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MAR 7 2000

WAYS & MEANS CALENDAR

HOUSE FILE 2540
BY COMMITTEE ON
WAYS AND MEANS

(SUCCESSOR TO HF 2250)

(SUCCESSOR TO HF 2100)

Passed House, Date (P. 1151) 3/30/00 Passed Senate, Date (P. 1300) 4/20/00
Vote: Ayes 93 Nays 0 Vote: Ayes 49 Nays 0
Approved 5/26/00

*U - Passed 4-24-00
Vote 98-0*

(P. 1726)

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 2540

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

1 purchased for use in the operation of the eligible business,
2 the purchase price of which has been depreciated in accordance
3 with generally accepted accounting principles, and the cost of
4 improvements made to real property which is used in the
5 operation of the eligible business ~~and which receives a~~
6 ~~partial property tax exemption for the actual value added~~
7 ~~under section 15.332.~~

8 Sec. 2. Section 15.333A, subsection 1, unnumbered
9 paragraph 2, Code 1999, is amended to read as follows:

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 For purposes of this section, the purchase price of real
22 property and any buildings and structures located on the real
23 property is considered a new investment in the location or
24 expansion of an eligible business. However, if within five
25 years of purchase, the eligible business sells, disposes of,
26 razes, or otherwise renders unusable all or a part of the
27 land, buildings, or other existing structures for which a tax
28 credit was claimed under this section, the income tax
29 liability of the eligible business for the year in which all
30 or part of the property is sold, disposed of, razed, or
31 otherwise rendered unusable shall be increased by one of the
32 following amounts:

33 a. One hundred percent of the tax credit claimed under
34 this section if the property ceases to be eligible for the tax
35 credit within one year after being placed in service.

1 b. Eighty percent of the tax credit claimed under this
2 section if the property ceases to be eligible for the tax
3 credit within two years after being placed in service.

4 c. Sixty percent of the tax credit claimed under this
5 section if the property ceases to be eligible for the tax
6 credit within three years after being placed in service.

7 d. Forty percent of the tax credit claimed under this
8 section if the property ceases to be eligible for the tax
9 credit within four years after being placed in service.

10 e. Twenty percent of the tax credit claimed under this
11 section if the property ceases to be eligible for the tax
12 credit within five years after being placed in service.

13 Sec. 3. Section 15E.192, subsection 3, Code 1999, is
14 amended to read as follows:

15 3. A county or city may apply to the department for an
16 area to be certified as an enterprise zone at any time prior
17 to July 1, ~~2000~~ 2003. However, the total amount of land
18 designated as enterprise zones under subsections 1 and 2 shall
19 not exceed in the aggregate one percent of the total county
20 area.

21 Sec. 4. Section 15E.194, Code 1999, is amended by adding
22 the following new subsections:

23 NEW SUBSECTION. 3. Any county may designate an enterprise
24 zone in an area located in one or more contiguous census
25 tracts or other geographic units approved by the department of
26 economic development, in which the area to be designated meets
27 at least two of the following criteria that is measurable with
28 1990 census statistics or other relevant data:

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

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

33 c. Ten percent or more of the housing units are vacant in
34 the area.

35 d. The valuations of each class of property in the

1 designated area is seventy-five percent or less of the
2 countywide average for that classification based upon the most
3 recent valuations for property tax purposes.

4 e. The area is a blighted area, as defined in section
5 403.17.

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

22 Sec. 5. Section 15E.194, subsection 3, Code 1999, is
23 amended to read as follows:

24 3- 5. The department of economic development shall certify
25 eligible enterprise zones that meet the requirements of
26 subsection 1, 3, or 4, upon request by the county or
27 subsection 2 or 4 upon request by the city, as applicable.

28 Sec. 6. Section 15E.195, subsections 1 and 2, Code 1999,
29 are amended to read as follows:

30 1. A county which designates an enterprise zone pursuant
31 to section 15E.194, subsection 1, 3, or 4, and in which an
32 eligible enterprise zone is certified shall establish an
33 enterprise zone commission to review applications from
34 qualified businesses located within or requesting to locate
35 within an enterprise zone designated pursuant to section

1 15E.194, subsection 1, 3, or 4, to receive incentives or
2 assistance as provided in section 15E.196. The enterprise
3 zone commission shall also review applications from qualified
4 housing businesses requesting to receive incentives or
5 assistance as provided in section 15E.193B. The commission
6 shall consist of nine members. Five of these members shall
7 consist of one representative of the board of supervisors, one
8 member with economic development expertise chosen by the
9 department of economic development, one representative of the
10 county zoning board, one member of the local community college
11 board of directors, and one representative of the local
12 workforce development center. These five members shall select
13 the remaining four members. If the enterprise zone consists
14 of an area meeting the requirements for eligibility for an
15 urban or rural enterprise community under Title XIII of the
16 federal Omnibus Budget Reconciliation Act of 1993, one of the
17 remaining four members shall be a representative of that
18 community. A county shall have only one enterprise zone
19 commission to review applications for incentives and
20 assistance for businesses located within or requesting to
21 locate within a certified enterprise zone designated pursuant
22 to section 15E.194, subsection 1, 3, or 4.

23 2. A city with a population of twenty-four thousand or
24 more which designates an enterprise zone pursuant to section
25 15E.194, subsection 2 or 4, and in which an eligible
26 enterprise zone is certified shall establish an enterprise
27 zone commission to review applications from qualified
28 businesses located within or requesting to locate within an
29 enterprise zone to receive incentives or assistance as
30 provided in section 15E.196. The commission shall consist of
31 nine members. Six of these members shall consist of one
32 representative of an international labor organization, one
33 member with economic development expertise chosen by the
34 department of economic development, one representative of the
35 city council, one member of the local community college board

1 of directors, one member of the city planning and zoning
2 commission, and one representative of the local workforce
3 development center. These six members shall select the
4 remaining three members. If the enterprise zone consists of
5 an area meeting the requirements for eligibility for an urban
6 enterprise community under Title XIII of the federal Omnibus
7 Budget Reconciliation Act of 1993, one of the remaining three
8 members shall be a representative of that community. If a
9 city contiguous to the city designating the enterprise zone is
10 included in an enterprise zone, a representative of the
11 contiguous city, chosen by the city council, shall be a member
12 of the commission. A city in which an eligible enterprise
13 zone is certified shall have only one enterprise zone
14 commission. If a city has established an enterprise zone
15 commission prior to the effective date of this Act, the city
16 may petition to the department of economic development to
17 change the structure of the existing commission.

18 Sec. 7. Section 422.6, unnumbered paragraph 1, Code
19 Supplement 1999, is amended to read as follows:

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

35 Sec. 8. Section 15E.193A, Code 1999, is repealed.

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EXPLANATION

2 This bill amends the economic development enterprise zone
3 program.

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

7 The bill provides two new distress criteria under which a
8 county or city may designate an enterprise zone. The bill
9 provides that a county may designate an enterprise zone if at
10 least two of the following five criteria are met: the area
11 has a per capita income of \$9,600 or less, the area has a
12 family poverty rate of 12 percent or higher, 10 percent or
13 more of the housing units are vacant in the area, the
14 valuations of each class of property in the designated area is
15 75 percent or less of the countywide average for that
16 classification, and the area is a blighted area.

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

27 The bill amends the investment tax credit under the new
28 jobs and income program which is also an incentive under the
29 enterprise zone program. The bill provides that an eligible
30 business whose project primarily involves the production of
31 value-added agricultural products may, in the tax year of the
32 project completion, elect to have any tax credit in excess of
33 the tax liability for the taxable year refunded at a
34 discounted rate, in lieu of carrying over the excess allowable
35 tax credit to future tax years. The bill provides that the

1 discounted value of the refund will be determined based on the
2 discounted value of the tax credit five years after the
3 project completion at an interest rate equivalent to the prime
4 rate plus 2 percent. The refund shall not exceed 75 percent
5 of the allowable tax credit. The bill amends the definition
6 of the term "new investment directly related to new jobs
7 created by the location or expansion of an eligible business
8 under the program" by removing the requirement that the cost
9 of improvements made to real property must receive a partial
10 property tax exemption under Code section 15.332.

11 The bill eliminates the special alternative eligible
12 business criteria which was added to the program during the
13 1998 legislative session. The alternative eligible business
14 criteria allowed a business which is not located in an
15 enterprise zone to receive incentives and assistance under the
16 program provided that certain criteria are met.

17 The bill amends the definition of new investment directly
18 related to new jobs created by the location or expansion of an
19 eligible business under the program under Code section 15.333A
20 to match the language under Code section 15.333. The
21 definition is used in Code section 15.333A for the insurance
22 premium tax credit under the new jobs and income program which
23 is also an incentive under the enterprise zone program.

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**HOUSE FILE 2540
FISCAL NOTE**

A fiscal note for House File 2540 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 2540 expands enterprise zone eligibility and makes certain corporate tax credits under the New Jobs and Income Program refundable for projects involving value-added agriculture. The Bill also allows insurance companies to receive investment tax credits for land and existing buildings purchased as part of a qualifying business expansion.

ASSUMPTIONS

1. Under current law, value-added agriculture companies are only able to utilize 60.0% of the investment tax credit available under the New Jobs and Income and Enterprise Zone Programs (\$2,760,000).
2. House File 2540 would allow companies to received a discounted refund for the other 40.0% of the tax credits. The discounted value would be \$1.1 million per year.
3. The General Fund cost of non-housing investment tax credits in the expanded enterprise zones would be \$361,000 for each project completion year and \$58,000 per year for the following seven years.
4. The General Fund cost of housing investment tax credits in the expanded enterprise zones would be \$255,000 for each project completion year and \$57,000 per year for the following seven years.
5. Due to timing issues, the fiscal impact of the enterprise zone expansion and tax credit changes would not occur until FY 2002.

FISCAL IMPACT

Expanding enterprise zone eligibility and making certain unused investment tax credits refundable would decrease General Fund revenues by \$1.6 million in FY 2002 and \$1.9 million in FY 2003. For the eight fiscal year period of 2002 through 2009, the General Fund revenue reduction would be \$16.6 million.

The fiscal impact cited above does not include the impact of provisions allowing insurance companies to receive a tax credit on land and existing buildings. The fiscal impact of this provision could have a significant impact (\$100,000 or more) if an insurance company were to purchase and locate on land with a value in excess of \$1.0 million.

SOURCE

Department of Economic Development

(LSB 6055hz, JWR)

HOUSE FILE 2540

H-8494

1 Amend House File 2540 as follows:

2 1. Page 3, by inserting after line 12 the
3 following:

4 "Sec. _____. Section 15E.192, Code 1999, is amended
5 by adding the following new subsection:

6 NEW SUBSECTION. 2A. A city or county may create
7 an economic development enterprise zone as authorized
8 in this division, subject to certification by the
9 department of economic development, by designating up
10 to four square miles of the city or county for that
11 purpose. In order for an enterprise zone to be
12 certified pursuant to this subsection, an enterprise
13 zone shall meet the distress criteria provided in
14 section 15E.194, subsection 2A. Section 15E.194,
15 subsections 1 and 2, shall not apply to an enterprise
16 zone certified pursuant to this subsection."

17 2. Page 3, line 17, by striking the word "the"
18 and inserting the following: "the a county or city
19 may apply to the department for an area to be
20 certified as an enterprise zone pursuant to subsection
21 2A at any time prior to July 1, 2001. The".

22 3. Page 3, by inserting after line 20 the
23 following:

24 "Sec. _____. Section 15E.194, subsection 2,
25 unnumbered paragraph 1, Code 1999, is amended to read
26 as follows:

27 An enterprise zone may be designated by a city with
28 a population of twenty-four thousand or more which
29 meets at least two of the following criteria:

30 Sec. _____. Section 15E.194, Code 1999, is amended
31 by adding the following new subsection:

32 NEW SUBSECTION. 2A. A city or county may
33 designate an area of up to four square miles to be an
34 enterprise zone if the area includes or is located
35 within one mile of at least three of the following:

36 a. A commercial service airport.

37 b. A barge terminal or a navigable waterway.

38 c. Entry to a rail line.

39 d. Entry to an interstate highway.

40 e. Entry to a commercial and industrial highway
41 network as identified pursuant to section 313.2A."

42 4. Page 4, line 26, by striking the words "county
43 or" and inserting the following: "county, or".

44 5. Page 4, line 27, by inserting after the word
45 "city," the following: "or subsection 2A upon request
46 by the county or city,".

47 6. Page 4, line 31, by inserting after the figure
48 "1," the following: "2A,".

49 7. Page 5, line 1, by inserting after the figure
50 "1," the following: "2A,".

H-8494

-1-

H-8494

Page 2

1 8. Page 5, line 22, by inserting after the figure
2 "1" the following: ", 2A".

3 9. Page 5, lines 23 and 24, by striking the words
4 "with a population of twenty-four thousand or more"
5 and inserting the following: "~~with-a-population-of~~
6 ~~twenty-four-thousand-or-more~~".

7 10. Page 5, line 25, by inserting after the
8 figure "2" the following: ", 2A,".

9 11. By renumbering as necessary.

By WARNSTADT of Woodbury

H-8494 FILED MARCH 22, 2000

Lost
3/30/00
(p. 1149)

HOUSE FILE 2540

H-8575

1 Amend House File 2540 as follows:

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

4 "Sec. 100. Section 15E.193B, subsection 2, Code
5 1999, is amended to read as follows:

6 2. An eligible housing business under this section
7 includes a housing developer, or housing contractor,
8 or nonprofit organization that builds or rehabilitates
9 a minimum of four single-family homes with a value,
10 after completion of the building or rehabilitation,
11 not exceeding one hundred twenty thousand dollars for
12 each home located in that part of a city or county in
13 which there is a designated enterprise zone or one
14 multiple dwelling unit building containing three or
15 more individual dwelling units with a total value per
16 unit, after completion of the building or
17 rehabilitation, not exceeding one hundred twenty
18 thousand dollars located in that part of a city or
19 county in which there is a designated enterprise zone.

20 Sec. 101. Section 15E.193B, subsection 5, Code
21 1999, is amended by adding the following new
22 paragraph:

23 NEW PARAGRAPH. e. Information showing the amount
24 of tax credits and forgivable government loans which
25 will be received as a result of its new investment in
26 housing for which the business is seeking approval for
27 the tax credit provided in subsection 6, paragraph
28 "a".

29 Sec. 102. Section 15E.193B, subsection 6,
30 paragraph a, Code 1999, is amended to read as follows:

31 a. An eligible housing business may claim ~~an~~
32 income a tax credit up to a maximum of ten percent of
33 the new investment which is directly related to the
34 building or rehabilitating of a minimum of four
35 single-family homes located in that part of a city or
36 county in which there is a designated enterprise zone
37 or one multiple dwelling unit building containing
38 three or more individual dwelling units located in
39 that part of a city or county in which there is a
40 designated enterprise zone. The tax credit may be
41 used to reduce the tax liability imposed under chapter
42 422, division II, III, or V. Any credit in excess of
43 the tax liability for the tax year may be credited to
44 the tax liability for the following seven years or
45 until depleted, whichever occurs earlier. If the
46 business is a partnership, ~~subchapter~~ S corporation,
47 limited liability company, or estate or trust electing
48 to have the income taxed directly to the individual,
49 an individual may claim the tax credit allowed. The
50 amount claimed by the individual shall be based upon

H-8575

-1-

H-8575

Page 2

1 the pro rata share of the individual's earnings of the
2 partnership, ~~subchapter~~ S corporation, limited
3 liability company, or estate or trust."

4 2. Page 6, by inserting after line 17 the
5 following:

6 "Sec. 103. Section 15E.195, subsection 5, Code
7 1999, is amended by adding the following new
8 unnumbered paragraph:

9 NEW UNNUMBERED PARAGRAPH. However, if the
10 commission or department finds that an eligible
11 housing business will receive, as a result of its new
12 investment in housing, other tax credits and
13 forgivable government loans, the maximum amount of tax
14 credit that may be approved under section 15E.193B,
15 subsection 6, shall be the lesser of ten percent or
16 the amount which when added to the other tax credits
17 and forgivable government loans will result in the
18 housing business receiving eighty percent of the cost
19 of the new investment for which approval is sought in
20 governmental incentives and assistance."

21 3. Page 6, by inserting after line 35 the
22 following:

23 "Sec. ____ . EFFECTIVE AND APPLICABILITY DATES.
24 Sections 100, 101, 102, and 103 of this Act, being
25 deemed of immediate importance, take effect upon
26 enactment and apply retroactively to January 1, 2000,
27 for tax years beginning on or after that date."

28 4. Title page, line 2, by inserting after the
29 word "credits" the following: "and including an
30 effective and retroactive applicability date
31 provision".

By JACOBS of Polk
JENKINS of Black Hawk

H-8575 FILED MARCH 28, 2000

W/D
3/30/00 (p. 1149)

HOUSE FILE 2540

H-8608

1 Amend House File 2540 as follows:

2 1. Page 4, lines 16 and 17, by striking the words
3 "fifty acres" and inserting the following: "one
4 mile".

By JENKINS of Black Hawk
WEIGEL of Chickasaw

H-8608 FILED MARCH 28, 2000

Adapted
3/30/00
(p. 1151)

HOUSE FILE 2540

H-8623

1 Amend House File 2540 as follows:

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

4 "Sec. 100. Section 15E.193B, subsection 2, Code
5 1999, is amended to read as follows:

6 2. An eligible housing business under this section
7 includes a housing developer, or housing contractor,
8 or nonprofit organization that builds or rehabilitates
9 a minimum of four single-family homes with a value,
10 after completion of the building or rehabilitation,
11 not exceeding one hundred twenty thousand dollars for
12 each home located in that part of a city or county in
13 which there is a designated enterprise zone or one
14 multiple dwelling unit building containing three or
15 more individual dwelling units with a total value per
16 unit, after completion of the building or
17 rehabilitation, not exceeding one hundred twenty
18 thousand dollars located in that part of a city or
19 county in which there is a designated enterprise zone.

20 Sec. 101. Section 15E.193B, subsection 5, Code
21 1999, is amended by adding the following new
22 paragraph:

23 NEW PARAGRAPH. e. Information showing the amount
24 of tax credits and government forgivable loans and
25 grants which will be received as a result of its new
26 investment in housing for which the business is
27 seeking approval for the tax credit provided in
28 subsection 6, paragraph "a".

29 Sec. 102. Section 15E.193B, subsection 6,
30 paragraph a, Code 1999, is amended to read as follows:

31 a. An eligible housing business may claim ~~an~~
32 income a tax credit up to a maximum of ten percent of
33 the new investment which is directly related to the
34 building or rehabilitating of a minimum of four
35 single-family homes located in that part of a city or
36 county in which there is a designated enterprise zone
37 or one multiple dwelling unit building containing
38 three or more individual dwelling units located in
39 that part of a city or county in which there is a
40 designated enterprise zone. The tax credit may be
41 used to reduce the tax liability imposed under chapter
42 422, division II, III, or V. Any credit in excess of
43 the tax liability for the tax year may be credited to
44 the tax liability for the following seven years or
45 until depleted, whichever occurs earlier. If the
46 business is a partnership, ~~subchapter~~ S corporation,
47 limited liability company, or estate or trust electing
48 to have the income taxed directly to the individual,
49 an individual may claim the tax credit allowed. The
50 amount claimed by the individual shall be based upon

H-8623

H-8623

Page 2

1 the pro rata share of the individual's earnings of the
2 partnership, ~~subchapter~~ S corporation, limited
3 liability company, or estate or trust."

4 2. Page 6, by inserting after line 17 the
5 following:

6 "Sec. 103. Section 15E.195, subsection 5, Code
7 1999, is amended by adding the following new
8 unnumbered paragraph:

9 NEW UNNUMBERED PARAGRAPH. However, if the
10 commission or department finds that an eligible
11 housing business will receive, as a result of its new
12 investment in housing, other tax credits and
13 government forgivable loans and grants, the maximum
14 amount of tax credit that may be approved under
15 section 15E.193B, subsection 6, shall be the lesser of
16 ten percent or the amount which when added to the
17 other tax credits and government forgivable loans and
18 grants will result in the housing business receiving
19 eighty percent of the cost of the new investment for
20 which approval is sought in governmental incentives
21 and assistance."

22 3. Page 6, by inserting after line 35 the
23 following:

24 "Sec. ____ . EFFECTIVE AND APPLICABILITY DATES.

25 This Act, being deemed of immediate importance, takes
26 effect upon enactment. Sections 100, 101, 102, and
27 103 of this Act apply retroactively to January 1,
28 2000, for tax years beginning on or after that date."

29 4. Title page, line 2, by inserting after the
30 word "credits" the following: "and including
31 effective and retroactive applicability date
32 provisions".

By JACOBS of Polk
JENKINS of Black Hawk

H-8623 FILED MARCH 28, 2000

Adopted
3/30/00 (P. 1151)

HOUSE FILE 2540

H-8640

1 Amend House File 2540 as follows:

2 1. Page 4, line 11, by striking the word "five"
3 and inserting the following: "four".

By HORBACH of Tama

H-8640 FILED MARCH 28, 2000

Adopted
3/30/00
(P. 1151)

S-4/3, S-W, d, neane
S-4/13/00 amend/Do Pass W/ S-541A

HOUSE FILE **2540**
BY COMMITTEE ON
WAYS AND MEANS

(SUCCESSOR TO HF 2250)

(SUCCESSOR TO HF 2100)

(As Amended and Passed by the House, March 30, 2000)

Passed House, ^{P. 1726} Date 4-24-00 Passed Senate, ^(A 1300) Date 4/20/00
Vote: Ayes 98 Nays 0 Vote: Ayes 49 Nays 0
Approved 5/26/00

A BILL FOR

1 An Act relating to economic development programs and related tax
2 credits and including effective and retroactive applicability
3 date provisions.

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

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House Amendments _____

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

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

8 Sec. 2. Section 15.333A, subsection 1, unnumbered
9 paragraph 2, Code 1999, is amended to read as follows:

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 For purposes of this section, the purchase price of real
22 property and any buildings and structures located on the real
23 property is considered a new investment in the location or
24 expansion of an eligible business. However, if within five
25 years of purchase, the eligible business sells, disposes of,
26 razes, or otherwise renders unusable all or a part of the
27 land, buildings, or other existing structures for which a tax
28 credit was claimed under this section, the income tax
29 liability of the eligible business for the year in which all
30 or part of the property is sold, disposed of, razed, or
31 otherwise rendered unusable shall be increased by one of the
32 following amounts:

33 a. One hundred percent of the tax credit claimed under
34 this section if the property ceases to be eligible for the tax
35 credit within one year after being placed in service.

1 b. Eighty percent of the tax credit claimed under this
2 section if the property ceases to be eligible for the tax
3 credit within two years after being placed in service.

4 c. Sixty percent of the tax credit claimed under this
5 section if the property ceases to be eligible for the tax
6 credit within three years after being placed in service.

7 d. Forty percent of the tax credit claimed under this
8 section if the property ceases to be eligible for the tax
9 credit within four years after being placed in service.

10 e. Twenty percent of the tax credit claimed under this
11 section if the property ceases to be eligible for the tax
12 credit within five years after being placed in service.

13 Sec. 3. Section 15E.192, subsection 3, Code 1999, is
14 amended to read as follows:

15 3. A county or city may apply to the department for an
16 area to be certified as an enterprise zone at any time prior
17 to July 1, ~~2000~~ 2003. However, the total amount of land
18 designated as enterprise zones under subsections 1 and 2 shall
19 not exceed in the aggregate one percent of the total county
20 area.

21 Sec. 4. Section 15E.193B, subsection 2, Code 1999, is
22 amended to read as follows:

23 2. An eligible housing business under this section
24 includes a housing developer, or housing contractor, or
25 nonprofit organization that builds or rehabilitates a minimum
26 of four single-family homes with a value, after completion of
27 the building or rehabilitation, not exceeding one hundred
28 twenty thousand dollars for each home located in that part of
29 a city or county in which there is a designated enterprise
30 zone or one multiple dwelling unit building containing three
31 or more individual dwelling units with a total value per unit,
32 after completion of the building or rehabilitation, not
33 exceeding one hundred twenty thousand dollars located in that
34 part of a city or county in which there is a designated
35 enterprise zone.

1 Sec. 5. Section 15E.193B, subsection 5, Code 1999, is
2 amended by adding the following new paragraph:

3 NEW PARAGRAPH. e. Information showing the amount of tax
4 credits and government forgivable loans and grants which will
5 be received as a result of its new investment in housing for
6 which the business is seeking approval for the tax credit
7 provided in subsection 6, paragraph "a".

8 Sec. 6. Section 15E.193B, subsection 6, paragraph a, Code
9 1999, is amended to read as follows:

10 a. An eligible housing business may claim an-income a tax
11 credit up to a maximum of ten percent of the new investment
12 which is directly related to the building or rehabilitating of
13 a minimum of four single-family homes located in that part of
14 a city or county in which there is a designated enterprise
15 zone or one multiple dwelling unit building containing three
16 or more individual dwelling units located in that part of a
17 city or county in which there is a designated enterprise zone.
18 The tax credit may be used to reduce the tax liability imposed
19 under chapter 422, division II, III, or V. Any credit in
20 excess of the tax liability for the tax year may be credited
21 to the tax liability for the following seven years or until
22 depleted, whichever occurs earlier. If the business is a
23 partnership, subchapter S corporation, limited liability
24 company, or estate or trust electing to have the income taxed
25 directly to the individual, an individual may claim the tax
26 credit allowed. The amount claimed by the individual shall be
27 based upon the pro rata share of the individual's earnings of
28 the partnership, subchapter S corporation, limited liability
29 company, or estate or trust.

30 Sec. 7. Section 15E.194, Code 1999, is amended by adding
31 the following new subsections:

32 NEW SUBSECTION. 3. Any county may designate an enterprise
33 zone in an area located in one or more contiguous census
34 tracts or other geographic units approved by the department of
35 economic development, in which the area to be designated meets

1 at least two of the following criteria that is measurable with
2 1990 census statistics or other relevant data:

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

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

7 c. Ten percent or more of the housing units are vacant in
8 the area.

9 d. The valuations of each class of property in the
10 designated area is seventy-five percent or less of the
11 countywide average for that classification based upon the most
12 recent valuations for property tax purposes.

13 e. The area is a blighted area, as defined in section
14 403.17.

15 NEW SUBSECTION. 4. A city of any size or any county may
16 designate an enterprise zone at any time prior to July 1,
17 2010, when a business closure occurs involving the loss of
18 full-time employees, not including retail employees, at one
19 place of business totaling at least one thousand employees or
20 four percent or more of the county's resident labor force
21 based on the most recent annual resident labor force

22 statistics from the department of workforce development,
23 whichever is lower. The enterprise zone may be established on
24 the property of the place of business that has closed and the
25 enterprise zone may include an area up to an additional one
26 mile adjacent to the property. The area meeting the
27 requirements for enterprise zone eligibility under this
28 subsection shall not be included for the purpose of
29 determining the area limitation pursuant to section 15E.192,
30 subsection 3.

31 Sec. 8. Section 15E.194, subsection 3, Code 1999, is
32 amended to read as follows:

33 3 ~~5~~. The department of economic development shall certify
34 eligible enterprise zones that meet the requirements of
35 subsection 1, 3, or 4, upon request by the county or

1 subsection 2 or 4 upon request by the city, as applicable.

2 Sec. 9. Section 15E.195, subsections 1 and 2, Code 1999,
3 are amended to read as follows:

4 1. A county which designates an enterprise zone pursuant
5 to section 15E.194, subsection 1, 3, or 4, and in which an
6 eligible enterprise zone is certified shall establish an
7 enterprise zone commission to review applications from
8 qualified businesses located within or requesting to locate
9 within an enterprise zone designated pursuant to section
10 15E.194, subsection 1, 3, or 4, to receive incentives or
11 assistance as provided in section 15E.196. The enterprise
12 zone commission shall also review applications from qualified
13 housing businesses requesting to receive incentives or
14 assistance as provided in section 15E.193B. The commission
15 shall consist of nine members. Five of these members shall
16 consist of one representative of the board of supervisors, one
17 member with economic development expertise chosen by the
18 department of economic development, one representative of the
19 county zoning board, one member of the local community college
20 board of directors, and one representative of the local
21 workforce development center. These five members shall select
22 the remaining four members. If the enterprise zone consists
23 of an area meeting the requirements for eligibility for an
24 urban or rural enterprise community under Title XIII of the
25 federal Omnibus Budget Reconciliation Act of 1993, one of the
26 remaining four members shall be a representative of that
27 community. A county shall have only one enterprise zone
28 commission to review applications for incentives and
29 assistance for businesses located within or requesting to
30 locate within a certified enterprise zone designated pursuant
31 to section 15E.194, subsection 1, 3, or 4.

32 2. A city with a population of twenty-four thousand or
33 more which designates an enterprise zone pursuant to section
34 15E.194, subsection 2 or 4, and in which an eligible
35 enterprise zone is certified shall establish an enterprise

1 zone commission to review applications from qualified
2 businesses located within or requesting to locate within an
3 enterprise zone to receive incentives or assistance as
4 provided in section 15E.196. The commission shall consist of
5 nine members. Six of these members shall consist of one
6 representative of an international labor organization, one
7 member with economic development expertise chosen by the
8 department of economic development, one representative of the
9 city council, one member of the local community college board
10 of directors, one member of the city planning and zoning
11 commission, and one representative of the local workforce
12 development center. These six members shall select the
13 remaining three members. If the enterprise zone consists of
14 an area meeting the requirements for eligibility for an urban
15 enterprise community under Title XIII of the federal Omnibus
16 Budget Reconciliation Act of 1993, one of the remaining three
17 members shall be a representative of that community. If a
18 city contiguous to the city designating the enterprise zone is
19 included in an enterprise zone, a representative of the
20 contiguous city, chosen by the city council, shall be a member
21 of the commission. A city in which an eligible enterprise
22 zone is certified shall have only one enterprise zone
23 commission. If a city has established an enterprise zone
24 commission prior to the effective date of this Act, the city
25 may petition to the department of economic development to
26 change the structure of the existing commission.

27 Sec. 10. Section 15E.195, subsection 5, Code 1999, is
28 amended by adding the following new unnumbered paragraph:
29 NEW UNNUMBERED PARAGRAPH. However, if the commission or
30 department finds that an eligible housing business will
31 receive, as a result of its new investment in housing, other
32 tax credits and government forgivable loans and grants, the
33 maximum amount of tax credit that may be approved under
34 section 15E.193B, subsection 6, shall be the lesser of ten
35 percent or the amount which when added to the other tax

1 credits and government forgivable loans and grants will result
2 in the housing business receiving eighty percent of the cost
3 of the new investment for which approval is sought in
4 governmental incentives and assistance.

5 Sec. 11. Section 422.6, unnumbered paragraph 1, Code
6 Supplement 1999, is amended to read as follows:

7 The tax imposed by section 422.5 less the credits allowed
8 under sections 15.333, 15.335, ~~15E:193A~~, 422.10, 422.11,
9 422.11A, and 422.11B, and the personal exemption credit
10 allowed under section 422.12 apply to and are a charge against
11 estates and trusts with respect to their taxable income, and
12 the rates are the same as those applicable to individuals.
13 The fiduciary shall make the return of income for the estate
14 or trust for which the fiduciary acts, whether the income is
15 taxable to the estate or trust or to the beneficiaries.
16 However, for tax years ending after August 5, 1997, if the
17 trust is a qualified preneed funeral trust as set forth in
18 section 685 of the Internal Revenue Code and the trustee has
19 elected the special tax treatment under section 685 of the
20 Internal Revenue Code, neither the trust nor the beneficiary
21 is subject to Iowa income tax on income accruing to the trust.

22 Sec. 12. Section 15E.193A, Code 1999, is repealed.

23 Sec. 13. EFFECTIVE AND APPLICABILITY DATES. This Act,
24 being deemed of immediate importance, takes effect upon
25 enactment. Sections 4, 5, 6, and 10 of this Act apply
26 retroactively to January 1, 2000, for tax years beginning on
27 or after that date.

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HOUSE FILE 2540

S-5414

1 Amend House File 2540, as amended, passed, and
2 reprinted by the House, as follows:

3 1. By striking page 1, line 1, through page 2,
4 line 7.

5 2. Page 2, line 27, by striking the words "which
6 a" and inserting the following: "which an insurance
7 premium".

8 3. Page 2, line 28, by striking the word "income"
9 and inserting the following: "insurance premium".

10 4. Page 3, by inserting after line 12 the
11 following:

12 "Sec. ____ . Section 15E.192, Code 1999, is amended
13 by adding the following new subsection:

14 NEW SUBSECTION. 2A. A city or county, which would
15 otherwise not be eligible to establish an enterprise
16 zone, may establish a value-added agricultural
17 enterprise zone of up to five hundred acres in size.
18 In order to be eligible for incentives and assistance
19 under section 15E.196, a business locating or
20 expanding its operations in an enterprise zone
21 established pursuant to this subsection, must invest
22 at least ten million dollars in plant or equipment
23 costs in the enterprise zone and must, within the
24 enterprise zone, derive at least fifty percent of its
25 revenue from value-added agricultural products. The
26 basic inputs of the value-added agricultural products
27 shall consist of commodity crop or livestock products
28 grown in this state. In order to be eligible for
29 incentives and assistance under section 15E.196, a
30 business locating or expanding in an enterprise zone
31 established under this subsection must have a minimum
32 of twenty-five percent ownership by agricultural
33 producers. The department of economic development may
34 approve up to a maximum of five value-added
35 agricultural products enterprise zones in the state
36 before July 1, 2001."

37 5. Page 4, by striking lines 3 through 7 and
38 inserting the following:

39 "NEW PARAGRAPH. e. Information showing the total
40 costs and sources of project financing that will be
41 utilized for the new investment directly related to
42 housing for which the business is seeking approval for
43 a tax credit provided in subsection 6, paragraph "a"."

44 6. Page 4, by inserting after line 29 the
45 following:

46 "Sec. ____ . Section 15E.193B, Code 1999, is amended
47 by adding the following new subsection:

48 NEW SUBSECTION. 9. The amount of the tax credits
49 determined pursuant to section 15E.193B, subsection 6,
50 paragraph "a", for each project shall be approved by

S-5414

S-5414

Page 2

1 the department of economic development. The
2 department shall utilize the financial information
3 required to be provided under section 15E.193B,
4 subsection 5, paragraph "e", to determine the tax
5 credits allowed for each project. In determining the
6 amount of tax credits to be allowed for a project, the
7 department shall not include the portion of the
8 project cost financed through federal, state, and
9 local government tax credits, grants, and forgivable
10 loans."

11 7. Page 4, line 31, by striking the word
12 "subsections" and inserting the following:
13 "subsection".

14 8. By striking page 4, line 32, through page 5,
15 line 14.

16 9. By striking page 5, line 31, through page 8,
17 line 22.

18 10. Page 8, line 25, by striking the word and
19 figures "6, and 10" and inserting the following: "and
20 6".

21 11. By renumbering as necessary.

By COMMITTEE ON WAYS AND MEANS
JOANN JOHNSON, Chairperson

O/O 4/20/00 (P.1299)

S-5414 FILED APRIL 13, 2000

HOUSE FILE 2540

S-5520

1 Amend the amendment, S-5414, to House File 2540, as
2 amended, passed, and reprinted by the House, as
3 follows:

4 1. Page 1, line 36, by inserting after the figure
5 "2001." the following: "If a value-added agricultural
6 products enterprise zone is located and approved in a
7 county with a population of more than two hundred
8 twenty-five thousand, a business locating or expanding
9 its operations in the enterprise zone shall enter into
10 a good neighbor agreement as defined in section
11 15A.4."

By MATT McCOY
BILL FINK
JOE BOLKCOM
ROBERT E. DVORSKY

BETTY A. SOUKUP
ELAINE SZYMONIAK
DICK L. DEARDEN
PATRICIA HARPER

S-5520 FILED APRIL 19, 2000

*O/O
4/20/00 (P.1299)*

HOUSE FILE 2540

S-5521

1 Amend the amendment, S-5414, to House File 2540, as
2 amended, passed, and reprinted by the House, as
3 follows:

4 1. Page 1, line 36, by inserting after the figure
5 "2001." the following: "If a value-added agricultural
6 products enterprise zone is located and approved in a
7 county with a population of more than two hundred
8 twenty-five thousand, a business locating or expanding
9 its operations in the enterprise zone shall agree to
10 pay wages for all full-time employees of at least one
11 hundred twenty percent of the average county wage and
12 provide and pay at least eighty percent of the cost of
13 a standard medical insurance plan for all full-time
14 employees."

By MATT McCOY
BILL FINK
JOE BOLKCOM
MARK SHEARER
ROBERT E. DVORSKY

ELAINE SZYMONIAK
BETTY A. SOUKUP
DICK L. DEARDEN
PATRICIA HARPER

S-5521 FILED APRIL 19, 2000

O/b
4/20/00 (p. 1299)

HOUSE FILE 2540

S-5528

1 Amend House File 2540, as amended, passed, and
2 reprinted by the House, as follows:

3 1. Page 8, by inserting after line 4 the
4 following:

5 "Sec. _____. Section 257.31, subsection 5, Code
6 1999, is amended by adding the following new
7 paragraph:

8 NEW PARAGRAPH. m. Unusual need for advance
9 funding to provide a program or other special
10 assistance to non-English speaking pupils as provided
11 in section 280.4, subsection 4.

12 Sec. _____. Section 280.4, Code 1999, is amended by
13 adding the following new subsection:

14 NEW SUBSECTION. 4. For any fiscal year beginning
15 on or after July 1, 2000, there is appropriated from
16 the general fund of the state to the department of
17 education for allocation by the school budget review
18 committee, an amount necessary to be distributed as
19 supplemental aid to a school district if the district
20 has an unusual need for advance funding to provide a
21 program or other special assistance to non-English
22 speaking pupils because an eligible recipient of
23 financing provided by an Iowa agricultural industry
24 finance corporation as provided in section 15E.209 is
25 located within ten miles of the school district."

26 2. Title page, by striking lines 1 through 3 and
27 inserting the following: "An Act relating to economic
28 development programs by making an appropriation for
29 certain school programs in relation to eligible
30 recipients of financing provided by an Iowa
31 agricultural industry finance corporation, providing
32 tax credits, and including effective and retroactive
33 applicability date provisions."

By BILL FINK

S-5528 FILED APRIL 19, 2000

o/o
4/20/00
(p. 299)

HOUSE FILE 2540

S-5555

1 Amend the amendment, S-5549, to House File 2540, as
2 amended, passed, and reprinted by the House, as
3 follows:

4 1. Page 3, by inserting after line 31 the
5 following:

6 "____. Page 8, by inserting before line 23 the
7 following:

8 "Sec. _____. Section 257.31, subsection 5, Code
9 1999, is amended by adding the following new
10 paragraph:

11 NEW PARAGRAPH. m. Unusual need for advance
12 funding to provide a program or other special
13 assistance to non-English speaking pupils as provided
14 in section 280.4, subsection 4.

15 Sec. _____. Section 280.4, Code 1999, is amended by
16 adding the following new subsection:

17 NEW SUBSECTION. 4. For any fiscal year beginning
18 on or after July 1, 2000, there is appropriated from
19 the general fund of the state to the department of
20 education for allocation by the school budget review
21 committee, an amount necessary to be distributed as
22 supplemental aid to a school district if the district
23 has an unusual need for advance funding to provide a
24 program or other special assistance to non-English
25 speaking pupils because an eligible recipient of
26 financing provided by an Iowa agricultural industry
27 finance corporation as provided in section 15E.209 is
28 located within ten miles of the school district."

29 2. Page 3, by inserting after line 38 the
30 following:

31 "____. Title page, by striking lines 1 through 3
32 and inserting the following: "An Act relating to
33 economic development programs by making an
34 appropriation for certain school programs in relation
35 to eligible recipients of financing provided by an
36 Iowa agricultural industry finance corporation,
37 providing tax credits, and including effective and
38 retroactive applicability date provisions.""

By BILL FINK

S-5555 FILED APRIL 20, 2000
RULED OUT OF ORDER

(p. 1299)

S-5549

Page 3

- 1 5. Page 4, by striking lines 3 through 7 and
2 inserting the following:
3 "NEW PARAGRAPH. e. Information showing the total
4 costs and sources of project financing that will be
5 utilized for the new investment directly related to
6 housing for which the business is seeking approval for
7 a tax credit provided in subsection 6, paragraph "a."
8 6. Page 4, by inserting after line 29 the
9 following:
10 "Sec. 3. Section 15E.193B, Code 1999, is amended
11 by adding the following new subsection:
12 NEW SUBSECTION. 9. The amount of the tax credits
13 determined pursuant to section 15E.193B, subsection 6,
14 paragraph "a", for each project shall be approved by
15 the department of economic development. The
16 department shall utilize the financial information
17 required to be provided under section 15E.193B,
18 subsection 5, paragraph "e", to determine the tax
19 credits allowed for each project. In determining the
20 amount of tax credits to be allowed for a project, the
21 department shall not include the portion of the
22 project cost financed through federal, state, and
23 local government tax credits, grants, and forgivable
24 loans."
25 7. Page 4, line 31, by striking the word
26 "subsections" and inserting the following:
27 "subsection".
28 8. By striking page 4, line 32, through page 5,
29 line 14.
30 9. By striking page 5, line 31, through page 8,
31 line 22.
32 10. Page 8, line 25, by striking the word and
33 figures "6, and 10" and inserting the following: "and
34 6".
35 11. Page 8, line 27, by inserting after the word
36 "date." the following: "Section 1 of this Act takes
37 effect July 1, 2001, and applies to tax years
38 beginning on or after that date."
39 12. By renumbering as necessary.

By LARRY MCKIBBEN

S-5549 FILED APRIL 20, 2000

ADOPTED

(p. 1299)

HOUSE FILE 2540**S-5554**

- 1 Amend House File 2540, as amended, passed, and
2 reprinted by the House, as follows:
3 1. Page 3, line 19, by striking the word "one",
4 and inserting the following: "one two".

By JEFF LAMBERTI

S-5554 FILED APRIL 20, 2000

WITHDRAWN

(p. 1299)

S-5549

Page 2

1 agricultural products shall not claim a tax credit
2 under this section unless a tax credit certificate
3 issued by the department of economic development is
4 attached to the taxpayer's tax return for the tax year
5 during which the tax credit is claimed. A tax credit
6 certificate shall not be valid until the tax year
7 following the date of the project completion. A tax
8 credit certificate shall contain the taxpayer's name,
9 address, tax identification number, the date of
10 project completion, the amount of the tax credit,
11 other information required by the department of
12 revenue and finance. The department of economic
13 development shall not issue tax credit certificates
14 which total more than four million dollars during a
15 fiscal year. If the department receives applications
16 for tax credit certificates in excess of four million
17 dollars, the applicants shall receive certificates for
18 a prorated amount. The tax credit certificates shall
19 not be transferred."

20 2. Page 2, line 27, by striking the words "which
21 a" and inserting the following: "which an insurance
22 premium".

23 3. Page 2, line 28, by striking the word "income"
24 and inserting the following: "insurance premium".

25 4. Page 3, by inserting after line 12 the
26 following:

27 "Sec. ____ . Section 15E.192, Code 1999, is amended
28 by adding the following new subsection:

29 NEW SUBSECTION. 2A. a. A county may designate an
30 enterprise zone within an area located in one or more
31 contiguous census tracts or other geographic units of
32 the county that meets at least two of the following
33 distress criteria:

34 (1) The area has a per capita income of nine
35 thousand six hundred dollars or less based according
36 to the 1990 census.

37 (2) The area has a family poverty rate of twelve
38 percent or more according to the 1990 census.

39 (3) Ten percent or more of the housing units in
40 the area are vacant.

41 (4) The valuations of each class of property in
42 the designated area of the census tract is seventy-
43 five percent or less of the countywide average for
44 that classification based upon the most recent
45 valuations for property tax purposes.

46 (5) The area is a blighted area, as defined in
47 section 403.17.

48 b. The department shall not approve more than five
49 enterprise zones designated under this subsection
50 prior to July 1, 2001."

S-5549

-2-

HOUSE FILE 2540

S-5549

1 Amend House File 2540, as amended, passed, and
2 reprinted by the House, as follows:

3 1. By striking page 1, line 1, through page 2,
4 line 7 and inserting the following:

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

7 1. An eligible business may claim a corporate tax
8 credit up to a maximum of ten percent of the new
9 investment which is directly related to new jobs
10 created by the location or expansion of an eligible
11 business under the program. Any credit in excess of
12 the tax liability for the tax year may be credited to
13 the tax liability for the following seven years or
14 until depleted, whichever occurs earlier. Subject to
15 prior approval by the department of economic
16 development in consultation with the department of
17 revenue and finance, an eligible business whose
18 project primarily involves the production of value-
19 added agricultural products may elect to refund all or
20 a portion of an unused tax credit. The refund may be
21 used against a tax liability imposed under chapter
22 422, division II, III, or V. If the business is a
23 partnership, subchapter S corporation, limited
24 liability company, or estate or trust electing to have
25 the income taxed directly to the individual, an
26 individual may claim the tax credit allowed. The
27 amount claimed by the individual shall be based upon
28 the pro rata share of the individual's earnings of the
29 partnership, subchapter S corporation, limited
30 liability company, or estate or trust. For purposes
31 of this section, "new investment directly related to
32 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
36 use in the operation of the eligible business, the
37 purchase price of which has been depreciated in
38 accordance with generally accepted accounting
39 principles, and the cost of improvements made to real
40 property which is used in the operation of the
41 eligible business and which receives a partial
42 property tax exemption for the actual value added
43 under section 15.332.

44 1A. An eligible business whose project primarily
45 involves the production of value-added agricultural
46 products, that elects to receive a refund of all or a
47 portion of an unused tax credit, shall apply to the
48 department of economic development for tax credit
49 certificates. An eligible business whose project
50 primarily involves the production of value-added

S-5549

-1-

HOUSE FILE 2540

S-5557

1 Amend the amendment, S-5549, to House File 2540, as
2 amended, passed, and reprinted by the House, as
3 follows:

4 1. Page 2, by striking line 50 and inserting the
5 following: "prior to July 1, 2001.

6 c. A business locating or expanding its operations
7 in an enterprise zone located and approved pursuant to
8 this subsection shall agree to pay wages for all full-
9 time employees of at least one hundred percent of the
10 average county wage and provide and pay at least
11 eighty percent of the cost of the standard medical
12 insurance plan for all full-time employees."

By MATT McCOY

S-5557 FILED APRIL 20, 2000

LOST

(A 1297)

HOUSE FILE 2540

S-5558

1 Amend the amendment, S-5549, to House File 2540, as
2 amended, passed, and reprinted by the House, as
3 follows:

4 1. Page 2, by striking line 50 and inserting the
5 following: "prior to July 1, 2001.

6 c. A business locating or expanding its operations
7 in an enterprise zone located and approved pursuant to
8 this subsection shall enter into a good neighbor
9 agreement as defined in section 15A.4."

By MATT McCOY

S-5558 FILED APRIL 20, 2000

LOST

(R 1298)

HOUSE FILE 2540

S-5559

1 Amend the amendment, S-5549, to House File 2540, as
2 amended, passed, and reprinted by the House, as
3 follows:

4 1. Page 2, by striking line 50 and inserting the
5 following: "prior to July 1, 2001.

6 c. An enterprise zone designated under this
7 subsection shall not be located within ten miles of a
8 city with a population of one hundred fifty thousand
9 or more, according to the most recent census."

By MATT McCOY

S-5559 FILED APRIL 20, 2000

WITHDRAWN

P. 1298

SENATE AMENDMENT TO HOUSE FILE 2540

H-9042

1 Amend House File 2540, as amended, passed, and
2 reprinted by the House, as follows:

3 1. By striking page 1, line 1, through page 2,
4 line 7 and inserting the following:

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

7 1. An eligible business may claim a corporate tax
8 credit up to a maximum of ten percent of the new
9 investment which is directly related to new jobs
10 created by the location or expansion of an eligible
11 business under the program. Any credit in excess of
12 the tax liability for the tax year may be credited to
13 the tax liability for the following seven years or
14 until depleted, whichever occurs earlier. Subject to
15 prior approval by the department of economic
16 development in consultation with the department of
17 revenue and finance, an eligible business whose
18 project primarily involves the production of value-
19 added agricultural products may elect to refund all or
20 a portion of an unused tax credit. The refund may be
21 used against a tax liability imposed under chapter
22 422, division II, III, or V. If the business is a
23 partnership, subchapter S corporation, limited
24 liability company, or estate or trust electing to have
25 the income taxed directly to the individual, an
26 individual may claim the tax credit allowed. The
27 amount claimed by the individual shall be based upon
28 the pro rata share of the individual's earnings of the
29 partnership, subchapter S corporation, limited
30 liability company, or estate or trust. For purposes
31 of this section, "new investment directly related to
32 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
36 use in the operation of the eligible business, the
37 purchase price of which has been depreciated in
38 accordance with generally accepted accounting
39 principles, and the cost of improvements made to real
40 property which is used in the operation of the
41 eligible business and which receives a partial
42 property tax exemption for the actual value added
43 under section 15.332.

44 1A. An eligible business whose project primarily
45 involves the production of value-added agricultural
46 products, that elects to receive a refund of all or a
47 portion of an unused tax credit, shall apply to the
48 department of economic development for tax credit
49 certificates. An eligible business whose project
50 primarily involves the production of value-added

H-9042

H-9042

Page 2

1 agricultural products shall not claim a tax credit
2 under this section unless a tax credit certificate
3 issued by the department of economic development is
4 attached to the taxpayer's tax return for the tax year
5 during which the tax credit is claimed. A tax credit
6 certificate shall not be valid until the tax year
7 following the date of the project completion. A tax
8 credit certificate shall contain the taxpayer's name,
9 address, tax identification number, the date of
10 project completion, the amount of the tax credit,
11 other information required by the department of
12 revenue and finance. The department of economic
13 development shall not issue tax credit certificates
14 which total more than four million dollars during a
15 fiscal year. If the department receives applications
16 for tax credit certificates in excess of four million
17 dollars, the applicants shall receive certificates for
18 a prorated amount. The tax credit certificates shall
19 not be transferred."

20 2. Page 2, line 27, by striking the words "which
21 a" and inserting the following: "which an insurance
22 premium".

23 3. Page 2, line 28, by striking the word "income"
24 and inserting the following: "insurance premium".

25 4. Page 3, by inserting after line 12 the
26 following:

27 "Sec. ____ . Section 15E.192, Code 1999, is amended
28 by adding the following new subsection:

29 NEW SUBSECTION. 2A. a. A county may designate an
30 enterprise zone within an area located in one or more
31 contiguous census tracts or other geographic units of
32 the county that meets at least two of the following
33 distress criteria:

34 (1) The area has a per capita income of nine
35 thousand six hundred dollars or less based according
36 to the 1990 census.

37 (2) The area has a family poverty rate of twelve
38 percent or more according to the 1990 census.

39 (3) Ten percent or more of the housing units in
40 the area are vacant.

41 (4) The valuations of each class of property in
42 the designated area of the census tract is seventy-
43 five percent or less of the countywide average for
44 that classification based upon the most recent
45 valuations for property tax purposes.

46 (5) The area is a blighted area, as defined in
47 section 403.17.

48 b. The department shall not approve more than five
49 enterprise zones designated under this subsection
50 prior to July 1, 2001."

H-9042

-2-

H-9042

Page 3

- 1 5. Page 4, by striking lines 3 through 7 and
2 inserting the following:
3 "NEW PARAGRAPH. e. Information showing the total
4 costs and sources of project financing that will be
5 utilized for the new investment directly related to
6 housing for which the business is seeking approval for
7 a tax credit provided in subsection 6, paragraph "a."
8 6. Page 4, by inserting after line 29 the
9 following:
10 "Sec. 3. Section 15E.193B, Code 1999, is amended
11 by adding the following new subsection:
12 NEW SUBSECTION. 9. The amount of the tax credits
13 determined pursuant to section 15E.193B, subsection 6,
14 paragraph "a", for each project shall be approved by
15 the department of economic development. The
16 department shall utilize the financial information
17 required to be provided under section 15E.193B,
18 subsection 5, paragraph "e", to determine the tax
19 credits allowed for each project. In determining the
20 amount of tax credits to be allowed for a project, the
21 department shall not include the portion of the
22 project cost financed through federal, state, and
23 local government tax credits, grants, and forgivable
24 loans."
25 7. Page 4, line 31, by striking the word
26 "subsections" and inserting the following:
27 "subsection".
28 8. By striking page 4, line 32, through page 5,
29 line 14.
30 9. By striking page 5, line 31, through page 8,
31 line 22.
32 10. Page 8, line 25, by striking the word and
33 figures "6, and 10" and inserting the following: "and
34 6".
35 11. Page 8, line 27, by inserting after the word
36 "date." the following: "Section 1 of this Act takes
37 effect July 1, 2001, and applies to tax years
38 beginning on or after that date."
39 12. By renumbering as necessary.

RECEIVED FROM THE SENATE

H-9042 FILED APRIL 20, 2000

House Concurred
4-24-00
(P. 1726)

**HOUSE FILE 2540
FISCAL NOTE**

A fiscal note for **House File 2540 as passed by the House** 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 2540 as passed by the House expands the areas of the State eligibility for enterprise zone designation, allows banks and nonprofits to receive enterprise zone housing tax incentives, restricts the percentage of government tax credits and grants that can be used to finance an enterprise zone tax credit project, and makes corporate investment tax credits under the New Jobs and Income Program refundable for projects involving value-added agriculture. The Bill also allows insurance companies to receive investment tax credits for land and existing buildings purchased as part of a qualifying business expansion.

ASSUMPTIONS

1. Under current law, value-added agriculture companies are only able to utilize 60.0% of the investment tax credit available under the New Jobs and Income and Enterprise Zone Programs (\$2,760,000).
2. House File 2540 as passed by the House would allow companies to receive a discounted refund for the other 40.0% of the tax credits. The discounted value would be \$1.0 million per year.
3. Restricting the percentage of government funds allowed in a enterprise zone housing tax credit project will not significantly decrease the General Fund cost of that tax credit, because although many projects are financed with State, local, and federal tax credits and grants, the percentage only rarely reaches the 80.0% threshold established in the Bill.
4. Due to timing issues, the fiscal impact of most of the enterprise zone expansion and tax credit changes would not occur until FY 2002.

FISCAL IMPACT

Expanding enterprise zone eligibility and making certain unused investment tax credits refundable would decrease General Fund revenues by \$0.8 million in FY 2001 and \$2.6 million in FY 2002. For the eight fiscal year period of 2001 through 2008, the General Fund revenue reduction would be \$22.7 million.

	<u>General Fund Revenue Impact FY 2001</u>	<u>General Fund Revenue Impact FY 2002</u>	<u>Revenue Impact Over Eight Fiscal Years</u>
Zone Expansion (Non-housing)	\$ -0.0 million	\$ -0.5 million	\$ -5.7 million
Zone Expansion (Housing)	-0.0 million	-0.3 million	-4.4 million
Banks and Non-profits	-0.5 million	-0.5 million	-3.6 million
Value-Added Refundability	-0.0 million	-1.0 million	-8.1 million

-2-

Insurance Company Land	<u>-0.3 million</u>	<u>-0.3 million</u>	<u>-0.9 million</u>
	<u>\$ -0.8 million</u>	<u>\$ -2.6 million</u>	<u>\$-22.7 million</u>

SOURCE

Department of Economic Development

(LSB 6055HZ.2, JWR)

FILED APRIL 12, 2000

BY DENNIS PROUTY, FISCAL DIRECTOR

**HOUSE FILE 2540
FISCAL NOTE****REQUESTED BY:
SENATOR JOHNSON**

A fiscal note for House File 2540 as amended by S-5414 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 2540 as amended by S-5414 (Senate Ways and Means Amendment) allows the Department of Economic Development to designate up to five enterprise zones for value-added agriculture, allows distressed area enterprise zone designations for significant plant closings, allows banks and nonprofits to receive enterprise zone housing tax incentives, and prohibits housing enterprise zone investment tax credits for the portion of housing projects financed by government tax credits, grants, and forgivable loans. The Bill also allows insurance companies to receive investment tax credits for land and existing buildings purchased as part of a qualifying business expansion.

ASSUMPTIONS

1. The Department will approve two value-added agriculture enterprise zones by the July 1, 2001, deadline. Each zone will be for one company, and that company would not otherwise locate in a current enterprise zone. Neither facility will be operational during FY 2001.
2. Locating in an enterprise zone will allow each company to receive the investment tax credits and job training benefits of the New Jobs and Income Program. Neither company would qualify for the New Jobs and Income Program without the enterprise zone designation.
3. The \$4.0 million annual limit on value-added agriculture investment tax credit certificates contained in SF 2441 (Investment Tax Credit Bill) will be adopted by the 2000 Legislature and become law. The fiscal impact of the investment tax credits allowed under the New Jobs and Income Program for value-added agriculture is contained in that Bill.
4. The workforce of each facility will be trained through the bonding procedures of the Iowa Jobs Training Program (260E). Each facility will require the diversion of \$200,000 in income tax revenues each year for eight years to repay the job training bonds.
5. Allowing banks and non-profits to receive housing investment tax credits will have a negative fiscal impact on the State General Fund, while restricting the tax credit to non-government equity will have a positive impact. These two impacts will offset.
6. Allowing enterprise zone designations for significant plant closings will allow one additional zone every two years.
7. Due to timing issues, the fiscal impact of most of the enterprise zone expansion and tax credit changes would not occur until FY 2002.

FISCAL IMPACT

Expanding enterprise zone eligibility to include the locations of certain plant closings and value-added agriculture areas, allowing insurance companies to

-2-

receive a 10.0% investment tax credit, and altering the eligibility for housing investment tax credits will decrease General Fund revenues by \$0.3 million in FY 2001 and \$0.7 million in FY 2002. For the eight fiscal year period of 2001 through 2008, the General Fund revenue reduction would be \$6.7 million.

	<u>General Fund Revenue Impact FY 2001</u>	<u>General Fund Revenue Impact FY 2002</u>	<u>Revenue Impact Over Eight Fiscal Years</u>
Zone Expansion-Closings	\$ -0.0 million	\$ -0.2 million	\$ -3.0 million
Value Added-Job Training	-0.0 million	-0.2 million	-2.8 million
Banks and Non-profits	-0.5 million	-0.5 million	-3.6 million
Housing Government Funds	0.5 million	0.5 million	3.6 million
Insurance Company Land	-0.3 million	-0.3 million	-0.9 million
	<u>\$ -0.3 million</u>	<u>\$ -0.7 million</u>	<u>\$ -6.7 million</u>

SOURCE

Department of Economic Development

(LSB 6055HZ.3, JWR)

FILED APRIL 18, 2000

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 2540

AN ACT
RELATING TO ECONOMIC DEVELOPMENT PROGRAMS AND RELATED TAX
CREDITS AND INCLUDING EFFECTIVE AND RETROACTIVE APPLICABILITY
DATE PROVISIONS.

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

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

1. An eligible business may claim a corporate tax credit up to a maximum of ten percent of the new investment which is 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. Subject to prior approval by the department of economic development in consultation with the department of revenue and finance, an eligible business whose project primarily involves the production of value-added agricultural products may elect to refund all or a portion of an unused tax credit. The refund may be used against a tax liability imposed under chapter 422, division II, III, or V. If the business is a partnership, subchapter S corporation, limited liability company, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, subchapter S corporation, limited liability company, or estate or trust. 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.

1A. An eligible business whose project primarily involves the production of value-added agricultural products, that elects to receive a refund of all or a portion of an unused tax credit, shall apply to the department of economic development for tax credit certificates. An eligible business whose project primarily involves the production of value-added agricultural products shall not claim a tax credit under this section unless a tax credit certificate issued by the department of economic development is attached to the taxpayer's tax return for the tax year during which the tax credit is claimed. A tax credit certificate shall not be valid until the tax year following the date of the project completion. A tax credit certificate shall contain the taxpayer's name, address, tax identification number, the date of project completion, the amount of the tax credit, other information required by the department of revenue and finance. The department of economic development shall not issue tax credit certificates which total more than four million dollars during a fiscal year. If the department receives applications for tax credit certificates in excess of four million dollars, the applicants shall receive certificates for a prorated amount. The tax credit certificates shall not be transferred.

Sec. 2. Section 15.333A, subsection 1, unnumbered paragraph 2, Code 1999, is amended to read as follows:

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 45.332.~~

For purposes of this section, the purchase price of real property and any buildings and structures located on the real property is considered a new investment in the location or expansion of an eligible business. However, if within five years of purchase, the eligible business sells, disposes of, razes, or otherwise renders unusable all or a part of the land, buildings, or other existing structures for which an insurance premium tax credit was claimed under this section, the insurance premium tax liability of the eligible business for the year in which all or part of the property is sold, disposed of, razed, or otherwise rendered unusable shall be increased by one of the following amounts:

- a. One hundred percent of the tax credit claimed under this section if the property ceases to be eligible for the tax credit within one year after being placed in service.
- b. Eighty percent of the tax credit claimed under this section if the property ceases to be eligible for the tax credit within two years after being placed in service.
- c. Sixty percent of the tax credit claimed under this section if the property ceases to be eligible for the tax credit within three years after being placed in service.
- d. Forty percent of the tax credit claimed under this section if the property ceases to be eligible for the tax credit within four years after being placed in service.
- e. Twenty percent of the tax credit claimed under this section if the property ceases to be eligible for the tax credit within five years after being placed in service.

Sec. 3. Section 15E.192, Code 1999, is amended by adding the following new subsection:

NEW SUBSECTION. 2A. a. A county may designate an enterprise zone within an area located in one or more contiguous census tracts or other geographic units of the county that meets at least two of the following distress criteria:

- (1) The area has a per capita income of nine thousand six hundred dollars or less based according to the 1990 census.
- (2) The area has a family poverty rate of twelve percent or more according to the 1990 census.
- (3) Ten percent or more of the housing units in the area are vacant.
- (4) The valuations of each class of property in the designated area of the census tract is seventy-five percent or less of the countywide average for that classification based upon the most recent valuations for property tax purposes.
- (5) The area is a blighted area, as defined in section 403.17.

b. The department shall not approve more than five enterprise zones designated under this subsection prior to July 1, 2001.

Sec. 4. Section 15E.192, subsection 3, Code 1999, is amended to read as follows:

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

Sec. 5. Section 15E.193B, subsection 2, Code 1999, is amended to read as follows:

2. An eligible housing business under this section includes a housing developer, or housing contractor, or nonprofit organization that builds or rehabilitates a minimum

of four single-family homes with a value, after completion of the building or rehabilitation, not exceeding one hundred twenty thousand dollars for each home located in that part of a city or county in which there is a designated enterprise zone or one multiple dwelling unit building containing three or more individual dwelling units with a total value per unit, after completion of the building or rehabilitation, not exceeding one hundred twenty thousand dollars located in that part of a city or county in which there is a designated enterprise zone.

Sec. 6. Section 15E.193B, subsection 5, Code 1999, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. Information showing the total costs and sources of project financing that will be utilized for the new investment directly related to housing for which the business is seeking approval for a tax credit provided in subsection 6, paragraph "a".

Sec. 7. Section 15E.193B, subsection 6, paragraph a, Code 1999, is amended to read as follows:

a. An eligible housing business may claim an income tax credit up to a maximum of ten percent of the new investment which is directly related to the building or rehabilitating of a minimum of four single-family homes located in that part of a city or county in which there is a designated enterprise zone or one multiple dwelling unit building containing three or more individual dwelling units located in that part of a city or county in which there is a designated enterprise zone. The tax credit may be used to reduce the tax liability imposed under chapter 422, division II, III, or V. 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. If the business is a partnership, subchapter S corporation, limited liability company, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax

credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, subchapter S corporation, limited liability company, or estate or trust.

Sec. 8. Section 15E.193B, Code 1999, is amended by adding the following new subsection:

NEW SUBSECTION. 9. The amount of the tax credits determined pursuant to section 15E.193B, subsection 6, paragraph "a", for each project shall be approved by the department of economic development. The department shall utilize the financial information required to be provided under section 15E.193B, subsection 5, paragraph "e", to determine the tax credits allowed for each project. In determining the amount of tax credits to be allowed for a project, the department shall not include the portion of the project cost financed through federal, state, and local government tax credits, grants, and forgivable loans.

Sec. 9. Section 15E.194, Code 1999, is amended by adding the following new subsection:

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

House File 2540, p. 7

Sec. 10. EFFECTIVE AND APPLICABILITY DATES. This Act, being deemed of immediate importance, takes effect upon enactment. Sections 5, 6, and 7 of this Act apply retroactively to January 1, 2000, for tax years beginning on or after that date. Section 1 of this Act takes effect July 1, 2001, and applies to tax years beginning on or after that date.

BRENT SIEGRIST
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 2540, Seventy-eighth General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved 5/26, 2000

THOMAS J. VILSACK
Governor