

Sukup  
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HSB 760

WAYS AND MEANS

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2564

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON VAN FOSSEN)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act establishing a community development program to aid  
2 certain neighborhoods and communities and providing tax  
3 credits for income tax, franchise tax, and premiums tax for  
4 businesses contributing to community development projects and  
5 including an effective and retroactive applicability date  
6 provisions.

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

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1 Section 1. NEW SECTION. 15.380 SHORT TITLE.

2 This part shall be known as and may be cited as the  
3 "Community Development Program Act".

4 Sec. 2. NEW SECTION. 15.381 DEFINITIONS.

5 As used in this part, unless the context otherwise  
6 requires:

7 1. "Business" means all businesses operating within the  
8 state and includes individuals operating a sole proprietorship  
9 or having rental, royalty, or farm income in this state.

10 2. "Community services" means, but is not limited to,  
11 individual, group, and family counseling; mental health  
12 services; primary care and community medical health centers;  
13 child and adult care services; senior citizen service centers;  
14 recreation programs; nutrition programs; emergency shelters  
15 for persons suffering from physical abuse or rape; services  
16 for the handicapped; sheltered workshops, vocational  
17 counseling; substance abuse counseling; and referral services.

18 3. "Contribution" includes cash, material or supplies,  
19 real estate, labor, professional services, technical  
20 assistance, or equipment. "Contribution" does not include  
21 investments made by a financial institution or insurance  
22 company in the normal course of its business.

23 4. "Crime prevention" means activities which include but  
24 are not limited to services to ex-offenders, local civilian  
25 organizations that help prevent crime or provide aid to  
26 victims of crime, mediation services aimed at resolving  
27 disputes and conflicts before they become criminal incidents,  
28 or services to juveniles who have had contact with the court  
29 or police.

30 5. "Distressed or blighted area" means an area designated  
31 or that qualifies under section 15E.194 to be designated an  
32 enterprise zone pursuant to chapter 15E, division XVIII,  
33 designated as a slum or blighted area pursuant to chapter 403,  
34 or designated as a revitalization area pursuant to chapter  
35 404.

1 6. "Economic development" means the acquisition,  
2 renovation, improvement, or the furnishing or equipping of  
3 existing buildings and real estate in distressed or blighted  
4 areas of the state when this acquisition, renovation,  
5 improvement, or the furnishing or equipping of the existing  
6 buildings and real estate will result in the creation or  
7 retention of jobs within the state.

8 7. "Education" includes literacy programs, adult basic  
9 education and general educational development certificate  
10 programs, training for the physically or mentally challenged,  
11 and education for a person disenfranchised by public primary  
12 or secondary school systems.

13 8. "Job training" means those activities which provide  
14 specific vocational skills including special apprenticeship or  
15 on-the-job training programs not otherwise available.

16 9. "Neighborhood area" means a specific geographic area  
17 certified by the department as having a readily identifiable  
18 residential population and which may include, but is not  
19 limited to, any of the following factors:

20 a. A sense of belonging or identity that ties residents to  
21 a given area.

22 b. Social, cultural, political, or economic activities  
23 around which people organize themselves.

24 c. The existence of cohesive organizations formed by  
25 residents.

26 d. A city with a population of less than ten thousand or a  
27 region within a rural area may be certified as a neighborhood  
28 area.

29 e. A history of acting or being treated as a distinct or  
30 cohesive unit.

31 10. a. "Qualifying organization" means an organization  
32 performing community services or economic development  
33 activities in the state and is any of the following:

34 (1) A person or organization that is exempt from federal  
35 income taxation under the Internal Revenue Code as defined in

1 section 422.3.

2 (2) A nonprofit corporation organized under the laws of  
3 this state.

4 (3) Designated as a community development corporation by  
5 the federal government pursuant to, Title VII of the Economic  
6 Opportunity Act of 1964, Pub. L. No. 88-452.

7 b. "Qualifying organization" does not include any of the  
8 following:

9 (1) A unit or agency of the state, local government, or  
10 educational institution.

11 (2) A foundation or trust of a postsecondary educational  
12 institution.

13 (3) A church-affiliated religious organization unless the  
14 organization is without religious discrimination or is not  
15 controlled by a single denomination.

16 11. "Physical revitalization" means activities designed  
17 for the physical improvement of any part or all of a  
18 neighborhood area. These activities may include, but are not  
19 limited to, such programs as commercial area revitalization;  
20 housing construction or rehabilitation; improvements to or  
21 acquisition or construction of facilities used by nonprofit  
22 organizations for community purposes or related planning and  
23 promotional activities designed to aid in those programs.

24 Sec. 3. NEW SECTION. 15.382 COMMUNITY DEVELOPMENT TAX  
25 CREDITS -- APPROVAL OF PROJECTS AND PROPOSALS.

26 1. TAX CREDITS. A business which engages in the  
27 activities of providing physical revitalization, economic  
28 development, job training or education for individuals,  
29 community services, or crime prevention in the state shall  
30 receive a community development tax credit as provided in  
31 section 15.383 if the director annually approves the proposal  
32 of the business. However, a proposal shall not be approved  
33 which does not have the endorsement of the agency of local  
34 government within the area in which the business is engaging  
35 in such activities that the proposal is consistent with the

1 overall community or neighborhood development plan adopted by  
2 that local government.

3 2. ECONOMIC DEVELOPMENT PROJECTS. For economic  
4 development projects in distressed or blighted areas for which  
5 tax credits under this part may be approved, the following  
6 guidelines apply:

7 a. Applications shall be accepted from any locally based  
8 qualifying organization wishing to conduct an economic  
9 development project in a distressed or blighted area.

10 b. Applicants may not administer more than one economic  
11 development project at a time. A project may include more  
12 than one building, provided that the proposal meets all other  
13 eligibility requirements as set forth in this subsection and  
14 rules of the department.

15 c. Applications will be accepted by the department at any  
16 time of the year and will be approved on a case-by-case basis  
17 as all the necessary requirements are met and as credits  
18 become available.

19 d. A maximum authorization of five hundred thousand  
20 dollars in tax credits will be permitted per project and no  
21 more than five percent of the credits authorized for the  
22 project shall normally be allowed for administrative and  
23 operating expenses. In unusual circumstances, a higher  
24 percentage may be allowed at the discretion of the department.

25 e. Applicants must obtain a nonbinding commitment from a  
26 prospective business or businesses willing to locate to the  
27 facility and demonstrate that at least one job will be created  
28 or retained for every ten thousand dollars in credits  
29 requested. Eligible types of businesses include retail,  
30 commercial, service, and manufacturing.

31 f. Applicants must agree to retain ownership of all  
32 properties acquired under this part for a minimum of five  
33 years and agree to contractual conditions with the department  
34 governing the use or eventual disposition, or both, of those  
35 properties. Contract conditions shall include, but are not

1 limited to, lease terms and arrangements for the first five  
2 years, and a clause stipulating that the eventual purchase  
3 price will be no less than seventy-five percent of the fair  
4 market value of the facility, excluding the value of leasehold  
5 improvements.

6 3. COMMUNITY DEVELOPMENT PROJECTS. For community  
7 development projects, other than economic development  
8 projects, for which tax credits under this part may be  
9 approved, the following procedures, criteria, and priorities  
10 apply:

11 a. A proposal for a proposed program shall be submitted by  
12 a qualifying organization for carrying out a specific project  
13 consistent with the purposes of this part.

14 b. All proposals shall be made on the forms supplied by  
15 the department. Each proposal shall contain a project budget  
16 and shall identify, if possible, the items and amounts of the  
17 budget which will be provided for from contributions for any  
18 business. A project budget shall be approved by the  
19 department. The department may request any additional  
20 information it determines necessary to evaluate a proposal or  
21 plan.

22 c. Community development projects and the budgets for them  
23 may be approved for a period of up to three years at the  
24 discretion of the director.

25 d. An annual application deadline shall be determined by  
26 the department and application materials shall be distributed  
27 upon request no less than sixty days prior to the actual  
28 application deadline.

29 e. All proposals must address at least one of the  
30 following priorities in order to qualify for approval:

31 (1) The project substantially contributes to self-help  
32 efforts by residents of the neighborhood area to be served in  
33 addressing locally defined objectives.

34 (2) The project will result in the provision of essential  
35 services to low-income and moderate-income persons which would

1 not otherwise be provided in the affected neighborhood area  
2 and for which there are not other resources.

3 (3) The project tangibly contributes to the development of  
4 lasting cooperation and partnership efforts of neighborhood  
5 organizations and businesses.

6 f. Approval or disapproval of proposals shall be based on  
7 the following criteria:

8 (1) The director must certify an area as experiencing  
9 problems endangering the area's existence as a viable and  
10 stable neighborhood to be eligible for assistance.

11 (2) The business or qualifying organization submitting the  
12 proposal must demonstrate its capacity to adequately  
13 administer the project.

14 (3) There must be a demonstrated need for the program in  
15 the neighborhood area within which the project is to be  
16 carried out.

17 (4) The proposal must demonstrate that residents of the  
18 affected neighborhood area have been involved in the planning  
19 of the proposed project and describe the extent to which they  
20 will be involved in its implementation.

21 (5) The proposal must be consistent with all locally  
22 approved community or neighborhood development plans for the  
23 area.

24 (6) Proposals submitted subsequent to the first year will  
25 be evaluated on performance of the first-year project, other  
26 resources developed, continued need, and potential for  
27 eventual self-sufficiency.

28 g. In no case shall a project be approved that does not  
29 have a written endorsement of the appropriate local public  
30 authority.

31 h. The maximum amount of credits allowed per project is  
32 five hundred thousand dollars.

33 i. For purposes of the criterion in paragraph "f",  
34 subparagraph (1), an area is experiencing problems endangering  
35 its existence as a viable and stable neighborhood if some of

1 the following factors are present: declining population, high  
2 percentage of people dependent on public assistance,  
3 persistent or substantial unemployment or underemployment,  
4 lower than average family incomes, financial disinvestment,  
5 insurance and financial redlining, general weakened market  
6 conditions on the neighborhood commercial strip as indicated  
7 by declining rents or vacant stores, excessive abandonment of  
8 properties, a significant percentage of neighborhood residents  
9 on fixed incomes, unsanitary or inadequate housing,  
10 overcrowding, property speculation, high rates of crime and  
11 delinquency, high degree of drug or alcohol abuse, increasing  
12 cases of mental health problems, significant numbers of  
13 single-parent households, high degree of infant mortality and  
14 disease, disabilities, general unsanitary conditions in the  
15 area, or poor city and public utility services.

16 4. TAX CREDIT APPLICATION.

17 a. The department shall approve or disapprove applications  
18 for tax credits to businesses which have invested in approved  
19 economic development projects or other community development  
20 projects. The director, upon approval of an application,  
21 shall notify the director of revenue and finance and the  
22 governor of those businesses entitled to a tax credit.

23 b. The procedures and requirements for filing a tax credit  
24 application are as follows:

25 (1) Businesses wanting to donate to a particular community  
26 development project, but first wishing to verify the  
27 eligibility of the donation for a tax credit, may submit a tax  
28 credit eligibility confirmation form to the department. The  
29 department will confirm in writing whether or not the donation  
30 qualifies for credit and how the value of the credit will be  
31 determined. This confirmation will not constitute credit  
32 approval. However, the qualifying organization for the  
33 project may reserve credits for specific donors.

34 (2) In order to qualify for credit, donations must occur  
35 during the approved project period with the exception of



1 donated audit services, which may occur anytime during the  
2 six-month period following the project period, and must be  
3 directly related to the approved project.

4 (3) Businesses wishing to apply for credit must complete a  
5 community development tax credit application.

6 (4) Tax credit applications are to be signed by the  
7 qualifying organization and submitted directly to the  
8 department not later than one year following the date of  
9 donation.

10 (5) The order in which completed credit applications are  
11 received by the department will determine the order in which  
12 credits are approved. Facsimile copies will not be considered  
13 completed applications.

14 (6) Every transmittal of tax credit applications to the  
15 department must be accompanied by a project report prepared by  
16 the qualifying organization.

17 (7) The department shall examine all submitted  
18 applications and determine which donations meet the  
19 eligibility criteria.

20 c. The department shall establish by rule the methods to  
21 be used in determining the value of contributions of a  
22 business.

23 Sec. 4. NEW SECTION. 15.383 TAX CREDITS --  
24 DOCUMENTATION.

25 1. For a tax credit application approved pursuant to  
26 section 15.382, the community development tax credit available  
27 under this part may be used to reduce the tax liability  
28 imposed under chapter 422, division II, III, or V, or chapter  
29 432.

30 2. Subject to subsections 3 and 5, the amount of the  
31 community development tax credit shall be a percentage of the  
32 contribution made by the business during the tax year as  
33 follows:

34 a. Fifty percent of the total amount contributed, except  
35 as provided in paragraph "b" or "c".

1 b. Seventy-five percent of the contributions made to  
2 programs where activities fall within the scope of special  
3 program priorities as defined with the approval of the  
4 governor in rules adopted by the department.

5 c. Seventy-five percent of the contributions made to  
6 programs in any city which has a population of fifteen  
7 thousand or less as of the last decennial census and is  
8 located in a county which is located in one of the following:

9 (1) An area that is not part of a standard metropolitan  
10 statistical area as defined by the United States department of  
11 commerce.

12 (2) A standard metropolitan statistical area but the  
13 county has only one city which has more than fifteen thousand  
14 inhabitants.

15 (3) A standard metropolitan statistical area and a  
16 substantial number of persons in the county derive their  
17 income from agriculture.

18 3. a. The tax credit shall not exceed one hundred  
19 thousand dollars annually.

20 b. Any tax credit in excess of the business' tax liability  
21 for a tax year may be credited to the tax liability for the  
22 following five tax years or until depleted, whichever is the  
23 earlier.

24 c. A financial institution or insurance company shall not  
25 receive a tax credit for activities that are part of its  
26 normal course of business.

27 d. To be eligible to receive the tax credit, a business  
28 shall provide documentation of the contributions on which the  
29 credit is based. The documentation shall be as specified by  
30 rules of the department.

31 4. For purposes of subsection 2, paragraph "b",  
32 contributions made to special program priorities are those  
33 made to a community development program which has been  
34 approved by the director and which is carried out in a  
35 specific impoverished urban neighborhood by an organization

1 controlled by residents of that area. For purposes of this  
 2 special program priority, "impoverished urban neighborhood"  
 3 means a specific geographic area within a standard  
 4 metropolitan statistical area where the median income is  
 5 eighty percent or less of the median income of the entire  
 6 standard metropolitan statistical area; and "controlled by  
 7 residents" means having a board of directors, of which at  
 8 least fifty-one percent of its members are residents of the  
 9 specific neighborhood where the project is to be carried out,  
 10 who are selected through a democratic process open to all  
 11 residents of the neighborhood. Application for approval of  
 12 proposals for this special program priority shall be made  
 13 according to rules adopted by the department.

14 5. The total amount of tax credits that may be approved  
 15 pursuant to this part shall not exceed three million dollars  
 16 in any fiscal year. Not more than seven hundred fifty  
 17 thousand dollars in tax credits in a fiscal year shall be  
 18 approved for the seventy-five percent of contributions credits  
 19 under subsection 2, paragraphs "a" and "b". When this maximum  
 20 dollar amount in tax credits is approved, subsequent requests  
 21 for tax credits pursuant to subsection 2, paragraphs "a" and  
 22 "b", may only be approved for fifty percent of the amount of  
 23 the contributions.

24 Sec. 5. NEW SECTION. 422.11C COMMUNITY DEVELOPMENT TAX  
 25 CREDIT.

26 The taxes imposed under this division, less the credits  
 27 allowed under sections 422.12 and 422.12B, shall be reduced by  
 28 a community development tax credit received pursuant to  
 29 sections 15.380 through 15.383.

30 An individual may claim the community development tax  
 31 credit allowed a partnership, limited liability company, S  
 32 corporation, or estate or trust electing to have the income  
 33 taxed directly to the individual. The amount claimed by the  
 34 individual shall be based upon the pro rata share of the  
 35 individual's earnings of the partnership, limited liability

1 company, S corporation, or estate or trust.

2 Any credit in excess of the tax liability for the tax year  
3 may be credited to the tax liability for the following five  
4 tax years or until depleted, whichever is earlier.

5 Sec. 6. Section 422.33, Code Supplement 1999, is amended  
6 by adding the following new subsection:

7 NEW SUBSECTION. 9. The taxes imposed under this division  
8 shall be reduced by a community development tax credit  
9 received pursuant to sections 15.380 through 15.383.

10 Any credit in excess of the tax liability for the tax year  
11 may be credited to the tax liability for following five tax  
12 years or until depleted, whichever is earlier.

13 Sec. 7. Section 422.60, Code 1999, is amended by adding  
14 the following new subsection:

15 NEW SUBSECTION. 4. The taxes imposed under this division  
16 shall be reduced by a community development tax credit  
17 received pursuant to sections 15.380 through 15.383.

18 Any credit in excess of the tax liability for the tax year  
19 may be credited to the tax liability for the following five  
20 tax years or until depleted, whichever is earlier.

21 Sec. 8. NEW SECTION. 432.12A COMMUNITY DEVELOPMENT TAX  
22 CREDIT.

23 The tax imposed under this chapter shall be reduced by a  
24 community development tax credit received pursuant to sections  
25 15.380 through 15.383.

26 Any credit in excess of the tax liability for the calendar  
27 year may be credited to the tax liability for the following  
28 five calendar years or until depleted, whichever is earlier.

29 Sec. 9. EFFECTIVE AND APPLICABILITY DATE. This Act, being  
30 deemed of immediate importance, takes effect upon enactment.  
31 Sections 5 through 8 apply retroactively to January 1, 2000,  
32 for tax years beginning on or after that date.

33 EXPLANATION

34 This bill establishes a community development program  
35 administered by the department of economic development. The

HSB 760

1 program is to provide tax incentives to businesses which make  
2 contributions to projects in communities or neighborhoods that  
3 would benefit by these projects. The projects involve the  
4 providing of physical revitalization, economic development,  
5 job training or education for individuals, community services,  
6 and crime prevention. Community services projects include  
7 projects providing for group and family counseling, mental  
8 health services and centers, child and adult care, senior  
9 citizen centers, recreation programs, sheltered workshops, and  
10 substance abuse counseling.

11 The tax incentives are provided in the form of tax credits  
12 which may be used to offset the tax liability under the  
13 individual and corporate taxes, financial institution  
14 franchise tax, and the insurance premiums tax. The amount of  
15 the credit, subject to limitation, equals 50 percent, or 75  
16 percent in depressed areas, of the contributions made by the  
17 business to the project. Not more than \$500,000 in tax  
18 credits may be allowed for any one project. The maximum  
19 amount of credit a business may receive for a project is  
20 \$100,000. Projects and tax credits associated with the  
21 projects must be approved by the department of economic  
22 development. The total amount of tax credits that may be  
23 approved in a fiscal year shall not exceed \$3 million.

24 The bill takes effect upon enactment and the tax credit  
25 provisions apply retroactively to January 1, 2000, for tax  
26 years beginning on or after that date.

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(SUCCESSOR TO HSB 760)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
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HF 2564

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6 3. COMMUNITY DEVELOPMENT PROJECTS. For community  
7 development projects, other than economic development  
8 projects, for which tax credits under this part may be  
9 approved, the following procedures, criteria, and priorities  
10 apply:

11 a. A proposal for a proposed program shall be submitted by  
12 a qualifying organization for carrying out a specific project  
13 consistent with the purposes of this part.

14 b. All proposals shall be made on the forms supplied by  
15 the department. Each proposal shall contain a project budget  
16 and shall identify, if possible, the items and amounts of the  
17 budget which will be provided for from contributions for any  
18 business. A project budget shall be approved by the  
19 department. The department may request any additional  
20 information it determines necessary to evaluate a proposal or  
21 plan.

22 c. Community development projects and the budgets for them  
23 may be approved for a period of up to three years at the  
24 discretion of the director.

25 d. An annual application deadline shall be determined by  
26 the department and application materials shall be distributed  
27 upon request no less than sixty days prior to the actual  
28 application deadline.

29 e. All proposals must address at least one of the  
30 following priorities in order to qualify for approval:

31 (1) The project substantially contributes to self-help  
32 efforts by residents of the neighborhood area to be served in  
33 addressing locally defined objectives.

34 (2) The project will result in the provision of essential  
35 services to low-income and moderate-income persons which would

1 not otherwise be provided in the affected neighborhood area  
2 and for which there are not other resources.

3 (3) The project tangibly contributes to the development of  
4 lasting cooperation and partnership efforts of neighborhood  
5 organizations and businesses.

6 f. Approval or disapproval of proposals shall be based on  
7 the following criteria:

8 (1) The director must certify an area as experiencing  
9 problems endangering the area's existence as a viable and  
10 stable neighborhood to be eligible for assistance.

11 (2) The business or qualifying organization submitting the  
12 proposal must demonstrate its capacity to adequately  
13 administer the project.

14 (3) There must be a demonstrated need for the program in  
15 the neighborhood area within which the project is to be  
16 carried out.

17 (4) The proposal must demonstrate that residents of the  
18 affected neighborhood area have been involved in the planning  
19 of the proposed project and describe the extent to which they  
20 will be involved in its implementation.

21 (5) The proposal must be consistent with all locally  
22 approved community or neighborhood development plans for the  
23 area.

24 (6) Proposals submitted subsequent to the first year will  
25 be evaluated on performance of the first-year project, other  
26 resources developed, continued need, and potential for  
27 eventual self-sufficiency.

28 g. In no case shall a project be approved that does not  
29 have a written endorsement of the appropriate local public  
30 authority.

31 h. The maximum amount of credits allowed per project is  
32 one hundred fifty thousand dollars.

33 i. For purposes of the criterion in paragraph "f",  
34 subparagraph (1), an area is experiencing problems endangering  
35 its existence as a viable and stable neighborhood if some of

1 the following factors are present: declining population, high  
2 percentage of people dependent on public assistance,  
3 persistent or substantial unemployment or underemployment,  
4 lower than average family incomes, financial disinvestment,  
5 insurance and financial redlining, general weakened market  
6 conditions on the neighborhood commercial strip as indicated  
7 by declining rents or vacant stores, excessive abandonment of  
8 properties, a significant percentage of neighborhood residents  
9 on fixed incomes, unsanitary or inadequate housing,  
10 overcrowding, property speculation, high rates of crime and  
11 delinquency, high degree of drug or alcohol abuse, increasing  
12 cases of mental health problems, significant numbers of  
13 single-parent households, high degree of infant mortality and  
14 disease, disabilities, general unsanitary conditions in the  
15 area, or poor city and public utility services.

16 4. TAX CREDIT APPLICATION.

17 a. The department shall approve or disapprove applications  
18 for tax credits to businesses which have invested in approved  
19 economic development projects or other community development  
20 projects. The director, upon approval of an application,  
21 shall notify the director of revenue and finance and the  
22 governor of those businesses entitled to a tax credit.

23 b. The procedures and requirements for filing a tax credit  
24 application are as follows:

25 (1) Businesses wanting to donate to a particular community  
26 development project, but first wishing to verify the  
27 eligibility of the donation for a tax credit, may submit a tax  
28 credit eligibility confirmation form to the department. The  
29 department will confirm in writing whether or not the donation  
30 qualifies for credit and how the value of the credit will be  
31 determined. This confirmation will not constitute credit  
32 approval. However, the qualifying organization for the  
33 project may reserve credits for specific donors.

34 (2) In order to qualify for credit, donations must occur  
35 during the approved project period with the exception of

1 donated audit services, which may occur anytime during the  
2 six-month period following the project period, and must be  
3 directly related to the approved project.

4 (3) Businesses wishing to apply for credit must complete a  
5 community development tax credit application.

6 (4) Tax credit applications are to be signed by the  
7 qualifying organization and submitted directly to the  
8 department not later than one year following the date of  
9 donation.

10 (5) The order in which completed credit applications are  
11 received by the department will determine the order in which  
12 credits are approved. Facsimile copies will not be considered  
13 completed applications.

14 (6) Every transmittal of tax credit applications to the  
15 department must be accompanied by a project report prepared by  
16 the qualifying organization.

17 (7) The department shall examine all submitted  
18 applications and determine which donations meet the  
19 eligibility criteria.

20 c. The department shall establish by rule the methods to  
21 be used in determining the value of contributions of a  
22 business.

23 Sec. 4. NEW SECTION. 15.383 TAX CREDITS --  
24 DOCUMENTATION.

25 1. For a tax credit application approved pursuant to  
26 section 15.382, the community development tax credit available  
27 under this part may be used to reduce the tax liability  
28 imposed under chapter 422, division II, III, or V, or chapter  
29 432.

30 2. Subject to subsections 3 and 5, the amount of the  
31 community development tax credit shall be a percentage of the  
32 contribution made by the business during the tax year as  
33 follows:

34 a. Fifty percent of the total amount contributed, except  
35 as provided in paragraph "b".

1 b. Seventy-five percent of the contributions made to  
2 programs in any city which has a population of fifteen  
3 thousand or less as of the last decennial census and is  
4 located in a county which is located in one of the following:

5 (1) An area that is not part of a metropolitan statistical  
6 area as defined by the United States department of commerce.

7 (2) A metropolitan statistical area but the county has  
8 only one city which has more than fifteen thousand  
9 inhabitants.

10 (3) A metropolitan statistical area and a substantial  
11 number of persons in the county derive their income from  
12 agriculture.

13 3. a. The tax credit shall not exceed one hundred  
14 thousand dollars annually.

15 b. Any tax credit in excess of the business' tax liability  
16 for a tax year may be credited to the tax liability for the  
17 following five tax years or until depleted, whichever is the  
18 earlier.

19 c. A financial institution or insurance company shall not  
20 receive a tax credit for activities that are part of its  
21 normal course of business.

22 d. To be eligible to receive the tax credit, a business  
23 shall provide documentation of the contributions on which the  
24 credit is based. The documentation shall be as specified by  
25 rules of the department.

26 4. The total amount of tax credits that may be approved  
27 pursuant to this part shall not exceed three million dollars  
28 in any fiscal year. Not more than seven hundred fifty  
29 thousand dollars in tax credits in a fiscal year shall be  
30 approved for the seventy-five percent of contributions credits  
31 under subsection 2, paragraph "b". When this maximum dollar  
32 amount in tax credits is approved, subsequent requests for tax  
33 credits pursuant to subsection 2, paragraph "b", may only be  
34 approved for fifty percent of the amount of the contributions.

35 Sec. 5. NEW SECTION. 422.11C COMMUNITY DEVELOPMENT TAX

1 CREDIT.

2 The taxes imposed under this division, less the credits  
3 allowed under sections 422.12 and 422.12B, shall be reduced by  
4 a community development tax credit received pursuant to  
5 sections 15.380 through 15.383.

6 An individual may claim the community development tax  
7 credit allowed a partnership, limited liability company, S  
8 corporation, or estate or trust electing to have the income  
9 taxed directly to the individual. The amount claimed by the  
10 individual shall be based upon the pro rata share of the  
11 individual's earnings of the partnership, limited liability  
12 company, S corporation, or estate or trust.

13 Any credit in excess of the tax liability for the tax year  
14 may be credited to the tax liability for the following five  
15 tax years or until depleted, whichever is earlier.

16 Sec. 6. Section 422.33, Code Supplement 1999, is amended  
17 by adding the following new subsection:

18 NEW SUBSECTION. 9. The taxes imposed under this division  
19 shall be reduced by a community development tax credit  
20 received pursuant to sections 15.380 through 15.383.

21 Any credit in excess of the tax liability for the tax year  
22 may be credited to the tax liability for following five tax  
23 years or until depleted, whichever is earlier.

24 Sec. 7. Section 422.60, Code 1999, is amended by adding  
25 the following new subsection:

26 NEW SUBSECTION. 4. The taxes imposed under this division  
27 shall be reduced by a community development tax credit  
28 received pursuant to sections 15.380 through 15.383.

29 Any credit in excess of the tax liability for the tax year  
30 may be credited to the tax liability for the following five  
31 tax years or until depleted, whichever is earlier.

32 Sec. 8. NEW SECTION. 432.12A COMMUNITY DEVELOPMENT TAX  
33 CREDIT.

34 The tax imposed under this chapter shall be reduced by a  
35 community development tax credit received pursuant to sections



1 15.380 through 15.383.

2 Any credit in excess of the tax liability for the calendar  
3 year may be credited to the tax liability for the following  
4 five calendar years or until depleted, whichever is earlier.

5 Sec. 9. EFFECTIVE AND APPLICABILITY DATE. This Act, being  
6 deemed of immediate importance, takes effect upon enactment.  
7 Sections 5 through 8 of this Act apply to tax years beginning  
8 on or after January 1, 2001.

9 EXPLANATION

10 This bill establishes a community development program  
11 administered by the department of economic development. The  
12 program is to provide tax incentives to businesses which make  
13 contributions to projects in communities or neighborhoods that  
14 would benefit by these projects. The projects involve the  
15 providing of physical revitalization, economic development,  
16 job training or education for individuals, community services,  
17 and crime prevention. Community services projects include  
18 projects providing for group and family counseling, mental  
19 health services and centers, child and adult care, senior  
20 citizen centers, recreation programs, sheltered workshops, and  
21 substance abuse counseling.

22 The tax incentives are provided in the form of tax credits  
23 which may be used to offset the tax liability under the  
24 individual and corporate taxes, financial institution  
25 franchise tax, and the insurance premiums tax. The amount of  
26 the credit, subject to limitation, equals 50 percent, or 75  
27 percent in cities of 15,000 or less in population, of the  
28 contributions made by the business to the project. Not more  
29 than \$150,000 in tax credits may be allowed for any one  
30 project. The maximum amount of credit a business may receive  
31 for a project is \$100,000. Projects and tax credits  
32 associated with the projects must be approved by the  
33 department of economic development. The total amount of tax  
34 credits that may be approved in a fiscal year shall not exceed  
35 \$3 million.

1 The bill takes effect upon enactment and the tax credit  
2 provisions are effective January 1, 2001, for tax years  
3 beginning on or after that date.

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**HOUSE FILE 2564  
FISCAL NOTE**

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A fiscal note for **House File 2564** 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.

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House File 2564 establishes a Community Development Program. The Bill allows individuals, corporations, insurance companies, and banks to receive a tax credit for contributions made to qualified community development projects. The tax credit applications are submitted to and approved by the Department of Economic Development. The maximum amount of tax credits approved in any one fiscal year is limited to \$3.0 million. The Bill is effective upon enactment, however, the first year a tax credit can be used is calendar year 2001.

**ASSUMPTIONS**

1. The Department of Economic Development will not approve projects during FY 2000.
2. The Department of Economic Development will award \$3.0 million in tax credits in FY 2001 and each succeeding fiscal year.
3. Tax withholding and tax estimate payments will not be impacted until after June 30, 2001.

**FISCAL IMPACT**

The estimated General Fund cost of House File 2564 is \$3.0 million per year, beginning in FY 2002.

The Bill does not provide funding for administrative expenses of the Department of Economic Development.

**SOURCE**

Legislative Fiscal Bureau

(LSB 5914hv, JWR)

FILED APRIL 13, 2000

BY DENNIS PROUTY, FISCAL DIRECTOR