

FEB 18 1997

WAYS AND MEANS

HOUSE FILE 263
BY COMMITTEE ON ECONOMIC
DEVELOPMENT

(SUCCESSOR TO HSB 54)

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

A BILL FOR

1 An Act relating to an insurance premium tax credit for eligible
2 businesses under the new jobs and income program.

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

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HF 263

1 Section 1. NEW SECTION. 15.333A INSURANCE PREMIUM TAX
2 CREDIT.

3 An eligible business may claim an insurance premium tax
4 credit up to a maximum of ten percent of the new investment
5 directly related to new jobs created by the location or
6 expansion of an eligible business under the program. Any
7 credit in excess of the tax liability for the tax year may be
8 credited to the tax liability for the following seven years or
9 until depleted, whichever occurs earlier.

10 For purposes of this section, "new investment directly
11 related to new jobs created by the location or expansion of an
12 eligible business under the program" means the cost of
13 machinery and equipment, as defined in section 427A.1,
14 subsection 1, paragraphs "e" and "j", purchased for use in the
15 operation of the eligible business, the purchase price of
16 which has been depreciated in accordance with generally
17 accepted accounting principles, and the cost of improvements
18 made to real property which is used in the operation of the
19 eligible business and which receives a partial property tax
20 exemption for the actual value added under section 15.332.

21 EXPLANATION

22 This bill authorizes an eligible business under the new
23 jobs and income program to claim an insurance premium tax
24 credit. A business may claim a credit of up to a maximum of
25 10 percent of the new investment directly related to new jobs
26 created by the location or expansion of an eligible business
27 under the program. If a business is eligible for a tax credit
28 which is in excess of the tax liability for the tax year, then
29 the business may be credited for the tax liability for the
30 following seven years or until the credit is depleted,
31 whichever occurs earlier.

32 This bill also defines the phrase "new investment directly
33 related to new jobs created by the location or expansion of an
34 eligible business under the program" as the cost of machinery
35 and equipment, the purchase price of which has been

1 depreciated, and the cost of improvements made to real
2 property which is used in the operation of the business and
3 which receives a partial value-added property tax exemption.

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HSB 54
ECONOMIC DEVELOPMENT

Succeeded By
SF/HF 263

SENATE/HOUSE FILE _____
BY (PROPOSED DEPARTMENT OF
ECONOMIC DEVELOPMENT BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
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MEMORANDUM ON PROPOSED LEGISLATION
LSB # 1324DP

TO: Members of the Iowa General Assembly
FROM: Iowa Department of Economic Development
DATE: January 8, 1997
RE: New Jobs and Income Program
* insurance premium tax credit

Insurance Premium Tax Credit

When the Iowa Legislature created the New Jobs and Income Program (NJIP) in 1994, it provided tax credits and other incentives for those qualifying new and expanding businesses designated as Iowa's 'targeted' business segments (IC sec. 15.329(2)(b)). These targeted businesses include insurance companies.

NJIP allows for qualifying businesses to receive an investment tax credit (IC 15.333) against 'corporate income tax liability.' However, no such credit is allowed for businesses which pay premium taxes. In the case of insurers, NJIP reduces the incentive to locate or expand in Iowa because the program does not allow a waiver of the premium taxes such a company would pay which, for them, is their 'corporate income tax.'

The Iowa Department of Economic Development (IDED) seeks the insertion of a new section in the Code which would allow for an NJIP insurance premium tax credit for qualifying businesses. Such a change would enhance Iowa's ability to attract additional insurance industry development and expansion by offering to them the same benefits under NJIP currently available to other targeted industries.

Comments or questions regarding this issue? Contact IDED's Legislative Liaison, Elliott Smith (ph: 242-4777).