

Hoffman, Ch  
Van Fossen  
O'Brien

HSB 73

ECONOMIC DEVELOPMENT

Succeeded

SF/HF

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED DEPARTMENT OF  
ECONOMIC DEVELOPMENT BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the new investment tax credit under the new  
2 jobs and income program.

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

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Success  
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1 Section 15.333, Code 1999, is amended to read  
2 as follows:

3 15.333 INVESTMENT TAX CREDIT.

4 1. An eligible business may claim a corporate tax credit  
5 up to a maximum of ten percent of the new investment which is  
6 directly related to new jobs created by the location or  
7 expansion of an eligible business under the program. Any  
8 credit in excess of the tax liability for the tax year may be  
9 credited to the tax liability for the following seven years or  
10 until depleted, whichever occurs earlier. If the business is  
11 a partnership, subchapter S corporation, limited liability  
12 company, or estate or trust electing to have the income taxed  
13 directly to the individual, an individual may claim the tax  
14 credit allowed. The amount claimed by the individual shall be  
15 based upon the pro rata share of the individual's earnings of  
16 the partnership, subchapter S corporation, limited liability  
17 company, or estate or trust. For purposes of this section,  
18 "new investment directly related to new jobs created by the  
19 location or expansion of an eligible business under the  
20 program" means the cost of machinery and equipment, as defined  
21 in section 427A.1, subsection 1, paragraphs "e" and "j",  
22 purchased for use in the operation of the eligible business,  
23 the purchase price of which has been depreciated in accordance  
24 with generally accepted accounting principles, and the cost of  
25 improvements made to real property which is used in the  
26 operation of the eligible business and which receives a  
27 partial property tax exemption for the actual value added  
28 under section 15.332.

29 2. For purposes of this section, the purchase price of  
30 real property and any buildings and structures located on the  
31 real property will be considered a new investment in the  
32 location or expansion of an eligible business. However, if  
33 within five years of purchase, the eligible business sells,  
34 disposes of, razes, or otherwise renders unusable the land,  
35 buildings, or other existing structures for which tax credit

1 was claimed under this section, the income tax liability of  
2 the eligible business for the year in which the property is  
3 sold, disposed of, razed, or otherwise rendered unusable shall  
4 be increased by one of the following amounts:

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

8 b. Eighty percent of the tax credit claimed under this  
9 section if the property ceases to be eligible for the tax  
10 credit within two full years after being placed in service.

11 c. Sixty percent of the tax credit claimed under this  
12 section if the property ceases to be eligible for the tax  
13 credit within three full years after being placed in service.

14 d. Forty percent of the tax credit claimed under this  
15 section if the property ceases to be eligible for the tax  
16 credit within four full years after being placed in service.

17 e. Twenty percent of the tax credit claimed under this  
18 section if the property ceases to be eligible for the tax  
19 credit within five full years after being placed in service.

20 EXPLANATION

21 This bill amends Code section 15.333 regarding the new  
22 investment tax credit under the new jobs and income program.  
23 Under the Code section, a business is allowed to claim a tax  
24 credit of up to a maximum of 10 percent of the new investment  
25 which is directly related to new jobs created by the location  
26 or expansion of an eligible business under the program. The  
27 bill defines new investment to include the purchase price of  
28 real property and any buildings and structures located on the  
29 real property. The bill provides that if within five years of  
30 purchase the eligible business sells, disposes of, razes, or  
31 otherwise renders unusable the land, buildings, or other  
32 structures for which an investment tax credit was claimed, the  
33 income tax liability of the eligible business shall be  
34 increased by a varying percentage of the investment tax credit  
35 claimed.

TO: General Assembly  
FROM: Kim Statler, Legislative Liaison  
DATE: November 30, 1998  
RE: New Jobs and Income Program/Investment Tax Credit Clarification

In an effort to encourage new and expanding industry to consider existing infrastructure, an amendment is being proposed to the New Jobs and Income Program.

Under the current code language, the 10 percent investment tax credit offered to eligible businesses under the new jobs and income program is only applicable when a new facility is being constructed. In order to fully promote communities existing infrastructure for development purposes, the proposed legislation includes the purchase of existing infrastructure as a qualifying investment to receive the 10 percent investment tax credit. Without this revision to existing code, the program will remain more attractive for the construction of new facilities and continue to discourage the utilization of existing buildings and facilities.

3/4/99 Referred to W. 47

MAR 3 1999

Place On Calendar

490

HOUSE FILE  
BY COMMITTEE ON ECONOMIC  
DEVELOPMENT

(SUCCESSOR TO HSB 73)

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

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HF 490

TLSB 1321HV 78

tm/gg/8

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1 investment tax credit claimed.

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**HOUSE FILE 490  
FISCAL NOTE**

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A fiscal note for **House File 490** 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 490 expands the 10.0% new investment tax credit available to eligible businesses under the New Jobs and Income Program to include real property (land) and existing buildings.

**BACKGROUND**

The New Jobs and Income Program provides property, income, and other tax incentives to larger businesses that locate or expand in Iowa. Under current law, part of the incentive package is a 10.0% investment income tax credit. The credit is available for investment in new buildings and machinery. Current law does not allow the credit for the cost of land or existing buildings.

**ASSUMPTIONS**

1. The total value of land and existing buildings for all New Jobs and Income Program projects in each year will be \$7.2 million, with a 10.0% investment tax credit value of \$720,000.
2. The companies will need three years on average to recover the full value of the investment tax credit.
3. The first year that the investment tax credit can be taken is FY 2001.
4. The investment tax credit does not apply to projects already approved, or those approved before July 1, 1999.
5. Each company will have sufficient Iowa corporate income tax liability to utilize all tax credits.
6. The additional tax credits will not materially increase the number of New Jobs and Income Program projects in Iowa.

**FISCAL IMPACT**

The projected General Fund fiscal impact of House File 490 is:

\$240,000 in FY 2001.

\$480,000 in FY 2002.

\$720,000 in FY 2003 and succeeding fiscal years.

**SOURCE**

Department of Economic Development

(LSB 1321hv, JWR)

FILED MARCH 17, 1999

BY DENNIS PROUTY, FISCAL DIRECTOR