

John
Shearer
Veenstra

SSB-3016

Small Business &
Economic Development

Succeeded By
SENATE/HOUSE FILE SD:HF 2353
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 refundability of the investment tax credit
2 under the new jobs and income program.

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

- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23

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 in
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 of the
15 taxpayer for the tax year refunded with interest computed
16 pursuant to section 422.25. If the business is a partnership,
17 subchapter S corporation, limited liability company, or estate
18 or trust electing to have the income taxed directly to the
19 individual, an individual may claim the tax credit allowed.
20 The amount claimed by the individual shall be based upon the
21 pro rata share of the individual's earnings of the
22 partnership, subchapter S corporation, limited liability
23 company, or estate or trust. For purposes of this section,
24 "new investment directly related to new jobs created by the
25 location or expansion of an eligible business under the
26 program" means the cost of machinery and equipment, as defined
27 in section 427A.1, subsection 1, paragraphs "e" and "j",
28 purchased for use in the operation of the eligible business,
29 the purchase price of which has been depreciated in accordance
30 with generally accepted accounting principles, and the cost of
31 improvements made to real property which is used in the
32 operation of the eligible business and which receives a
33 partial property tax exemption for the actual value added
34 under section 15.332.

35

EXPLANATION

1 This bill amends the investment tax credit under the new
 2 jobs and income program, which allows an eligible business to
 3 claim a corporate tax credit up to a maximum of 10 percent of
 4 the new investment which is directly related to new jobs
 5 created by the location or expansion of an eligible business
 6 under the program. The investment tax credit is also
 7 available to eligible businesses in the enterprise zone
 8 program. The bill provides that an eligible business whose
 9 project primarily involves the production of value-added
 10 agricultural projects may elect to have any investment tax
 11 credit in excess of the tax liability of the taxpayer refunded
 12 with interest. The bill provides that the refund must receive
 13 prior approval from the department of economic development in
 14 consultation with the department of revenue and finance.

15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25
 26
 27
 28
 29
 30
 31
 32
 33
 34
 35



TO: General Assembly
FROM: Georgia Soliday, IDED Legislative Liaison
DATE: November 19, 1999
RE: 15.333 Investment Tax Credit

Two of the most important programs that the Iowa Department of Economic Development (IDED) has available to encourage capital investment and job creation are the New Jobs and Income Program (NJIP) and the Enterprise Zone (EZ) Program. Both programs provide for essentially the same incentives for companies to locate here in Iowa, expand, and create jobs. One important benefit is that eligible companies are entitled to a 10% investment tax credit (ITC), based on all of the project's eligible capital expenditures. This ITC may be used, dollar for dollar, to offset any State of Iowa corporate income tax that is owed. This ITC can be quite an incentive for some companies with a lot of taxable income in Iowa.

For companies with little or no corporate sales and income in Iowa, the ITC provisions of the NJIP and EZ program are of little or no value. Therefore, we have very little advantage in trying to provide incentives to many of these types of companies to expand or locate in Iowa. For example, a corporate led initiative for an ethanol plant in Iowa would currently be eligible for this particular tax credit but a producer led initiative would not normally be able to use the credit. Our goal with these initiatives is to build new markets and help contribute to defining Iowa as the food capital of the world.

By allowing NJIP and EZ Program eligible companies to transfer their unused ITC's, they would realize more financial gain by using these programs, thus making an Iowa location or expansion more desirable. If the ITC's could be transferred, the IDIED anticipates more NJIP and EZ projects would occur, resulting in more high paying, capital intensive jobs being created in Iowa which in turn could attract more Iowan's who are better paid.

THOMAS J. VILSACK, GOVERNOR

DAVID J. LYONS, DIRECTOR

200 East Grand Avenue • Des Moines, Iowa 50309-1827 • 515/242-4700 • Fax: 515/242-4809
info@ided.state.ia.us • TTY: 1/800-735-2942 • www.state.ia.us/ided

3/8/00 Referred from Reg Calendar to W. Sm. Comm.

FILED FEB 28 '00

SENATE FILE **2353**
BY COMMITTEE ON SMALL BUSINESS,
ECONOMIC DEVELOPMENT AND
TOURISM

(SUCCESSOR TO SSB 3016)

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

A BILL FOR

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

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

- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21

SF 2353

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 in
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 of the
15 taxpayer for the tax year refunded with interest computed
16 pursuant to section 422.25. If the business is a partnership,
17 subchapter S corporation, limited liability company, or estate
18 or trust electing to have the income taxed directly to the
19 individual, an individual may claim the tax credit allowed.
20 The amount claimed by the individual shall be based upon the
21 pro rata share of the individual's earnings of the
22 partnership, subchapter S corporation, limited liability
23 company, or estate or trust. For purposes of this section,
24 "new investment directly related to new jobs created by the
25 location or expansion of an eligible business under the
26 program" means the cost of machinery and equipment, as defined
27 in section 427A.1, subsection 1, paragraphs "e" and "j",
28 purchased for use in the operation of the eligible business,
29 the purchase price of which has been depreciated in accordance
30 with generally accepted accounting principles, and the cost of
31 improvements made to real property which is used in the
32 operation of the eligible business and which receives a
33 partial property tax exemption for the actual value added
34 under section 15.332.

35

EXPLANATION

1 This bill amends the investment tax credit under the new
2 jobs and income program, which allows an eligible business to
3 claim a corporate tax credit up to a maximum of 10 percent of
4 the new investment which is directly related to new jobs
5 created by the location or expansion of an eligible business
6 under the program. The investment tax credit is also
7 available to eligible businesses in the enterprise zone
8 program. The bill provides that an eligible business whose
9 project primarily involves the production of value-added
10 agricultural projects may elect to have any investment tax
11 credit in excess of the tax liability of the taxpayer refunded
12 with interest. The bill provides that the refund must receive
13 prior approval from the department of economic development in
14 consultation with the department of revenue and finance.

15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35