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HOUSE FILE 2392

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(COMPANION TO LSB 5471SS BY
BOETTGER)

HF 2392

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

A BILL FOR

1 An Act relating to the establishment of renaissance zones,
2 providing certain tax exemptions, refunds, and credits to
3 persons located in the renaissance zones, reimbursing school
4 districts for lost property tax due to renaissance zone
5 designation, and providing an applicability date.

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

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S.F. _____ H.F. 2392

1 Section 1. Section 15.329, Code 2001, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 6. Any business located in a renaissance
4 zone designated pursuant to section 15E.46 shall be considered
5 an eligible business for purposes of sections 15.331 and
6 15.331A for the duration of the renaissance zone designation.

7 Sec. 2. NEW SECTION. 15E.41 PURPOSE.

8 The general assembly finds that a continuing need exists in
9 the state for programs to assist certain local governmental
10 units in encouraging economic development, the consequent job
11 creation and retention, and ancillary economic growth in the
12 state. To meet this need, it is necessary to assist and
13 encourage the creation of renaissance zones and to provide
14 temporary relief from certain taxes within the renaissance
15 zones.

16 Sec. 3. NEW SECTION. 15E.42 DEFINITIONS.

17 As used in this division, unless the context otherwise
18 requires:

19 1. "Board" means the Iowa economic development board
20 created in section 15.103.

21 2. "Department" means the Iowa department of economic
22 development created in section 15.105.

23 3. "Development plan" means a written plan that addresses
24 the criteria for designation of a renaissance zone set out in
25 section 15E.45.

26 4. "Distinct geographic area" means a unique, separate
27 geographic area designated by a local governmental unit and
28 subject to the size limitations in section 15E.43.

29 5. "Local governmental unit" means a county, city, or
30 township.

31 6. "Qualified local governmental unit" means either of the
32 following:

33 a. A county.

34 b. A city or township that contains an urban renewal area
35 as defined in section 403.17.

1 7. "Renaissance zone" means a geographic area so
2 designated by the board under this division.

3 8. "Rural area" means an area that lies outside the
4 boundaries of an urban area.

5 9. "Urban area" means a contiguous distinct geographic
6 area within one or more cities with a population of twenty-
7 five thousand or more.

8 Sec. 4. NEW SECTION. 15E.43 QUALIFICATIONS.

9 1. A qualified local governmental unit may apply to the
10 board to designate the qualified local governmental unit or
11 part thereof as a renaissance zone if all of the following
12 criteria are met:

13 a. The geographic area of the proposed renaissance zone is
14 located within the boundaries of the qualified local
15 governmental unit.

16 b. The application includes a development plan.

17 c. The proposed renaissance zone is not more than five
18 thousand acres in size.

19 d. The proposed renaissance zone does not contain more
20 than ten distinct geographic areas. The minimum size of a
21 distinct geographic area is five acres. A distinct geographic
22 area may include, but shall not consist solely of, publicly
23 owned land.

24 e. The application includes the proposed duration of
25 renaissance zone status, which shall not exceed fifteen years.

26 f. The written approval of the governing body of the
27 qualified local governmental unit applying for the designation
28 and the governing body of the local governmental unit in which
29 the proposed renaissance zone would be located.

30 2. A qualified local governmental unit shall not be a part
31 of more than one renaissance zone.

32 3. A qualified local governmental unit shall not have more
33 than one application under consideration by the board at any
34 time.

35 4. A qualified local governmental unit may apply to the

1 board to amend the distinct geographic areas within a
2 designated renaissance zone provided that the total number of
3 distinct geographic areas within the renaissance zone does not
4 exceed ten distinct geographic areas.

5 5. A qualified local governmental unit may apply to the
6 board to extend the duration of renaissance zone status for
7 any distinct geographic area in a renaissance zone or for an
8 entire renaissance zone. Renaissance zone status shall not be
9 extended past June 30, 2022.

10 Sec. 5. NEW SECTION. 15E.44 DUTIES OF THE BOARD.

11 1. Applications for designation as a renaissance zone must
12 be submitted between July 1, 2002, and January 1, 2003. The
13 board shall review all applications submitted and determine
14 which applications meet the criteria contained in section
15 15E.45 between January 1, 2003, and February 28, 2003.

16 2. The board shall do all of the following:

17 a. Designate renaissance zones no later than February 28,
18 2003.

19 b. Subject to subsection 3, approve or reject the duration
20 of renaissance zone status as submitted in the application,
21 which shall not exceed fifteen years.

22 c. Subject to subsection 3, approve or reject the
23 geographic boundaries and the total area of the renaissance
24 zone as submitted in the application.

25 3. The board shall not alter the geographic boundaries of
26 the renaissance zone or the duration of the renaissance zone
27 status described in the application unless the qualified local
28 governmental unit in which the renaissance zone is to be
29 located consents by resolution to the alteration.

30 Sec. 6. NEW SECTION. 15E.45 CRITERIA.

31 1. In making a determination regarding the designation of
32 a renaissance zone, the board shall consider all of the
33 following criteria:

34 a. Evidence of adverse economic and socioeconomic
35 conditions within the proposed renaissance zone.

- 1 b. The viability of the development plan.
- 2 c. Whether the development plan is creative and innovative
- 3 in comparison to other applications.
- 4 d. Public and private commitment to and other resources
- 5 available for the proposed renaissance zone.
- 6 e. How renaissance zone designation would relate to a
- 7 broader plan for the community as a whole.
- 8 f. The level of demonstrated cooperation from surrounding
- 9 communities.
- 10 g. How the local regulatory burden will be eased for
- 11 businesses operating in the proposed renaissance zone.
- 12 h. Public and private commitment to improving abandoned
- 13 real property.
- 14 i. Any other information required by the board.
- 15 2. Applications which include new business activity shall
- 16 receive priority consideration.
- 17 3. The board shall not designate an area as a renaissance
- 18 zone unless, as a part of the application, the qualified local
- 19 governmental unit provides to the board a copy of a resolution
- 20 adopted by the governing body of the qualified local
- 21 governmental unit and each local governmental unit, within
- 22 which the proposed renaissance zone is to be located, that
- 23 states, if the renaissance zone designation is granted, that
- 24 persons and property within the renaissance zone will be
- 25 exempt from property taxes levied by that local governmental
- 26 unit for the duration of renaissance zone status.

27 Sec. 7. NEW SECTION. 15E.46 DESIGNATION OF RENAISSANCE

28 ZONES.

- 29 1. Pursuant to section 15E.44, the board shall not
- 30 designate more than eleven renaissance zones within the state.
- 31 Not more than five of the renaissance zones shall be located
- 32 in urban areas and not more than six of the renaissance zones
- 33 shall be located in rural areas. For purposes of determining
- 34 whether a renaissance zone is located in an urban area or a
- 35 rural area under this section, if any part of the renaissance

1 zone is located within an urban area, the entire renaissance
2 zone shall be considered to be located in an urban area.

3 2. In addition to the renaissance zones in subsection 1,
4 the board may, on its own motion, designate an additional five
5 renaissance zones for agricultural processing facilities if
6 the governing body of the qualified local governmental unit
7 and each local governmental unit, within which the proposed
8 renaissance zone is to be located, agrees pursuant to a
9 resolution. A renaissance zone designated pursuant to this
10 subsection shall consist of one continuous distinct geographic
11 area. The board may revoke the renaissance zone designation
12 for all or a portion of a renaissance zone designated pursuant
13 to this subsection if the board determines that the
14 agricultural processing facility fails to commence operation
15 or ceases operation in the renaissance zone.

16 3. A renaissance zone approved and designated by the board
17 shall become effective on March 1, 2003.

18 Sec. 8. NEW SECTION. 15E.47 TAX INCENTIVES.

19 1. All of the following incentives shall be available
20 during the duration of renaissance zone designation:

21 a. All residents within the renaissance zone shall be
22 exempt from paying personal income taxes under chapter 422,
23 division II.

24 b. A taxpayer with a business located in a renaissance
25 zone shall be exempt from corporate income tax under chapter
26 422, division III, on the portion of net income reasonably
27 attributable to the trade or business or sources within the
28 renaissance zone. The method of attributing net income
29 received from within the renaissance zone and net income
30 received from outside the renaissance zone shall be calculated
31 in a similar manner to that used in section 422.33, subsection

32 2. A taxpayer with an office of a financial institution
33 located in a renaissance zone shall also be exempt from the
34 franchise tax in chapter 422, division V, on the portion of
35 net income received through the business activity in offices

1 located in the renaissance zone as determined by rules adopted
2 by the director of revenue and finance pursuant to section
3 422.65 on allocating the franchise tax.

4 c. All taxpayers owning property within the renaissance
5 zone shall be exempt from paying local property taxes on the
6 property located solely in the renaissance zone as provided in
7 section 427.1, subsection 34. This incentive shall not be
8 available to owners of residential rental property located in
9 the renaissance zone in tax years in which the property is not
10 in substantial compliance with all applicable state and local
11 zoning, building, housing, and health laws, ordinances, or
12 codes.

13 d. The tax imposed on the gross receipts from the sale,
14 furnishing, or service of gas, electricity, water, and heat to
15 persons in the renaissance zone shall be exempted as provided
16 in section 422.45, subsection 63.

17 e. A business located in a renaissance zone shall be
18 eligible to receive, for businesses located within the
19 renaissance zone, the new jobs credit from withholding, as
20 provided in section 15.331, and the sales, services, and use
21 tax refund, provided in section 15.331A.

22 2. During the last three years that the taxpayer is
23 eligible for an exemption, refund, or credit described in this
24 section, the exemption, refund, or credit shall be reduced by
25 the following percentages:

26 a. For the tax year that is two years before the final
27 year of designation as a renaissance zone, the reduction shall
28 be twenty-five percent.

29 b. For the tax year immediately preceding the final year
30 of designation as a renaissance zone, the reduction shall be
31 fifty percent.

32 c. For the tax year that is the final year of designation
33 as a renaissance zone, the reduction shall be seventy-five
34 percent.

35 Sec. 9. NEW SECTION. 15E.48 EXCEPTIONS.

1 1. A taxpayer shall not be eligible for the incentives
2 provided in section 15E.47 during any tax years in which the
3 taxpayer is delinquent in paying any federal, state, or local
4 taxes.

5 2. A taxpayer shall not be eligible for the incentives
6 provided in section 15E.47 during any tax years in which the
7 taxpayer owns residential rental property that is not in
8 substantial compliance with all applicable state and local
9 zoning, building, and housing laws, ordinances, or codes.

10 3. An individual who is a resident of a renaissance zone
11 is eligible for an exemption, refund, or credit under section
12 15E.47 only until the department of revenue and finance
13 determines that the aggregate state and local tax revenue
14 forgone as a result of all exemptions, refunds, or credits
15 granted under section 15E.47 to that individual reaches ten
16 million dollars.

17 4. A business located in a qualified local governmental
18 unit that relocates from outside a renaissance zone into a
19 renaissance zone in that same qualified local governmental
20 unit shall not receive the exemptions, refunds, or credits
21 provided in section 15E.47 unless the governing body of the
22 qualified local governmental unit in which the renaissance
23 zone is located approves the relocation of the business.

24 5. If a business relocates more than twenty-five full-time
25 equivalent jobs from one or more local governmental units
26 other than a local governmental unit in which a renaissance
27 zone is located to a local governmental unit within a
28 renaissance zone, the business shall notify the department of
29 economic development and the local governmental unit or units
30 from which the jobs are being relocated of the relocation.
31 The business is not eligible for the exemptions, refunds, or
32 credits provided in section 15E.47 if the local governmental
33 unit from which the jobs are being relocated adopts a
34 resolution objecting to the relocation of the jobs within
35 sixty days after the notification by the business. The

1 business becomes eligible for the exemptions, refunds, and
2 credits provided in section 15E.47 sixty days after the
3 notification if the local governmental unit failed to object
4 or if the local governmental unit has objected to the
5 relocation when the local governmental unit rescinds its
6 objection by resolution. A local governmental unit that
7 objects to the relocation of jobs shall file a copy of all
8 resolutions of objections and rescission with the department
9 of revenue and finance, the department of economic
10 development, and the local governmental units that designated
11 the renaissance zone into which the jobs are transferred.

12 Sec. 10. NEW SECTION. 15E.49 APPLICATION FORM.

13 The form of the application for a renaissance zone
14 designation shall be as specified by the department. At a
15 minimum, the application form shall incorporate the criteria
16 listed in section 15E.45. The board may request any
17 information from an applicant, in addition to that contained
18 in an application, as may be needed to permit the board to
19 discharge its responsibilities under this division.

20 Sec. 11. NEW SECTION. 15E.50 REPORTING.

21 By January 15 of each year, the board shall file a report
22 with the general assembly which includes, but is not limited
23 to, all of the following:

- 24 1. The number of new jobs created in renaissance zones.
- 25 2. The percentage change in value of property located in
26 renaissance zones.
- 27 3. The average wage of new jobs created in renaissance
28 zones.
- 29 4. The percentage change of adjusted gross income of
30 residents located in renaissance zones.

31 Sec. 12. NEW SECTION. 15E.51 RULES.

32 The department shall adopt rules pursuant to chapter 17A
33 regarding the specific requirements for development plans and
34 application forms.

35 Sec. 13. Section 257.4, Code Supplement 2001, is amended

1 by adding the following new subsection:

2 NEW SUBSECTION. 1A. Each year, the department of
3 management shall make the computations in this subsection for
4 any school district in which a renaissance zone designated
5 pursuant to section 15E.44 is located. The department shall
6 compute a property tax levy rate based on the total of all
7 taxable property in the school district plus the property
8 exempt due to the renaissance zone. The department shall
9 multiply the computed levy rate by the value of the taxable
10 property in the school district to determine the dollar amount
11 that will be raised through the property tax levy. The
12 department shall subtract that dollar amount from the dollar
13 amount needed to be raised as computed in subsection 1. The
14 remainder shall be considered supplementary aid under section
15 257.16.

16 Sec. 14. Section 257.16, unnumbered paragraph 1, Code
17 2001, is amended to read as follows:

18 There is appropriated each year from the general fund of
19 the state an amount necessary to pay the foundation aid and
20 supplementary aid under section 257.4, ~~subsection~~ subsections
21 1A and 2.

22 Sec. 15. Section 422.45, Code Supplement 2001, is amended
23 by adding the following new subsection:

24 NEW SUBSECTION. 63. The gross receipts from the sale,
25 furnishing, or service of gas, electricity, water, and heat to
26 persons located in a renaissance zone designated pursuant to
27 chapter 15E for the duration of the renaissance zone
28 designation.

29 Sec. 16. Section 427.1, Code Supplement 2001, is amended
30 by adding the following new subsection:

31 NEW SUBSECTION. 34. RENAISSANCE ZONES. The property
32 located solely in a renaissance zone designated pursuant to
33 chapter 15E for the duration of the renaissance zone
34 designation.

35 Sec. 17. APPLICABILITY. The sales tax incentive for

1 utilities in section 8 of this Act is applicable to all
2 billing cycles beginning on or after January 1, 2003. Section
3 8 of this Act shall not apply to billing cycles beginning
4 after December 31, 2017.

5 EXPLANATION

6 This bill provides for the establishment of a program
7 designating renaissance zones to assist local governments in
8 encouraging economic development by providing certain tax
9 exemptions, refunds, and credits.

10 The bill provides that applications for a designation of a
11 renaissance zone may be made to the Iowa economic development
12 board by a qualified local governmental unit which is defined
13 as either a city or township that contains an urban renewal
14 area or a county. Included in the application must be a
15 development plan, proposed boundaries of the zone which must
16 be located within the qualified local governmental unit, the
17 proposed duration of the designation which shall not exceed 15
18 years, and written approval of the city council and county
19 board of supervisors. The bill provides that a qualified
20 local governmental unit shall not be part of more than one
21 renaissance zone and shall not have more than one application
22 under consideration by the board. The bill provides that a
23 qualified governmental unit may apply to amend a renaissance
24 zone or to extend the duration of renaissance zone status.

25 The bill provides that applications must be submitted
26 between July 1, 2002, and January 1, 2003. The board shall
27 review all applications submitted and shall designate
28 renaissance zones by February 28, 2003. The board shall not
29 alter the boundaries or duration of a renaissance zone
30 described in the application unless the qualified local
31 governmental unit and the local governmental unit in which the
32 renaissance zone is to be located consent by resolution. The
33 bill provides that criteria in determining designations of
34 renaissance zones shall include:

35 1. Evidence of adverse economic and socioeconomic

1 conditions.

2 2. The viability of the plan.

3 3. Whether the development plan is creative and
4 innovative.

5 4. Public and private commitment to and other resources
6 available for the zone.

7 5. How the plan relates to a broader plan for the
8 community as a whole.

9 6. The level of demonstrated cooperation from surrounding
10 communities.

11 7. How the local regulatory burden will be eased for
12 businesses operating in the zone.

13 8. Commitment to improving abandoned real property.

14 9. A resolution from the governing body of the local
15 governmental unit stating that if the renaissance zone
16 designation is granted, persons and property within the
17 renaissance zone are exempt from property taxes.

18 Applications which include new business activity shall
19 receive priority consideration.

20 The bill provides that the board shall not designate more
21 than a total of 11 zones, not more than five of which may be
22 located in urban areas and not more than six of which may be
23 located in rural areas. The bill provides that the board may,
24 on its own motion, designate an additional five renaissance
25 zones for agricultural processing facilities if the governing
26 body of the qualified local governmental unit and each local
27 governmental unit, within which the proposed renaissance zone
28 is to be located, agrees pursuant to a resolution. The bill
29 provides that the board may revoke the renaissance zone
30 designation for all or a portion of an agricultural facility
31 renaissance zone designated if the board determines that the
32 agricultural processing facility fails to commence operation
33 or ceases operation in the renaissance zone. The bill
34 provides that any renaissance zone approved and designated by
35 the board shall become effective on March 1, 2003.

1 The bill provides the following tax incentives:

2 1. Exemption from personal net income tax to residents
3 living in the zone.

4 2. Exemption from corporate and franchise taxes for
5 businesses located within the renaissance zone on the portion
6 of income attributed to the businesses located within the
7 zone.

8 3. Exemption from local property tax.

9 4. Exemption from state sales tax on utilities.

10 5. The sales, services, and use tax refund, provided in
11 Code section 15.331A, and the new jobs credit from
12 withholding, provided in Code section 15.331, for businesses
13 located within a zone.

14 The bill provides that the tax incentives shall be phased
15 out during the final three years of the renaissance zone
16 designation.

17 The bill provides for exceptions to the tax incentives for
18 tax delinquency, business relocation into a renaissance zone
19 under some circumstances, and when tax incentives received by
20 an individual accumulate to \$10 million during a designation
21 of a renaissance zone.

22 The bill provides that the department of economic
23 development shall specify the application form and the board
24 may request any additional information not included on the
25 form.

26 The bill provides that, by January 15 of each year, the
27 board shall file a report with the general assembly which
28 includes, but is not limited to, the number of new jobs
29 created in renaissance zones, the percentage change in value
30 of property located in renaissance zones, the average wage of
31 new jobs created in renaissance zones, and the percentage
32 change of adjusted gross income of residents located in
33 renaissance zones.

34 The bill requires the department of management to annually
35 compute the dollar amount that a school district would lose

1 due to the exemption of property in a renaissance zone from
2 property tax. The bill provides that the lost dollar amount
3 is paid to school districts from the state general fund in the
4 form of supplementary aid.

5 An applicability date is provided for the exemption on
6 state sales tax on utilities.

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