

2/1/00 Referred to Econ. Development

JAN 31 2000

WAYS AND MEANS

HOUSE FILE 2100
BY JENKINS and WISE

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

A BILL FOR

1 An Act relating to economic development programs and related tax
2 credits.

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

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HF 2100

1 Section 1. Section 15.333, subsection 1, Code Supplement
2 1999, is amended to read as follows:

3 1. An eligible business may claim a corporate tax credit
4 up to a maximum of ten percent of the new investment which is
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. An eligible
10 business whose project will produce or manufacture high value-
11 added goods or services in a targeted industry of the state,
12 as defined by the department, may, in the tax year of the
13 project completion, elect to have any tax credit in excess of
14 the tax liability for the taxable year refunded at a
15 discounted value, in lieu of any remaining allowable tax
16 credit that could be credited to the tax liability of the
17 business in future tax years. The discounted value of the tax
18 credit refund, as calculated by the department, shall be
19 determined based on the discounted value of the tax credit
20 five years after the tax year of the project completion at an
21 interest rate equivalent to the prime rate plus two percent.
22 The refunded tax credit shall not exceed seventy-five percent
23 of the allowable tax credit. If the business is a
24 partnership, subchapter S corporation, limited liability
25 company, or estate or trust electing to have the income taxed
26 directly to the individual, an individual may claim the tax
27 credit or refund allowed. The amount claimed by the
28 individual shall be based upon the pro rata share of the
29 individual's earnings of the partnership, subchapter S
30 corporation, limited liability company, or estate or trust.
31 For purposes of this section, "new investment directly related
32 to new jobs created by the location or expansion of an
33 eligible business under the program" means the cost of
34 machinery and equipment, as defined in section 427A.1,
35 subsection 1, paragraphs "e" and "j", purchased for use in the

1 operation of the eligible business, the purchase price of
2 which has been depreciated in accordance with generally
3 accepted accounting principles, and the cost of improvements
4 made to real property which is used in the operation of the
5 eligible business ~~and which receives a partial property tax~~
6 ~~exemption for the actual value added under section 15-332.~~

7 Sec. 2. Section 15E.192, subsection 3, Code 1999, is
8 amended to read as follows:

9 3. A county or city may apply to the department for an
10 area to be certified as an enterprise zone at any time prior
11 to July 1, ~~2000~~ 2003. However, the total amount of land
12 designated as enterprise zones under subsections 1 and 2 shall
13 not exceed in the aggregate one percent of the total county
14 area.

15 Sec. 3. Section 15E.194, Code 1999, is amended by adding
16 the following new subsections:

17 NEW SUBSECTION. 3. Any county may designate an enterprise
18 zone in an area located in one or more contiguous census
19 tracts or other geographic units approved by the department of
20 economic development, in which the area to be designated meets
21 at least two of the following criteria that is measurable with
22 1990 census statistics or other relevant data:

23 a. The area has a per capita income of nine thousand six
24 hundred dollars or less based on the 1990 census.

25 b. The area has a family poverty rate of twelve percent or
26 more based on the 1990 census.

27 c. Ten percent or more of the housing units are vacant in
28 the area.

29 d. The valuations of each class of property in the
30 designated area is seventy-five percent or less of the
31 countywide average for that classification based upon the most
32 recent valuations for property tax purposes.

33 e. The area is a blighted area, as defined in section
34 403.17.

35 NEW SUBSECTION. 4. A city of any size or any county may

1 designate an enterprise zone at any time prior to July 1,
2 2010, when a business closure occurs involving the loss of
3 full-time employees, not including retail employees, at one
4 place of business totaling at least one thousand employees or
5 five percent or more of the county's resident labor force
6 based on the most recent annual resident labor force
7 statistics from the department of workforce development,
8 whichever is lower. The enterprise zone may be established on
9 the property of the place of business that has closed and the
10 enterprise zone may include an area up to an additional fifty
11 acres adjacent to the property. The area meeting the
12 requirements for enterprise zone eligibility under this
13 subsection shall not be included for the purpose of
14 determining the area limitation pursuant to section 15E.192,
15 subsection 3.

16 Sec. 4. Section 15E.194, subsection 3, Code 1999, is
17 amended to read as follows:

18 ~~3-~~ 5. The department of economic development shall certify
19 eligible enterprise zones that meet the requirements of
20 subsection 1, 3, or 4, upon request by the county or
21 subsection 2 or 4 upon request by the city, as applicable.

22 Sec. 5. Section 15E.195, subsections 1 and 2, Code 1999,
23 are amended to read as follows:

24 1. A county which designates an enterprise zone pursuant
25 to section 15E.194, subsection 1, 3, or 4, and in which an
26 eligible enterprise zone is certified shall establish an
27 enterprise zone commission to review applications from
28 qualified businesses located within or requesting to locate
29 within an enterprise zone designated pursuant to section
30 15E.194, subsection 1, 3, or 4, to receive incentives or
31 assistance as provided in section 15E.196. The enterprise
32 zone commission shall also review applications from qualified
33 housing businesses requesting to receive incentives or
34 assistance as provided in section 15E.193B. The commission
35 shall consist of nine members. Five of these members shall

1 consist of one representative of the board of supervisors, one
2 member with economic development expertise chosen by the
3 department of economic development, one representative of the
4 county zoning board, one member of the local community college
5 board of directors, and one representative of the local
6 workforce development center. These five members shall select
7 the remaining four members. If the enterprise zone consists
8 of an area meeting the requirements for eligibility for an
9 urban or rural enterprise community under Title XIII of the
10 federal Omnibus Budget Reconciliation Act of 1993, one of the
11 remaining four members shall be a representative of that
12 community. A county shall have only one enterprise zone
13 commission to review applications for incentives and
14 assistance for businesses located within or requesting to
15 locate within a certified enterprise zone designated pursuant
16 to section 15E.194, subsection 1, 3, or 4.

17 2. A city with a population of twenty-four thousand or
18 more which designates an enterprise zone pursuant to section
19 15E.194, subsection 2 or 4, and in which an eligible
20 enterprise zone is certified shall establish an enterprise
21 zone commission to review applications from qualified
22 businesses located within or requesting to locate within an
23 enterprise zone to receive incentives or assistance as
24 provided in section 15E.196. The commission shall consist of
25 nine members. Six of these members shall consist of one
26 representative of an international labor organization, one
27 member with economic development expertise chosen by the
28 department of economic development, one representative of the
29 city council, one member of the local community college board
30 of directors, one member of the city planning and zoning
31 commission, and one representative of the local workforce
32 development center. These six members shall select the
33 remaining three members. If the enterprise zone consists of
34 an area meeting the requirements for eligibility for an urban
35 enterprise community under Title XIII of the federal Omnibus

1 Budget Reconciliation Act of 1993, one of the remaining three
2 members shall be a representative of that community. If a
3 city contiguous to the city designating the enterprise zone is
4 included in an enterprise zone, a representative of the
5 contiguous city, chosen by the city council, shall be a member
6 of the commission. A city in which an eligible enterprise
7 zone is certified shall have only one enterprise zone
8 commission. If a city has established an enterprise zone
9 commission prior to the effective date of this Act, the city
10 may petition to the department of economic development to
11 change the structure of the existing commission.

12 Sec. 6. Section 422.6, unnumbered paragraph 1, Code
13 Supplement 1999, is amended to read as follows:

14 The tax imposed by section 422.5 less the credits allowed
15 under sections 15.333, 15.335, ~~15E.193A~~, 422.10, 422.11,
16 422.11A, and 422.11B, and the personal exemption credit
17 allowed under section 422.12 apply to and are a charge against
18 estates and trusts with respect to their taxable income, and
19 the rates are the same as those applicable to individuals.
20 The fiduciary shall make the return of income for the estate
21 or trust for which the fiduciary acts, whether the income is
22 taxable to the estate or trust or to the beneficiaries.
23 However, for tax years ending after August 5, 1997, if the
24 trust is a qualified preneed funeral trust as set forth in
25 section 685 of the Internal Revenue Code and the trustee has
26 elected the special tax treatment under section 685 of the
27 Internal Revenue Code, neither the trust nor the beneficiary
28 is subject to Iowa income tax on income accruing to the trust.

29 Sec. 7. Section 15E.193A, Code 1999, is repealed.

30

EXPLANATION

31 This bill amends the economic development enterprise zone
32 program.

33 The bill changes the deadline for a qualifying county or
34 city to apply for an area to be certified as an enterprise
35 zone from July 1, 2000, to July 1, 2003.

1 The bill provides two new distress criteria under which a
2 county or city may designate an enterprise zone. The bill
3 provides that a county may designate an enterprise zone if at
4 least two of the following five criteria are met: the area
5 has a per capita income of \$9,600 or less, the area has a
6 family poverty rate of 12 percent or higher, 10 percent or
7 more of the housing units are vacant in the area, the
8 valuations of each class of property in the designated area is
9 75 percent or less of the countywide average for that
10 classification, and the area is a blighted area.

11 The bill also allows either a city of any size or a county
12 to designate an enterprise zone at any time prior to July 1,
13 2010, when a business closure occurs involving the loss of
14 full-time employees, not including retail employees, at one
15 place of business totaling at least 1,000 employees or 5
16 percent or more of the county's labor force. The bill
17 provides that the enterprise zone may be established on
18 property of the place of business that has closed and may
19 include an area up to an additional 50 acres adjacent to the
20 property.

21 The bill amends the investment tax credit under the new
22 jobs and income program which is also an incentive under the
23 enterprise zone program. The bill provides that an eligible
24 business whose project will produce or manufacture high value-
25 added goods or services in a targeted industry may, in the tax
26 year of the project completion, elect to have any tax credit
27 in excess of the tax liability for the taxable year refunded
28 at a discounted rate, in lieu of carrying over the excess
29 allowable tax credit to future tax years. The bill provides
30 that the discounted value of the refund will be determined
31 based on the discounted value of the tax credit five years
32 after the project completion at an interest rate equivalent to
33 the prime rate plus 2 percent. The refund shall not exceed 75
34 percent of the allowable tax credit. The bill amends the
35 definition of the term "new investment directly related to new

1 jobs created by the location or expansion of an eligible
2 business under the program" by removing the requirement that
3 the cost of improvements made to real property must receive a
4 partial property tax exemption under Code section 15.332.

5 The bill eliminates the special alternative eligible
6 business criteria which was added to the program during the
7 1998 legislative session. The alternative eligible business
8 criteria allowed a business which is not located in an
9 enterprise zone to receive incentives and assistance under the
10 program provided that certain criteria are met.

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