

Hoffman, Ch
Van Fossen
O'Brien

HSB 73

ECONOMIC DEVELOPMENT

~~SENATE/HOUSE FILE~~
SF/HF 33

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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Successor By
7/1/72

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.

REPRINTED

MAR 19 1999

HOUSE FILE 733
BY COMMITTEE ON WAYS AND MEANS

WAYS & MEANS CALENDAR

(SUCCESSOR TO HSB 73)
(SUCCESSOR TO HF 490)

Passed House, Date ^(p. 1638) 4/22/99 Passed Senate, Date ^(p. 1414) 4/29/99
Vote: Ayes 91 Nays 1 Vote: Ayes 48 Nays 0
Approved May 24, 1999

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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HF 733

1 Section 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 all or a
35 part of the land, buildings, or other existing structures for

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

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

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

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

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

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

21 EXPLANATION

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

1 investment tax credit claimed.

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**HOUSE FILE 733
FISCAL NOTE**

A fiscal note for House File 733 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 733 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 additional 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 733 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 1321hz, JWR)

FILED MARCH 22, 1999

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 733

H-1799

1 Amend House File 733 as follows:

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

4 "Sec. _____. Section 15E.196, Code 1999, is amended
5 by adding the following new subsection:

6 NEW SUBSECTION. 6. Insurance premium tax credit,
7 as provided in section 15.333A.

8 Sec. _____. The legislative council is requested to
9 establish an enterprise zone interim study committee
10 to consider all of the following issues regarding the
11 enterprise zone program established in division XVIII
12 of chapter 15E:

13 1. Eligibility criteria under the enterprise zone
14 program.

15 2. The movement of existing businesses into
16 enterprise zones.

17 3. The establishment of additional enterprise
18 zones.

19 4. The current overall performance and
20 effectiveness of the enterprise zone program."

21 2. Title page, by striking lines 1 and 2 and
22 inserting the following: "An Act relating to economic
23 development tax credits by amending the new investment
24 tax credit under the new jobs and income program,
25 amending the incentives and assistance under the
26 enterprise zone program, and requesting an enterprise
27 zone interim study committee."

28 3. By renumbering as necessary.

By JENKINS of Black Hawk

H-1799 FILED APRIL 22, 1999

Adopted

4/22/99

(P.1637)

HOUSE FILE 733
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 73)
(SUCCESSOR TO HF 490)

(As Amended and Passed by the House, April 22, 1999)

Passed House, Date _____ Passed Senate, Date ^(p.1414) 4/29/99
Vote: Ayes _____ Nays _____ Vote: Ayes 48 Nays 0
Approved May 24, 1999

A BILL FOR

1 An Act relating to economic development tax credits by amending
2 the new investment tax credit under the new jobs and income
3 program, amending the incentives and assistance under the
4 enterprise zone program, and requesting an enterprise zone
5 interim study committee.

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

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House Amendments _____

1 Section 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
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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 all or a
35 part of the land, buildings, or other existing structures for

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

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

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

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

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

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

21 Sec. 2. Section 15E.196, Code 1999, is amended by adding
22 the following new subsection:

23 NEW SUBSECTION. 6. Insurance premium tax credit, as
24 provided in section 15.333A.

25 Sec. 3. The legislative council is requested to establish
26 an enterprise zone interim study committee to consider all of
27 the following issues regarding the enterprise zone program
28 established in division XVIII of chapter 15E:

29 1. Eligibility criteria under the enterprise zone program.

30 2. The movement of existing businesses into enterprise
31 zones.

32 3. The establishment of additional enterprise zones.

33 4. The current overall performance and effectiveness of
34 the enterprise zone program.

35

AN ACT
RELATING TO ECONOMIC DEVELOPMENT TAX CREDITS BY AMENDING
THE NEW INVESTMENT TAX CREDIT UNDER THE NEW JOBS AND
INCOME PROGRAM, AMENDING THE INCENTIVES AND ASSISTANCE
UNDER THE ENTERPRISE ZONE PROGRAM, AND REQUESTING AN
ENTERPRISE ZONE INTERIM STUDY COMMITTEE.

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

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

15.333 INVESTMENT TAX CREDIT.

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. 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.

2. For purposes of this section, the purchase price of real property and any buildings and structures located on the real property will be 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 tax credit was claimed under this section, the income 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 full 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 full 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 full 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 full 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 full years after being placed in service.

Sec. 2. Section 15E.196, Code 1999, is amended by adding the following new subsection:

NEW SUBSECTION. 5. Insurance premium tax credit, as provided in section 15.333A.

Sec. 3. The legislative council is requested to establish an enterprise zone interim study committee to consider all of the following issues regarding the enterprise zone program established in division XVIII of chapter 15E:

1. Eligibility criteria under the enterprise zone program.
2. The movement of existing businesses into enterprise zones.
3. The establishment of additional enterprise zones.
4. The current overall performance and effectiveness of the enterprise zone program.

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 733, Seventy-eighth General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved May 24, 1999

THOMAS J. VILSACK
Governor