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SENATE FILE **2311**

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Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to tax incentives and funding for housing
2 development and providing applicability date provisions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
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S.F. 2311

1 Section 1. NEW SECTION. 15E.175 DEFINITIONS.

2 As used in this section and sections 15E.176 and 15E.177:

3 1. "Affordable housing assistance" means money, real or
4 personal property, or professional services expended or
5 devoted to the construction or rehabilitation of housing for
6 low and moderate income families.

7 2. "Low or moderate income families" has the same meaning
8 as in section 16.1, subsection 24.

9 3. "Taxpayer" means a person subject to tax under chapter
10 422, division II, III, or V, or chapter 432.

11 4. "Tax year" means for individuals and entities subject
12 to the state personal net income tax, corporate income tax, or
13 the state franchise tax under chapter 422, division II, III,
14 or V, respectively, the tax year as defined for those
15 divisions or means for insurance companies subject to the
16 gross premiums tax under chapter 432, the calendar year for
17 which the premiums are taxed.

18 Sec. 2. NEW SECTION. 15E.176 TAX CREDITS.

19 1. For tax years beginning on or after January 1, 1997,
20 there is allowed a credit against that tax imposed under the
21 personal net income tax in chapter 422, division II, the
22 corporate income tax in chapter 422, division III, the
23 franchise tax in chapter 422, division V, or the gross
24 premiums tax in chapter 432, for affordable housing assistance
25 provided by the taxpayer.

26 2. The amount of credit allowed under subsection 1,
27 subject to subsection 4, is equal to not more than fifty-five
28 percent of the affordable housing assistance provided by the
29 taxpayer.

30 3. The taxpayer is allowed the credit as computed each
31 year in subsection 2 for up to ten consecutive years beginning
32 with the first year for which the credit is taken.

33 If the amount of the credit exceeds the taxpayer's tax
34 liability for the tax year, the excess may be credited to the
35 tax liability for the following five tax years or until

1 depleted, whichever is the earlier, and is in addition to any
2 other credit allowed under this section. For purposes of this
3 section, an individual may claim a credit for affordable
4 housing assistance incurred by a partnership, subchapter S
5 corporation, estate, or trust electing to have the income
6 taxed directly to the individual. The amount claimed by the
7 individual shall be based upon the pro rata share of the
8 individual's earnings of a partnership, subchapter S
9 corporation, estate, or trust.

10 4. Notwithstanding the amount of credit allowed in
11 subsection 2, the total amount of credits for all taxpayers
12 that shall be allowed under subsection 1 for any fiscal year
13 of the qualified venture capital company shall not exceed two
14 million dollars and shall not exceed a total amount of ten
15 million dollars. In determining if the credit allowed has
16 exceeded the fiscal year limit, credits carried over from a
17 previous tax year are not counted.

18 5. The credit provided for in subsection 2, to the extent
19 not previously utilized, shall be freely transferable to and
20 by subsequent transferees for a period of ten years from the
21 date the credit is first available to the taxpayer.

22 Sec. 3. NEW SECTION. 15E.177 AFFORDABLE HOUSING
23 ASSISTANCE -- APPROVAL.

24 A taxpayer who wishes to engage in affordable housing
25 assistance shall submit a proposal regarding the assistance to
26 the department of economic development. The proposal shall
27 contain the program of affordable housing assistance to be
28 conducted by the taxpayer, the location and number of units,
29 reasons why the program is needed, the time period for which
30 affordable housing assistance shall be provided, the estimated
31 amount to be invested in the program, plans for implementing
32 the program, and a list of other taxpayers who plan to
33 participate in the program, if any.

34 In the case of rental units, all proposals approved by the
35 department shall require a land use restriction agreement

1 stating that the units shall be devoted to affordable housing
2 for a period deemed reasonable by the department. In the case
3 of owner-occupied units, all proposals approved by the
4 department shall require a land use restriction agreement for
5 a time period deemed reasonable by the department requiring
6 any subsequent owner, except a lender with a security interest
7 in the property, to be a low or moderate income family and
8 further requiring the acquisition price to any subsequent
9 owner not to exceed, by more than five percent annual
10 appreciation, the acquisition price to the original low or
11 moderate income owner at the time the tax credit is first
12 claimed. The restriction shall be approved by the property
13 owner and shall be binding on any subsequent owner of the
14 property unless otherwise approved by the department.

15 The department, in approving the proposal, may authorize
16 the use of tax credits by one or more taxpayers listed in the
17 proposal and shall establish specific requirements regarding
18 the degree of completion of affordable housing assistance
19 necessary to be eligible for the tax credits under this
20 division. The approval shall state the maximum credit
21 allowable to each taxpayer listed in the proposal.

22 Sec. 4. NEW SECTION. 15E.180 COMMUNITY DEVELOPMENT BLOCK
23 GRANTS -- PRIORITY.

24 In awarding community development block grant funds, the
25 department shall give priority to requests for upgrading water
26 and sewer facilities which result from a twenty-five percent
27 or more increase, since the current water and sewer facilities
28 were upgraded, in housing units in the community.

29 Sec. 5. Section 331.441, subsection 2, paragraph b,
30 subparagraph 10, Code Supplement 1995, is amended to read as
31 follows:

32 (10) The establishment or funding of programs to provide
33 for or assist in providing for the acquisition, restoration,
34 or demolition of housing, as part of a municipal housing
35 project under chapter 403A or otherwise, or for other purposes

1 as may be authorized under chapter 403A.

2 Sec. 6. Section 384.24, subsection 3, paragraph u, Code
3 1995, is amended to read as follows:

4 u. The establishment or funding of programs to provide for
5 or assist in providing for the acquisition, restoration, or
6 demolition of housing, as part of a municipal housing project
7 under chapter 403A or otherwise, or for other purposes as may
8 be authorized under chapter 403A.

9 Sec. 7. Section 403.17, subsection 9, Code 1995, is
10 amended to read as follows:

11 9. "Economic development area" means an area of a
12 municipality designated by the local governing body as
13 appropriate for commercial and industrial enterprises, public
14 improvements related to housing and residential development,
15 or construction or rehabilitation of housing and residential
16 development for-low-and-moderate-income-families, including
17 single or multifamily housing. If an urban renewal plan for
18 an urban renewal area is based upon a finding that the area is
19 an economic development area and that no part contains slum or
20 blighted conditions, then the division of revenue provided in
21 section 403.19 and stated in the plan shall be limited to
22 twenty years from the calendar year following the calendar
23 year in which the city first certifies to the county auditor
24 the amount of any loans, advances, indebtedness, or bonds
25 which qualify for payment from the division of revenue
26 provided in section 403.19. Such area designated before July
27 1, 1994, shall not include land which is part of a century
28 farm.

29 Sec. 8. Section 403.19, subsection 2, Code 1995, is
30 amended to read as follows:

31 2. That portion of the taxes each year in excess of such
32 amount shall be allocated to and when collected be paid into a
33 special fund of the municipality to pay the principal of and
34 interest on loans, moneys advanced to, or indebtedness,
35 whether funded, refunded, assumed, or otherwise, including

1 bonds issued under the authority of section 403.9, subsection
2 1, incurred by the municipality to finance or refinance, in
3 whole or in part, an urban renewal project within the area,
4 and to provide assistance for low and moderate income family
5 housing as provided in section 403.22, except that taxes for
6 the payment of bonds and interest of each taxing district must
7 be collected against all taxable property within the taxing
8 district without limitation by the provisions of this
9 subsection. Unless and until the total assessed valuation of
10 the taxable property in an urban renewal area exceeds the
11 total assessed value of the taxable property in such area as
12 shown by the last equalized assessment roll referred to in
13 subsection 1, all of the taxes levied and collected upon the
14 taxable property in the urban renewal area shall be paid into
15 the funds for the respective taxing districts as taxes by or
16 for the taxing districts in the same manner as all other
17 property taxes. When such loans, advances, indebtedness, and
18 bonds, if any, and interest thereon, have been paid, all
19 moneys thereafter received from taxes upon the taxable
20 property in such urban renewal area shall be paid into the
21 funds for the respective taxing districts in the same manner
22 as taxes on all other property.

23 Sec. 9. NEW SECTION. 403.22 FINANCING PUBLIC
24 IMPROVEMENTS RELATED TO LOW INCOME HOUSING AND RESIDENTIAL
25 DEVELOPMENT.

26 1. a. In a county with a population over twenty thousand,
27 with respect to any urban renewal area established upon the
28 determination that the area is an economic development area, a
29 division of revenue as provided in section 403.19 shall not be
30 allowed for the purpose of providing or aiding in the
31 provision of public improvements related to housing and
32 residential development or construction or rehabilitation of
33 housing, unless the municipality assures that the project will
34 include assistance for low and moderate income family housing.
35 The amount to be provided for low and moderate income family

1 housing for such projects shall be equal to or greater than
2 the percentage of the original project cost that is equal to
3 the percentage of low and moderate income residents for the
4 county in which the urban renewal area is located as
5 determined by the United States department of housing and
6 urban development using section 8 guidelines.

7 b. The assistance to low and moderate income housing may
8 be in, but is not limited to, any of the following forms:

9 (1) Lots for low and moderate income housing within or
10 outside the urban renewal area.

11 (2) Construction or rehabilitation of low and moderate
12 income housing within or outside the urban renewal area.

13 (3) Grants, credits, or other direct assistance to low and
14 moderate income families living within or outside the urban
15 renewal area, but within the area of operation of the
16 municipality.

17 (4) Payments to a low and moderate income housing fund
18 established by the municipality to be expended for one or more
19 of the above purposes, including matching funds for any state
20 or federal moneys used for such purposes.

21 c. Sources for low and moderate income family housing
22 assistance may include the following:

23 (1) Proceeds from loans, advances, bonds, or indebtedness
24 incurred.

25 (2) Annual distributions from the division of revenues
26 pursuant to section 403.19 related to the urban renewal area.

27 (3) Lump sum or periodic direct payments from developers
28 or other private parties under an agreement for development or
29 redevelopment between the municipality and a developer.

30 (4) Any other sources which are legally available for this
31 purpose.

32 d. The assistance to low and moderate income family
33 housing may be expended outside the boundaries of the urban
34 renewal area.

35 2. The division of the revenue under section 403.19 for

1 each project under this section shall be limited to ten years
2 from the calendar year following the calendar year in which
3 the municipality first certifies to the county auditor the
4 amount of any loans, advances, indebtedness, or bonds which
5 qualify for payment from the division of the revenue in
6 connection with the project. The portion of the urban renewal
7 area which is involved in a project under this section shall
8 not be subject to any subsequent division of revenue under
9 section 403.19.

10 Sec. 10. Section 422.7, Code Supplement 1995, is amended
11 by adding the following new subsection:

12 NEW SUBSECTION. 18. Subtract, to the extent included,
13 interest earned on bonds and notes issued by a city, a county,
14 or other political subdivision.

15 Sec. 11. NEW SECTION. 422.9A AFFORDABLE HOUSING
16 ASSISTANCE CREDIT.

17 There is allowed as a credit against the tax determined in
18 section 422.5 for a tax year an amount equal to the affordable
19 housing assistance credit as provided in section 15E.176.
20 Notwithstanding any other provision, the credit allowed for in
21 this section shall be applied prior to all other credits
22 allowed the taxpayer.

23 Sec. 12. Section 422.33, Code Supplement 1995, is amended
24 by adding the following new subsection:

25 NEW SUBSECTION. 9. There is allowed as a credit against
26 the tax determined in subsection 1 for a tax year an amount
27 equal to the affordable housing assistance credit as provided
28 in section 15E.176. Notwithstanding any other provision, the
29 credit allowed for in this subsection shall be applied prior
30 to all other credits allowed the taxpayer. The taxpayer shall
31 not receive for the same investment a credit under subsection
32 8 and this subsection.

33 Sec. 13. Section 422.60, Code Supplement 1995, is amended
34 by adding the following new subsection:

35 NEW SUBSECTION. 4. There is allowed as a credit against

1 the tax determined in this division for a tax year an amount
2 equal to the affordable housing assistance credit as provided
3 in section 15E.176. Notwithstanding any other provision, the
4 credit allowed for in this subsection shall be applied prior
5 to all other credits allowed the taxpayer. The allocation of
6 revenues to a city or county under section 422.65 shall be
7 determined as if the credit under this subsection had not been
8 taken.

9 Sec. 14. Section 432.1, Code 1995, is amended by adding
10 the following new subsection:

11 NEW SUBSECTION. 5. There is allowed as a credit against
12 the tax determined in subsection 1 or 2 for a tax year an
13 amount equal to the affordable housing assistance credit as
14 provided in section 15E.176. Notwithstanding any other
15 provision, the credit allowed for in this subsection shall be
16 applied prior to all other credits allowed the taxpayer.

17 Sec. 15. APPLICABILITY. Sections 1 through 3 and 11
18 through 14 of this Act apply for tax years of individuals
19 subject to the personal net income tax and entities subject to
20 the state corporate income tax or franchise tax which begin on
21 or after January 1, 1997. Sections 1 through 3 and 11 through
22 14 of this Act apply for calendar years beginning on or after
23 January 1, 1997, for entities subject to the gross premiums
24 tax under chapter 432.

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EXPLANATION

26 This bill allows an individual, corporation, financial
27 institution, or insurance company to take an individual,
28 corporate, franchise, or insurance premiums tax credit for an
29 investment in affordable housing assistance. Affordable
30 housing assistance is money, property, or services provided
31 for the construction or rehabilitation of housing for low and
32 moderate income families.

33 The amount of the credit is not more than 55 percent of the
34 investment in affordable housing assistance by the taxpayer.
35 The credit may be had for up to 10 years and may be carried

1 forward if it is greater than the taxpayer's tax liability in
2 any year. The maximum credit allowed for all taxpayers is \$2
3 million per year, not to exceed \$10 million total.

4 The department of economic development must approve
5 affordable housing assistance programs before the taxpayer may
6 receive the credit. The department shall also determine the
7 amount of the credit received by the taxpayer.

8 The bill also provides that community development block
9 grant funds are to be awarded with a priority given to
10 upgrading water and sewer facilities necessitated by a 25
11 percent or greater increase in local housing since the last
12 water or sewer system upgrade.

13 Further, the bill provides that housing programs are an
14 essential city or county purpose whether or not the programs
15 are undertaken as part of a municipal housing project under
16 chapter 403A.

17 This bill also makes the following changes to chapter 403
18 regarding urban renewal:

19 Section 403.17 is amended to add public improvements
20 related to housing development to the definition of economic
21 development area and makes construction of low and moderate
22 income housing an alternative use (along with commercial and
23 industrial enterprise and public improvements for housing) for
24 an economic development area. The division of revenue under
25 tax increment financing based upon a finding that the area is
26 an economic development area is limited to 20 years.

27 Section 403.19 and new section 403.22 add low and moderate
28 income housing assistance to the uses for which revenue from
29 tax increment financing may be used and set out the manner in
30 which assistance for public improvements related to housing
31 and residential development, both low and moderate income and
32 otherwise, may be provided.

33 New section 403.22 also provides that property in an urban
34 renewal area upon which public improvements related to housing
35 and residential development are being placed as part of a

1 project financed by tax increment financing can only be used
2 for tax increment financing once.

3 Tax increment financing for housing or residential
4 development is not allowed in counties with a population of
5 over 20,000 unless the municipality assures that the project
6 will include assistance for low and moderate income family
7 housing in an amount based on the percentage of low and
8 moderate income persons in the county. Assistance for low and
9 moderate income housing may take many forms, including lots
10 for low and moderate income housing within or outside the
11 urban renewal area or payments to a low and moderate income
12 housing fund established by the municipality. Funding sources
13 may include revenue from tax increment financing or any other
14 legal source. Counties with populations of 20,000 or under
15 need not include assistance for low and moderate income
16 housing in tax increment financing-supported projects. Tax
17 increment financing for housing projects is limited in
18 duration to 10 years.

19 The bill exempts interest from bonds and notes issued by a
20 city, county, or other political subdivision.

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