

S-4-17-97 Ways + means
S-2/24/98 Amended/Do Pass 55059

APR 10 1997
WAYS & MEANS CALENDAR

HOUSE FILE 721
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 54)

(SUCCESSOR TO HF 263)

(P. 1308)
Passed House, Date 4-17-97
Vote: Ayes 67 Nays 30

Passed Senate, Date 3/23/98 (p. 819)
Vote: Ayes 48 Nays 0

2nd Passed 4-1-98 Approved April 13, 1998
Vote 79-17 (P. 1151)

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 721

5-4-17-97 Ways & Means
5-24/98 Amended/Do Pass 55059

APR 10 1997
WAYS & MEANS CALENDAR

HOUSE FILE 721
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 54)

(SUCCESSOR TO HF 263)

Passed House, Date 4-17-97 (P.1308) Passed Senate, Date 3/23/98 (P.819)
Vote: Ayes 67 Nays 30 Vote: Ayes 48 Nays 0

2nd Passed 4-1-98 Approved April 13, 1998
Vote 79-17 (P.1151)

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 721

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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**HOUSE FILE 721
FISCAL NOTE**

A fiscal note for House File 721 as amended by H-8564 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 721 as amended by H-8564 extends the corporate income tax benefits of the New Jobs and Income Program to insurance companies by allowing an investment tax credit that can be applied against insurance premium tax liability. Eligible insurance companies that newly locate or expand operations in Iowa could be granted a 10.0% investment tax credit, based on investment in computers or improvements to real property. Additionally, a business which has increased its base employment level by at least 10.0% is eligible for a New Jobs Insurance Premium Tax Credit.

ASSUMPTIONS

1. This estimate assumes one insurance company will apply for and receive benefits under the New Jobs and Income Program over the next two years.
2. The company relocating to Iowa is assumed to invest \$40.0 million in buildings and computers for a total investment tax credit of \$4.0 million.
3. This estimate assumes Iowa insurance companies that expand will not be eligible due to an inability to meet the investment requirements; and further assumes the Department of Economic Development would not grant waivers from these criteria.
4. This estimate assumes the eligible insurance company will apply the tax credit over a four-year period, beginning in FY 1999.
5. This estimate assumes 100 jobs will be added above the base employment level and the 100 jobs are an increase of 10.0%.
6. This estimate does not presume a cost associated with other benefits available under the New Jobs and Income Program such as job training credits from withholding, sales and use tax refunds, property tax exemptions, or research activities credits. However, if the insurance company would not relocate to Iowa in the absence of the investment tax credit, there may be additional costs associated with these provisions.

FISCAL IMPACT

House File 721 is expected to result in a decrease in revenues to the General Fund of approximately \$1.1 million each year from FY 1999 through FY 2002. Of the \$1.1 million, approximately \$94,200 is due to H-8564. Other costs and benefits not explicitly quantified are as follows (each assumes the company would not have relocated to Iowa in the absence of HF 721):

-2-

1. A decrease in sales, use, and property taxes received under other provisions of the New Jobs and Income Program.
2. An increase in individual income taxes, sales taxes, and other State and local revenues resulting from increased employment and economic activity.
3. An increase in costs associated with additional demand for State and local government services resulting from increased population.

SOURCES

Department of Economic Development
Department of Commerce, Insurance Division

(LSB 1324hz.3, LCS)

FILED MARCH 31, 1998

BY DENNIS PROUTY, FISCAL DIRECTOR

**HOUSE FILE 721
FISCAL NOTE**

A fiscal note for House File 721 as amended by S-5059 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 721 as amended by S-5059 extends the corporate income tax benefits of the New Jobs and Income Program to insurance companies by allowing an investment tax credit that can be applied against insurance premium tax liability. Eligible insurance companies that newly locate or expand operations in Iowa could be granted a 10.0% investment tax credit, based on investment in computers or improvements to real property. Additionally, a business which has increased its base employment level by at least 10.0% is eligible for a New Jobs Insurance Premium Tax Credit.

ASSUMPTIONS

1. This estimate assumes one insurance company will apply for and receive benefits under the New Jobs and Income Program over the next two years.
2. The company relocating to Iowa is assumed to invest \$40.0 million in buildings and computers for a total investment tax credit of \$4.0 million.
3. This estimate assumes Iowa insurance companies that expand will not be eligible due to an inability to meet the investment requirements; and further assumes the Department of Economic Development would not grant waivers from these criteria.
4. This estimate assumes the eligible insurance company will apply the tax credit over a four-year period, beginning in FY 1999.
5. This estimate assumes 100 jobs will be added above the base employment level and the 100 jobs are an increase of 10.0%.
6. This estimate does not presume a cost associated with other benefits available under the New Jobs and Income Program such as job training credits from withholding, sales and use tax refunds, property tax exemptions, or research activities credits. However, if the insurance company would not relocate to Iowa in the absence of the investment tax credit, there may be additional costs associated with these provisions.

FISCAL IMPACT

House File 721 is expected to result in a decrease in revenues to the General Fund of approximately \$1.1 million each year from FY 1999 through FY 2002. Of the \$1.1 million, approximately \$94,200 is due to S-5059. Other costs and benefits not explicitly quantified are as follows (each assumes the company would not have relocated to Iowa in the absence of HF 721):

-2-

1. A decrease in sales, use, and property taxes received under other provisions of the New Jobs and Income Program.
2. An increase in individual income taxes, sales taxes, and other State and local revenues resulting from increased employment and economic activity.
3. An increase in costs associated with additional demand for State and local government services resulting from increased population.

SOURCES

Department of Economic Development
Department of Commerce, Insurance Division

(LSB 1324HZ.2, LCS)

FILED MARCH 2, 1998

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 721
FISCAL NOTE

A fiscal note for House File 721 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 721 extends the corporate income tax benefits of the New Jobs and Income Program to insurance companies by allowing an investment tax credit that can be applied against insurance premium tax liability. Eligible insurance companies that newly locate or expand operations in Iowa could be granted a 10.0% investment tax credit, based on investment in computers or improvements to real property.

ASSUMPTIONS

1. This estimate assumes one insurance company will apply for and receive benefits under the New Jobs and Income Program over the next two years.
2. The company relocating to Iowa is assumed to invest \$40.0 million in buildings and computers for a total investment tax credit of \$4.0 million.
3. This estimate assumes Iowa insurance companies that expand will not be eligible due to an inability to meet the investment requirements; and further assumes the Department of Economic Development would not grant waivers from these criteria.
4. This estimate assumes the eligible insurance company will apply the tax credit over a four-year period, beginning in FY 1999.
5. This estimate does not presume a cost associated with other benefits available under the New Jobs and Income Program such as job training credits from withholding, sales and use tax refunds, property tax exemptions, or research activities credits. However, if the insurance company would not relocate to Iowa in the absence of the investment tax credit, there may be additional costs associated with these provisions.

FISCAL IMPACT

House File 721 is expected to result in a decrease in revenues to the General Fund of approximately \$1.0 million each year from FY 1999 through FY 2002. Other costs and benefits not explicitly quantified are as follows (each assumes the company would not have relocated to Iowa in the absence of HF 721):

1. A decrease in sales, use, and property taxes received under other provisions of the New Jobs and Income Program.
2. An increase in individual income taxes, sales taxes, and other State and local revenues resulting from increased employment and economic activity.

-2-

3. An increase in costs associated with additional demand for State and local government services resulting from increased population.

SOURCES

Department of Economic Development
Department of Commerce, Insurance Division

(LSB 1324hz, JAM)

FILED APRIL 14, 1997

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 721

S-5059

1 Amend House File 721, as passed by the House, as
2 follows:
3 1. Page 1, line 2, by striking the word "CREDIT",
4 and inserting the following: "CREDITS".
5 2. Page 1, by striking line 3 and inserting the
6 following:
7 "1. An eligible business may claim an insurance
8 premium tax".
9 3. Page 1, by inserting after line 20 the
10 following:
11 "2. An eligible business which has entered into an
12 agreement under chapter 260E and which has increased
13 its base employment level by at least ten percent
14 within the time set in the agreement or, in the case
15 of a business without a base employment level, adds
16 new jobs within the time set in the agreement is
17 entitled to a new jobs insurance premium tax credit
18 for the tax year selected by the business. In
19 determining if the business has increased its base
20 employment level by ten percent or added new jobs,
21 only the new jobs directly resulting from the project
22 covered by the agreement and the new jobs directly
23 related to those new jobs shall be counted. The
24 amount of the credit is equal to the product of six
25 percent of the taxable wages upon which an employer is
26 required to contribute to the state unemployment
27 compensation fund, as defined in section 96.19,
28 subsection 37, times the number of new jobs existing
29 in the tax year that directly result from the project
30 covered by the agreement or new jobs that directly
31 result from those new jobs. The tax year chosen by
32 the business shall either begin or end during the
33 period beginning with the date by which the project is
34 to be completed under the agreement. Any credit in
35 excess of the tax liability for the tax year may be
36 credited to the tax liability for the following seven
37 years or until depleted, whichever occurs earlier.
38 For purposes of this subsection, "agreement", "new
39 job", and "project" mean the same as defined in
40 section 260E.2 and "base employment level" means the
41 number of full-time jobs a business employs at the
42 site which is covered by an agreement under chapter
43 260E on the date of that agreement."

By COMMITTEE ON WAYS AND MEANS
JOANN DOUGLAS, Chairperson

S-5059 FILED FEBRUARY 24, 1998

Adopted 3/23/98 (p. 818)

SENATE AMENDMENT TO H. F. 721

H-8564

1 Amend House File 721, as passed by the House, as
2 follows:

3 1. Page 1, line 2, by striking the word "CREDIT",
4 and inserting the following: "CREDITS".

5 2. Page 1, by striking line 3 and inserting the
6 following:

7 "1. An eligible business may claim an insurance
8 premium tax".

9 3. Page 1, by inserting after line 20 the
10 following:

11 "2. An eligible business which has entered into an
12 agreement under chapter 260E and which has increased
13 its base employment level by at least ten percent
14 within the time set in the agreement or, in the case
15 of a business without a base employment level, adds
16 new jobs within the time set in the agreement is
17 entitled to a new jobs insurance premium tax credit
18 for the tax year selected by the business. In
19 determining if the business has increased its base
20 employment level by ten percent or added new jobs,
21 only the new jobs directly resulting from the project
22 covered by the agreement and the new jobs directly
23 related to those new jobs shall be counted. The
24 amount of the credit is equal to the product of six
25 percent of the taxable wages upon which an employer is
26 required to contribute to the state unemployment
27 compensation fund, as defined in section 96.19,
28 subsection 37, times the number of new jobs existing
29 in the tax year that directly result from the project
30 covered by the agreement or new jobs that directly
31 result from those new jobs. The tax year chosen by
32 the business shall either begin or end during the
33 period beginning with the date by which the project is
34 to be completed under the agreement. Any credit in
35 excess of the tax liability for the tax year may be
36 credited to the tax liability for the following seven
37 years or until depleted, whichever occurs earlier.
38 For purposes of this subsection, "agreement", "new
39 job", and "project" mean the same as defined in
40 section 260E.2 and "base employment level" means the
41 number of full-time jobs a business employs at the
42 site which is covered by an agreement under chapter
43 260E on the date of that agreement."

RECEIVED FROM THE SENATE

H-8564 FILED MARCH 23, 1998

House Concurred
4-1-98
(p. 1151)

Heaton, Ch
Dolecheck
Bukta

HSB 54
ECONOMIC DEVELOPMENT

SENATE/HOUSE FILE Jdy 721
BY (PROPOSED DEPARTMENT OF
ECONOMIC DEVELOPMENT BILL)

Passed Senate, Date _____ Passed House, 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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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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LSB 1324DP

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).

HOUSE FILE 721

AN ACT
RELATING TO AN INSURANCE PREMIUM TAX CREDIT FOR ELIGIBLE
BUSINESSES UNDER THE NEW JOBS AND INCOME PROGRAM.

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

Section 1. NEW SECTION. 15.333A INSURANCE PREMIUM TAX
CREDITS.

1. An eligible business may claim an insurance premium tax credit up to a maximum of ten percent of the new investment directly related to new jobs created by the location or 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.

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.

2. An eligible business which has entered into an agreement under chapter 260E and which has increased its base employment level by at least ten percent within the time set in the agreement or, in the case of a business without a base employment level, adds new jobs within the time set in the agreement is entitled to a new jobs insurance premium tax credit for the tax year selected by the business. In determining if the business has increased its base employment level by ten percent or added new jobs, only the new jobs directly resulting from the project covered by the agreement and the new jobs directly related to those new jobs shall be counted. The amount of the credit is equal to the product of six percent of the taxable wages upon which an employer is required to contribute to the state unemployment compensation fund, as defined in section 96.19, subsection 37, times the number of new jobs existing in the tax year that directly result from the project covered by the agreement or new jobs that directly result from those new jobs. The tax year chosen by the business shall either begin or end during the period beginning with the date by which the project is to be completed under the agreement. 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. For purposes of this subsection, "agreement", "new job", and "project" mean the same as defined in section 260E.2 and "base employment level" means the number of full-time jobs a business employs at the site which is

covered by an agreement under chapter 260E on the date of that agreement.

RON J. CORBETT
Speaker of the House

MARY E. KRAMER
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 721, Seventy-seventh General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved April 13, 1998

TERRY E. BRANSTAD
Governor