

Zieman
Behn
Shearer
Hynn
Rittner

SSB-1081
Small Business

SENATE/HOUSE FILE SF/HF 286

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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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.

Substituted for
by HF 733
4/29/99
(P. 1414)

3/31/99 Placed on Unfinished Business Calendar

FILED MAR 3 1999

SENATE FILE 286
BY COMMITTEE ON SMALL BUSINESS,
ECONOMIC DEVELOPMENT AND
TOURISM

WITHDRAWN
4-29-99

(SUCCESSOR TO SSB 1081)

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:
4

SENATE FILE 286

S-3339

- 1 Amend Senate File 286 as follows:
- 2 1. Page 1, line 34, by inserting after the word
- 3 "unusable" the following: "all or a part of".
- 4 2. Page 2, line 2, by inserting after the word
- 5 "which" the following: "all or a part of".

By TOM FLYNN

S-3339 FILED APRIL 12, 1999

w/d 4/29/99 (P. 1413)

SF 286

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S.F. 286 H.F. _____

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2 as follows:
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19 program" means the cost of machinery and equipment, as de-
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21 purchased for use in the operation of the eligible busi-
22 ness with generally accepted accounting principles, and the
23 cost of improvements made to real property which is used in
24 the operation of the eligible business and which receive
25 a partial property tax exemption for the actual value
26 under section 15.332.

27 2. For purposes of this section, the purchas-
28 ed real property and any buildings and structures
29 purchased or expansion of an eligible business
30 within two years of purchase, the eligible
31 business, or otherwise renders un-
32 existing structures fo

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22 investment tax credit under the new jobs and income program.
23 Under the Code section, a business is allowed to claim a tax
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33 income tax liability of the eligible business shall be
34 increased by a varying percentage of the investment tax credit
35 claimed.

**SENATE FILE 286
FISCAL NOTE**

A fiscal note for Senate File 286 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.

Senate File 286 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 Senate File 286 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 1321SV, JWR)

FILED MARCH 17, 1999

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 286

S-3518

- 1 Amend Senate File 286 as follows:
2 1. Page 1, line 34, by inserting after the word
3 "unusable" the following: "all or a part of".
4 2. Page 2, line 2, by inserting after the word
5 "which" the following: "all or a part of".
6 3. Page 2, by inserting after line 19 the
7 following:
8 "Sec. _____. Section 15E.196, Code 1999, is amended
9 by adding the following new subsection:
10 NEW SUBSECTION. 6. Insurance premium tax credit,
11 as provided in section 15.333A.
12 Sec. _____. The legislative council is requested to
13 establish an enterprise zone interim study committee
14 to consider all of the following issues regarding the
15 enterprise zone program established in division XVIII
16 of chapter 15E:
17 1. Eligibility criteria under the enterprise zone
18 program.
19 2. The movement of existing businesses into
20 enterprise zones.
21 3. The establishment of additional enterprise
22 zones.
23 4. The current overall performance and
24 effectiveness of the enterprise zone program."
25 4. Title page, by striking lines 1 and 2 and
26 inserting the following: "An Act relating to economic
27 development tax credits by amending the new investment
28 tax credit under the new jobs and income program,
29 amending the incentives and assistance under the
30 enterprise zone program, and requesting an enterprise
31 zone interim study committee."
32 5. By renumbering, relettering, or redesignating
33 and correcting internal references as necessary.

By TOM FLYNN

S-3518 FILED APRIL 28, 1999

Adopted
4-29-99
(P 1414)