reason of a limitation provision set forth in  
14 chapter 421, 422, or 423.

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

20 4. All property taxes within an enterprise zone may be  
21 reduced by the city or county by up to fifty percent ratable  
22 over the first two years after the zone is established and in  
23 operation.

24 Sec. 9. NEW SECTION. 15.361 PERIOD OF TAX BENEFITS.

25 All tax reductions provided by this Act applying within a  
26 particular enterprise zone are to continue for twenty years  
27 after the zone is established. The reductions are then to be  
28 phased out over the next five years. Any qualified business  
29 that is relying on the particular enterprise zone during this  
30 five-year period to meet the criteria for a qualified business  
31 shall have the reductions applied to it reduced accordingly,  
32 with the reductions completely phased out after the five-year  
33 period.

34 EXPLANATION

35 This bill provides for the establishment of enterprise

1 zones by the department of economic development. To establish  
2 an enterprise zone, a city or county designates an area as  
3 economically depressed and applies to the department to have  
4 the area declared an enterprise zone.

5 The department may designate an area an enterprise zone if  
6 the area is one of a low standard of living, unemployment  
7 above the statewide average, and economic distress. Four  
8 enterprise zones may be designated in years 1997, 1998, and  
9 1999 and two enterprise zones may be designated in the year  
10 2000 for a total of 14.

11 The department is to design a master license for use by  
12 qualified businesses indicating that the business has all  
13 necessary permits and licenses to engage in business. The  
14 department is to assist in obtaining the master license but  
15 each agency currently issuing the permit or license shall  
16 continue to have authority to issue the permit or license.

17 Development benefits to a qualified business include an  
18 income tax credit of 10 percent, a state income tax deduction  
19 of up to \$10,000 for each employee of the qualified business,  
20 and a reduction in property taxes of up to 50 percent. Tax  
21 benefits in enterprise zones last for 20 years.

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