

MAR 10 1997
WAYS AND MEANS

HOUSE FILE 522
BY VAN FOSSEN, CHURCHILL,
LARSON, BARRY, TEIG,
and MILLAGE

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

A BILL FOR

1 An Act relating to the establishment of tax-free renaissance
2 zones in urban and rural areas for economic development and
3 providing an applicability date.

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

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HF 522

1 Section 1. Section 15.329, Code 1997, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 6. Any business located in a designated
4 renaissance zone pursuant to section 15E.186 shall be
5 considered an eligible business for purposes of sections
6 15.331 and 15.331A for the duration of the renaissance zone
7 designation.

8 Sec. 2. NEW SECTION. 15E.181 PURPOSE.

9 The general assembly finds that there exists in the state a
10 continuing need for programs to assist certain local
11 governmental units in encouraging economic development, the
12 consequent job creation and retention, and ancillary economic
13 growth in the state. To achieve these purposes, it is
14 necessary to assist and encourage the creation of renaissance
15 zones and provide temporary relief from certain taxes within
16 the renaissance zones.

17 Sec. 3. NEW SECTION. 15E.182 DEFINITIONS.

18 As used in this division, unless the context otherwise
19 requires:

20 1. "Board" means the Iowa economic development board
21 created in section 15.103.

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

24 3. "Development plan" means a written plan that addresses
25 the criteria for designation of a renaissance zone in section
26 15E.185. The department shall adopt rules pursuant to chapter
27 17A regarding the specific requirements for the development
28 plans.

29 4. "Local governmental unit" means a county, city, or
30 township.

31 5. "Person" means an individual, partnership, corporation,
32 association, limited liability company, governmental entity,
33 or other legal entity.

34 6. "Qualified local governmental unit" means either of the
35 following:

1 a. A county.

2 b. A city or township that contains an urban renewal area
3 as defined in section 403.17.

4 7. "Renaissance zone" means a geographic area so
5 designated by the board under this division.

6 8. "Rural area" means an area that lies outside the
7 boundaries of an urban area.

8 9. "Urban area" means an urbanized area with a population
9 of 25,000 or more.

10 Sec. 4. NEW SECTION. 15E.183 Qualifications.

11 1. A qualified local governmental unit may apply to the
12 board to designate the qualified local governmental unit or
13 part thereof as a renaissance zone if all of the following
14 criteria are met:

15 a. The geographic area of the proposed renaissance zone is
16 located within the boundaries of the qualified local
17 governmental unit that applies.

18 b. The application includes a development plan.

19 c. The proposed renaissance zone is not more than five
20 thousand acres in size.

21 d. The renaissance zone does not contain more than six
22 distinct geographic areas. The minimum size of a distinct
23 geographic area is ten acres. A distinct geographic area may
24 include, but shall not consist solely of, publicly owned land.

25 e. Not more than fifty percent of the real property in
26 each distinct geographic area is owned by the same person.

27 f. The application includes the proposed duration of
28 renaissance zone status, which may not exceed fifteen years.

29 g. The written approval of the city council if a qualified
30 local governmental unit is a city or township or the written
31 approval of the county board of supervisors if the local
32 governmental unit is a county.

33 2. A qualified local governmental unit shall not be a part
34 of more than one renaissance zone.

35 3. A qualified local governmental unit shall not have more

1 than one application under consideration by the board at any
2 time.

3 Sec. 5. NEW SECTION. 15E.184 DUTIES OF THE BOARD.

4 1. Applications for designation as a renaissance zone must
5 be submitted between July 1, 1997, and November 1, 1997. The
6 board shall review all applications submitted and determine
7 which applications meet the criteria contained in section
8 15E.185 between November 1, 1997, and December 30, 1997.

9 2. The board shall do all of the following:

10 a. Designate renaissance zones no later than December 30,
11 1997.

12 b. Subject to subsection 3, approve or reject the duration
13 of renaissance zone status as submitted in the application,
14 which may not exceed fifteen years.

15 c. Subject to subsection 3, approve or reject the
16 geographic boundaries and the total area of the renaissance
17 zone as submitted in the application.

18 3. The board shall not alter the geographic boundaries of
19 the renaissance zone or the duration of the renaissance zone
20 status described in the application unless the qualified local
21 governmental unit and the local governmental unit in which the
22 renaissance zone is to be located consent by resolution to the
23 alteration.

24 Sec. 6. NEW SECTION. 15E.185 CRITERIA.

25 1. In making a determination regarding the designation of
26 a renaissance zone, the board shall consider all of the
27 following criteria:

28 a. Evidence of adverse economic and socioeconomic
29 conditions within the proposed renaissance zone.

30 b. The viability of the development plan.

31 c. Whether the development plan is creative and innovative
32 in comparison to other applications.

33 d. Public and private commitment to and other resources
34 available for the proposed renaissance zone.

35 e. How renaissance zone designation would relate to a

1 broader plan for the community as a whole.

2 f. The level of demonstrated cooperation from surrounding
3 communities.

4 g. How the local regulatory burden will be eased for
5 businesses operating in the proposed renaissance zone.

6 h. Public and private commitment to improving abandoned
7 real property.

8 i. Any other information required by the board.

9 2. The board shall not designate an area as a renaissance
10 zone unless, as a part of the application, the qualified local
11 governmental unit provides a resolution from the governing
12 body of the qualified local governmental unit and each local
13 governmental unit, within which the proposed renaissance zone
14 is to be located, that states if the renaissance zone
15 designation is granted persons and property within the
16 renaissance zone are exempt from property taxes levied by that
17 local governmental unit for the duration of renaissance zone
18 status.

19 Sec. 7. NEW SECTION. 15E.186 DESIGNATION OF RENAISSANCE
20 ZONES.

21 The board shall not designate more than ten renaissance
22 zones within the state. Four of the renaissance zones shall
23 be located in urban areas and six of the renaissance zones
24 shall be located in rural areas. For purposes of determining
25 whether a renaissance zone is located in an urban area or a
26 rural area under this section, if any part of the renaissance
27 zone is located within an urban area, the entire renaissance
28 zone shall be considered to be located in an urban area.

29 Sec. 8. NEW SECTION. 15E.187 TAX INCENTIVES.

30 1. All of the following incentives shall be available
31 during the duration of renaissance zone designation:

32 a. All residents within the renaissance zone shall be
33 exempt from paying personal income taxes under section 422.5.

34 b. A taxpayer with a business located in a renaissance
35 zone shall be exempt from corporate income tax under chapter

1 422, division III, on the portion of net income reasonably
2 attributable to the trade or business or sources within the
3 renaissance zone. The method of attributing net income
4 received from within the renaissance zone and net income
5 received from outside the renaissance zone shall be calculated
6 in a similar manner to that used in section 422.33, subsection
7 2. A taxpayer with an office of a financial institution
8 located in a renaissance zone shall also be exempt from the
9 franchise tax in chapter 422, division V, on the portion of
10 net income received through the business activity in offices
11 located in the renaissance zone as determined by rules adopted
12 by the director of revenue and finance pursuant to section
13 422.65 on allocating the franchise tax.

14 c. All taxpayers owning property within the renaissance
15 zone shall be exempt from paying local property taxes on the
16 property located solely in the renaissance zone as provided in
17 section 427.1, subsection 30. This incentive shall not be
18 available to owners of residential rental property located in
19 the renaissance zone in tax years in which the property is not
20 in substantial compliance with all applicable state and local
21 zoning, building, housing, and health laws, ordinances, or
22 codes.

23 d. The tax imposed on the gross receipts from the sale,
24 furnishing, or service of gas, electricity, water, and heat to
25 persons in the renaissance zone shall be exempted as provided
26 in section 422.45, subsection 52.

27 e. A business located in a renaissance zone shall be
28 eligible to receive, for businesses located within the
29 renaissance zone, the sales, services, and use tax refund,
30 provided in section 15.331A, and the new jobs credit from
31 withholding, as provided in section 15.331.

32 2. During the last three years that the taxpayer is
33 eligible for an exemption, deduction, or credit described in
34 this section, the exemption, deduction, or credit shall be
35 reduced by the following percentages:

1 a. For the tax year that is two years before the final
2 year of designation as a renaissance zone, the reduction shall
3 be twenty-five percent.

4 b. For the tax year immediately preceding the final year
5 of designation as a renaissance zone, the reduction shall be
6 fifty percent.

7 c. For the tax year that is the final year of designation
8 as a renaissance zone, the reduction shall be seventy-five
9 percent.

10 Sec. 9. NEW SECTION. 15E.188 EXCEPTIONS.

11 1. A taxpayer shall not be eligible for the incentives
12 provided in section 15E.187 during any tax years in which the
13 taxpayer is delinquent in paying any federal, state, or local
14 taxes.

15 2. A taxpayer shall not be eligible for the incentives
16 provided in section 15E.187 during any tax years in which the
17 taxpayer owns residential rental property that is not in
18 substantial compliance with all applicable state and local
19 zoning, building, and housing laws, ordinances, or codes.

20 3. A business located in a qualified local governmental
21 unit that relocates from outside a renaissance zone into a
22 renaissance zone in that same qualified local governmental
23 unit shall not receive the exemptions, deductions, or credits
24 provided in section 15E.187 unless the governing body of the
25 qualified local governmental unit in which the renaissance
26 zone is located approves the relocation of the business.

27 4. If a business relocates more than twenty-five full-time
28 equivalent jobs from one or more local governmental units
29 other than a local governmental unit in which a renaissance
30 zone is located to a local governmental unit within a
31 renaissance zone, the business shall notify the department of
32 economic development and the local governmental unit or units
33 from which the jobs are being relocated of the relocation.
34 The business is not eligible for the exemptions, deductions,
35 or credits provided in section 15E.187 if the local

1 governmental unit from which the jobs are being relocated
2 adopts a resolution objecting to the relocation of the jobs
3 within sixty days after the notification by the business. The
4 business becomes eligible for the exemptions, deductions, and
5 credits provided in section 15E.187 when the local
6 governmental unit that objected to the relocation rescinds its
7 objection by resolution or fails to object within sixty days.
8 A local governmental unit that objects to the relocation of
9 jobs shall file a copy of all resolutions of objection and
10 rescission with the department of revenue and finance, the
11 department of economic development, and the local governmental
12 units that created the renaissance zone into which the jobs
13 are transferred.

14 5. An individual who is a resident of a renaissance zone
15 is eligible for an exemption, deduction, or credit under
16 section 15E.187 until the department of revenue and finance
17 determines that the aggregate state and local tax revenue
18 forgone as a result of all exemptions, deductions, or credits
19 granted under section 15E.187 to that individual reaches ten
20 million dollars.

21 Sec. 10. NEW SECTION. 15E.189 APPLICATION FORM.

22 The form of the application for a renaissance zone
23 designation shall be as specified by the department. At a
24 minimum, the application form shall incorporate the criteria
25 listed in section 15E.185. After the form of the application
26 is specified by the department, the department shall provide a
27 copy of the application to the general assembly. The board
28 may request any information from an applicant, in addition to
29 that contained in an application, as may be needed to permit
30 the board to discharge its responsibilities under this Act.

31 Sec. 11. Section 422.45, Code 1997, is amended by adding
32 the following new subsection:

33 NEW SUBSECTION. 52. The gross receipts from the sale,
34 furnishing, or service of gas, electricity, water, and heat to
35 persons located in a renaissance zone designated pursuant to

1 chapter 15E for the duration of the renaissance zone
2 designation.

3 Sec. 12. Section 427.1, Code 1997, is amended by adding
4 the following new subsection:

5 NEW SUBSECTION. 30. RENAISSANCE ZONES. The property
6 located solely in a renaissance zone designated pursuant to
7 chapter 15E for the duration of the renaissance zone
8 designation.

9 Sec. 13. APPLICABILITY. The sales tax incentive for
10 utilities in section 7 of this Act is applicable to all
11 billing cycles beginning on or after January 1, 1998. Section
12 7 of this Act shall not apply to billing cycles beginning
13 after December 31, 2012.

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EXPLANATION

15 This bill provides for the establishment of a program
16 designating renaissance zones to assist local governments in
17 encouraging economic development.

18 The bill provides that applications for a designation of a
19 renaissance zone may be made to the department of economic
20 development board by a qualified local governmental unit which
21 is defined as either a city or township that contains an urban
22 renewal area or a county. Included in the application must be
23 a development plan, proposed boundaries of the zone, the
24 proposed duration of the designation which may not exceed
25 fifteen years, and written approval of the city council or
26 county board of supervisors. A qualified local governmental
27 unit shall not be part of more than one renaissance zone and
28 shall not have more than one application under consideration
29 by the board.

30 The bill provides that applications must be submitted
31 between July 1, 1997, and November 1, 1997. The board shall
32 review all applications submitted and shall designate
33 renaissance zones by December 30, 1997. The board shall not
34 alter the boundaries or duration of a renaissance zone
35 described in the application unless the qualified local

1 governmental unit and the local governmental unit in which the
2 renaissance zone is to be located consent by resolution.

3 The bill provides that criteria in determining designations
4 of renaissance zones shall include:

5 1. Evidence of adverse economic and socioeconomic
6 conditions.

7 2. The viability of the plan.

8 3. Whether the development plan is creative and
9 innovative.

10 4. Public and private commitment to and other resources
11 available for the zone.

12 5. How the plan relates to a broader plan for the
13 community as a whole.

14 6. The level of demonstrated cooperation from surrounding
15 communities.

16 7. How the local regulatory burden will be eased for
17 businesses operating in the zone.

18 8. Commitment to improving abandoned real property.

19 9. A resolution from the governing body of the local
20 governmental unit stating if the renaissance zone designation
21 is granted, persons and property within the renaissance zone
22 are exempt from property taxes.

23 The bill provides that the board shall not designate more
24 than a total of 10 zones, no more than four of which may be
25 located in urban areas.

26 The bill provides the following tax incentives:

27 1. Exemption from personal net income tax to residents
28 living in the zone.

29 2. Exemption from corporate and franchise taxes for
30 businesses located within the renaissance zone on the portion
31 of income attributed to the businesses located within the
32 zone.

33 3. Exemption from local property tax.

34 4. Exemption from state sales tax on utilities.

35 5. The sales, services, and use tax refund, provided in

1 Code section 15.331A, and the new jobs credit from
2 withholding, provided in Code section 15.331, for businesses
3 located within a zone.

4 The bill provides that the tax incentives shall be phased
5 out during the final three years of the renaissance zone
6 designation.

7 The bill provides for exceptions to the tax incentives for
8 tax delinquency, business relocation into a renaissance zone
9 under some circumstances, and when tax incentives received by
10 a individual accumulate to \$10,000,000 during a designation of
11 a renaissance zone.

12 The bill provides that the department of economic
13 development shall specify the application form and the board
14 may request any additional information not included on the
15 form.

16 An applicability date is provided for the exemption on
17 state sales tax on utilities.

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