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HSB 247

WAYS AND MEANS

Succeeded by

HOUSE FILE

HF 714

BY (PROPOSED COMMITTEE ON WAYS
AND MEANS BILL BY
CHAIRPERSON VAN FOSSEN)

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to a community renewal initiative by establishing
2 a community development program to provide tax credits for
3 income tax, franchise tax, and premiums tax for businesses
4 contributing to community development projects to aid certain
5 neighborhoods and communities or contributing to child care
6 benefits for employees and including effective and
7 applicability date provisions.

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

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1 Section 1. NEW SECTION. 15.380 SHORT TITLE.

2 This part shall be known as and may be cited as the
3 "Community Development Program Act".

4 Sec. 2. NEW SECTION. 15.381 DEFINITIONS.

5 As used in this part, unless the context otherwise
6 requires:

7 1. "Business" means all businesses operating within the
8 state and includes individuals operating a sole proprietorship
9 or having rental, royalty, or farm income in this state.

10 2. a. "Child care" means the same as defined in section
11 237A.1.

12 b. "Child care center" means a facility licensed pursuant
13 to section 237A.2 to provide child care.

14 3. "Community services" means, but is not limited to,
15 individual, group, and family counseling; mental health
16 services; primary care and community medical health centers;
17 child and adult care services; senior citizen service centers;
18 recreation programs; nutrition programs; emergency shelters
19 for persons suffering from physical abuse or rape; services
20 for the handicapped; sheltered workshops, vocational
21 counseling; substance abuse counseling; and referral services.

22 4. "Contribution" includes cash, material or supplies,
23 real estate, labor, professional services, technical
24 assistance, or equipment. "Contribution" does not include
25 investments made by a financial institution or insurance
26 company in the normal course of its business.

27 5. "Crime prevention" means activities which include but
28 are not limited to services to ex-offenders, local civilian
29 organizations that help prevent crime or provide aid to
30 victims of crime, mediation services aimed at resolving
31 disputes and conflicts before they become criminal incidents,
32 or services to juveniles who have had contact with the court
33 or police.

34 6. "Distressed or blighted area" means an area designated
35 or that qualifies under section 15E.194 to be designated an

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1 enterprise zone pursuant to chapter 15E, division XVIII,
2 designated as a slum or blighted area pursuant to chapter 403,
3 or designated as a revitalization area pursuant to chapter
4 404.

5 7. "Economic development" means the acquisition,
6 renovation, improvement, or the furnishing or equipping of
7 existing buildings and real estate in distressed or blighted
8 areas of the state when this acquisition, renovation,
9 improvement, or the furnishing or equipping of the existing
10 buildings and real estate will result in the creation or
11 retention of jobs within the state.

12 8. "Education" includes literacy programs, adult basic
13 education and general educational development certificate
14 programs, training for the physically or mentally challenged,
15 and education for a person disenfranchised by public primary
16 or secondary school systems.

17 9. "Job training" means those activities which provide
18 specific vocational skills including special apprenticeship or
19 on-the-job training programs not otherwise available.

20 10. "Neighborhood area" means a specific geographic area
21 certified by the department as having a readily identifiable
22 residential population and which may include, but is not
23 limited to, any of the following factors:

24 a. A sense of belonging or identity that ties residents to
25 a given area.

26 b. Social, cultural, political, or economic activities
27 around which people organize themselves.

28 c. The existence of cohesive organizations formed by
29 residents.

30 d. A city with a population of less than ten thousand or a
31 region within a rural area may be certified as a neighborhood
32 area.

33 e. A history of acting or being treated as a distinct or
34 cohesive unit.

35 11. "Physical revitalization" means activities designed

1 for the physical improvement of any part or all of a
2 neighborhood area. These activities may include, but are not
3 limited to, such programs as commercial area revitalization;
4 housing construction or rehabilitation; improvements to or
5 acquisition or construction of facilities used by nonprofit
6 organizations for community purposes or related planning and
7 promotional activities designed to aid in those programs.

8 12. a. "Qualifying organization" means an organization
9 performing community services or economic development
10 activities in the state and is any of the following:

11 (1) A person or organization that is exempt from federal
12 income taxation under the Internal Revenue Code as defined in
13 section 422.3.

14 (2) A nonprofit corporation organized under the laws of
15 this state.

16 (3) Designated as a community development corporation by
17 the federal government pursuant to, Title VII of the Economic
18 Opportunity Act of 1964, Pub. L. No. 88-452.

19 b. "Qualifying organization" does not include any of the
20 following:

21 (1) A unit or agency of the state, local government, or
22 educational institution.

23 (2) A foundation or trust of a postsecondary educational
24 institution.

25 (3) A church-affiliated religious organization unless the
26 organization is without religious discrimination or is not
27 controlled by a single denomination.

28 Sec. 3. NEW SECTION. 15.382 COMMUNITY DEVELOPMENT AND
29 CHILD CARE CENTER TAX CREDITS -- APPROVAL OF PROJECTS AND
30 PROPOSALS.

31 1. TAX CREDITS.

32 a. A business which engages in the activities of providing
33 physical revitalization, economic development, job training or
34 education for individuals, community services, or crime
35 prevention in the state shall receive a community development

1 tax credit as provided in section 15.383 if the director
 2 annually approves the proposal of the business. However, a
 3 proposal for a community development tax credit shall not be
 4 approved which does not have the endorsement of the agency of
 5 local government for the area in which the business is
 6 engaging in such activities that the proposal is consistent
 7 with the overall community or neighborhood development plan
 8 adopted by that local government.

9 b. A business which for the benefit of its employees
 10 builds, contributes to, or operates a new or existing child
 11 care center in the state or subsidizes access to a child care
 12 center in the state shall receive a child care center tax
 13 credit as provided in section 15.383 if the director annually
 14 approves the proposal of the business.

15 2. ECONOMIC DEVELOPMENT PROJECTS. For economic
 16 development projects in distressed or blighted areas for which
 17 community development tax credits under this part may be
 18 approved, the following guidelines apply:

19 a. Applications shall be accepted from any locally based
 20 qualifying organization wishing to conduct an economic
 21 development project in a distressed or blighted area.

22 b. Applicants may not administer more than one economic
 23 development project at a time. A project may include more
 24 than one building, provided that the proposal meets all other
 25 eligibility requirements as set forth in this subsection and
 26 rules of the department.

27 c. Applications will be accepted by the department at any
 28 time of the year and will be approved on a case-by-case basis
 29 as all the necessary requirements are met and as credits
 30 become available.

31 d. A maximum authorization of one hundred fifty thousand
 32 dollars in community development tax credits will be permitted
 33 per project and no more than five percent of the credits
 34 authorized for the project shall normally be allowed for
 35 administrative and operating expenses. In unusual

1 circumstances, a higher percentage may be allowed at the
2 discretion of the department.

3 e. Applicants must obtain a nonbinding commitment from a
4 prospective business or businesses willing to locate to the
5 facility and demonstrate that at least one job will be created
6 or retained for every ten thousand dollars in credits
7 requested. Eligible types of businesses include retail,
8 commercial, service, and manufacturing.

9 f. Applicants must agree to retain ownership of all
10 properties acquired under this part for a minimum of five
11 years and agree to contractual conditions with the department
12 governing the use or eventual disposition, or both, of those
13 properties. Contract conditions shall include, but are not
14 limited to, lease terms and arrangements for the first five
15 years, and a clause stipulating that the eventual purchase
16 price will be no less than seventy-five percent of the fair
17 market value of the facility, excluding the value of leasehold
18 improvements.

19 3. COMMUNITY DEVELOPMENT PROJECTS. For community
20 development projects, other than economic development
21 projects, for which community development tax credits under
22 this part may be approved, the following procedures, criteria,
23 and priorities apply:

24 a. A proposal for a proposed program shall be submitted by
25 a qualifying organization for carrying out a specific project
26 consistent with the purposes of this part.

27 b. All proposals shall be made on the forms supplied by
28 the department. Each proposal shall contain a project budget
29 and shall identify, if possible, the items and amounts of the
30 budget which will be provided for from contributions from any
31 business. A project budget shall be approved by the
32 department. The department may request any additional
33 information it determines necessary to evaluate a proposal or
34 plan.

35 c. Community development projects and the budgets for them

1 may be approved for a period of up to three years at the
2 discretion of the director.

3 d. An annual application deadline shall be determined by
4 the department and application materials shall be distributed
5 upon request no less than sixty days prior to the actual
6 application deadline.

7 e. All proposals must address at least one of the
8 following priorities in order to qualify for approval:

9 (1) The project substantially contributes to self-help
10 efforts by residents of the neighborhood area to be served in
11 addressing locally defined objectives.

12 (2) The project will result in the provision of essential
13 services to low-income and moderate-income persons which would
14 not otherwise be provided in the affected neighborhood area
15 and for which there are not other resources.

16 (3) The project tangibly contributes to the development of
17 lasting cooperation and partnership efforts of neighborhood
18 organizations and businesses.

19 f. Approval or disapproval of proposals shall be based on
20 the following criteria:

21 (1) The director must certify an area as experiencing
22 problems endangering the area's existence as a viable and
23 stable neighborhood to be eligible for assistance.

24 (2) The qualifying organization submitting the proposal
25 must demonstrate its capacity to adequately administer the
26 project.

27 (3) There must be a demonstrated need for the program in
28 the neighborhood area within which the project is to be
29 carried out.

30 (4) The proposal must demonstrate that residents of the
31 affected neighborhood area have been involved in the planning
32 of the proposed project and describe the extent to which they
33 will be involved in its implementation.

34 (5) The proposal must be consistent with all locally
35 approved community or neighborhood development plans for the

1 area.

2 (6) Proposals submitted subsequent to the first year will
3 be evaluated on performance of the first-year project, other
4 resources developed, continued need, and potential for
5 eventual self-sufficiency.

6 g. In no case shall a project be approved that does not
7 have a written endorsement of the appropriate local public
8 authority.

9 h. The maximum amount of community development tax credits
10 allowed per project is one hundred fifty thousand dollars.

11 i. For purposes of the criterion in paragraph "f",
12 subparagraph (1), an area is experiencing problems endangering
13 its existence as a viable and stable neighborhood if some of
14 the following factors are present: declining population, high
15 percentage of people dependent on public assistance,
16 persistent or substantial unemployment or underemployment,
17 lower than average family incomes, financial disinvestment,
18 insurance and financial redlining, general weakened market
19 conditions on the neighborhood commercial strip as indicated
20 by declining rents or vacant stores, excessive abandonment of
21 properties, a significant percentage of neighborhood residents
22 on fixed incomes, unsanitary or inadequate housing,
23 overcrowding, property speculation, high rates of crime and
24 delinquency, high degree of drug or alcohol abuse, increasing
25 cases of mental health problems, significant numbers of
26 single-parent households, high degree of infant mortality and
27 disease, disabilities, general unsanitary conditions in the
28 area, or poor city and public utility services.

29 4. CHILD CARE EMPLOYEE BENEFITS. For child care employee
30 benefits for which a child care center tax credit under this
31 part may be approved, the following apply:

32 a. A proposal for a project shall be submitted by a
33 business located in or doing business in the state.

34 b. The proposal shall be on forms supplied by the
35 department. The proposal shall identify the location of the

1 child care center which must be in the state. The proposal
2 shall contain a statement on whether the business is also
3 seeking a community development tax credit for providing child
4 care for its employees.

5 c. To be eligible for a child care center tax credit, the
6 business must provide child care employee benefits for its
7 employees through any of the following:

8 (1) Build a new structure or rehabilitate an existing
9 structure to be used as a child care center. A business may
10 do the building or rehabilitating in conjunction with another
11 business or entity but only the business's actual costs shall
12 be considered in determining the amount of credit. At least
13 five children of its employees are provided child care at the
14 center.

15 (2) Operate or lease a child care center where at least
16 five children of its employees are provided child care at the
17 center.

18 (3) Donate money, supplies, or other tangible personal
19 property to a child care center where at least five of its
20 employees are provided child care.

21 (4) Pay the cost for the equivalent of five children of
22 its employees to attend a child care center.

23 d. A business is ineligible for a child care center tax
24 credit if any of the following applies:

25 (1) It derives income from the operation, lease, or
26 management of more than one child care center.

27 (2) The business has received a community development tax
28 credit for activities related to the child care center for
29 which it is seeking a tax credit.

30 e. An annual application deadline shall be determine by
31 the department and application material shall be distributed
32 upon request no less than sixty days prior to the actual
33 application deadline.

34 5. TAX CREDIT APPLICATION.

35 a. The department shall approve or disapprove applications

1 for community development tax credits to businesses which have
2 invested in approved economic development projects or other
3 community development projects or for child care center tax
4 credits for businesses that have provided child care for the
5 benefit of their employees. The director, upon approval of an
6 application, shall notify the director of revenue and finance
7 and the governor of those businesses entitled to a tax credit.

8 b. The procedures and requirements for filing a tax credit
9 application are as follows:

10 (1) Businesses wanting to donate to a particular community
11 development project or wanting to provide child care employee
12 benefits, but first wishing to verify the eligibility of the
13 donation or provision of child care employee benefits for a
14 tax credit, may submit a tax credit eligibility confirmation
15 form to the department. The department will confirm in
16 writing whether or not the donation or the provision of child
17 care employee benefits qualifies for credit and how the value
18 of the credit will be determined. This confirmation will not
19 constitute credit approval. However, in the case of community
20 development tax credit, the qualifying organization for the
21 project may reserve credits for specific donors.

22 (2) In order to qualify for credit, donations or providing
23 of child care employee benefits must occur during the approved
24 project period with the exception of donated audit services,
25 which may occur anytime during the six-month period following
26 the project period, and must be directly related to the
27 approved project.

28 (3) Businesses wishing to apply for credit must complete a
29 community development tax credit application or child care
30 center tax credit application. A business providing child
31 care for the benefit of its employees may complete and file
32 both applications, but only one credit shall be approved.

33 (4) Tax credit applications are to be signed by the
34 qualifying organization or the managing entity of the child
35 care center, as applicable, and submitted directly to the

1 department not later than one year following the date of
2 donation or providing of child care employee benefits.

3 (5) The order in which completed credit applications are
4 received by the department will determine the order in which
5 credits are approved. Facsimile copies will not be considered
6 completed applications.

7 (6) Every transmittal of community development tax credit
8 applications to the department must be accompanied by a
9 project report prepared by the qualifying organization.

10 (7) The department shall examine all submitted
11 applications and determine which donations or child care
12 employee benefits meet the eligibility criteria.

13 c. The department shall establish by rule the methods to
14 be used in determining the value of contributions or child
15 care employee benefits of a business.

16 Sec. 4. NEW SECTION. 15.383 TAX CREDITS --
17 DOCUMENTATION.

18 1. For a tax credit application approved pursuant to
19 section 15.382, the community development tax credit or child
20 care center tax credit available under this part may be used
21 to reduce the tax liability imposed under chapter 422,
22 division II, III, or V, or chapter 432.

23 2. Subject to subsections 4 and 5, the amount of the
24 community development tax credit shall be a percentage of the
25 contribution made by the business during the tax year as
26 follows:

27 a. Fifty percent of the total amount contributed, except
28 as provided in paragraph "b".

29 b. Seventy-five percent of the contributions made to
30 programs in any city which has a population of fifteen
31 thousand or less as of the last decennial census and is
32 located in a county which is located in one of the following:

33 (1) An area that is not part of a metropolitan statistical
34 area as defined by the United States department of commerce.

35 (2) A metropolitan statistical area but the county has

1 only one city which has more than fifteen thousand
2 inhabitants.

3 (3) A metropolitan statistical area and a substantial
4 number of persons in the county derive their income from
5 agriculture.

6 3. Subject to subsections 4 and 6, the amount of the child
7 care center tax credit shall be twenty-five percent of the
8 cost to provide the child care employee benefits.

9 4. a. The tax credit shall not exceed one hundred
10 thousand dollars annually.

11 b. Any tax credit in excess of the business's tax
12 liability for a tax year may be credited to the tax liability
13 for the following five tax years or until depleted, whichever
14 is the earlier.

15 c. A financial institution or insurance company shall not
16 receive a tax credit for activities that are part of its
17 normal course of business.

18 d. To be eligible to receive the tax credit, a business
19 shall provide documentation of the contributions or costs on
20 which the credit is based. The documentation shall be as
21 specified by rules of the department.

22 5. The total amount of community development tax credits
23 that may be approved pursuant to this part shall not exceed
24 two million dollars in any fiscal year. Not more than seven
25 hundred fifty thousand dollars in tax credits in a fiscal year
26 shall be approved for the seventy-five percent of
27 contributions credits under subsection 2, paragraph "b". When
28 this maximum dollar amount in tax credits is approved,
29 subsequent requests for tax credits pursuant to subsection 2,
30 paragraph "b", may only be approved for fifty percent of the
31 amount of the contributions.

32 6. The total amount of child care center tax credits that
33 may be approved pursuant to this part shall not exceed two
34 million dollars in any fiscal year.

35 Sec. 5. NEW SECTION. 422.11C COMMUNITY DEVELOPMENT OR

1 CHILD CARE CENTER TAX CREDIT.

2 The taxes imposed under this division, less the credits
3 allowed under sections 422.12 and 422.12B, shall be reduced by
4 a community development tax credit or child care center tax
5 credit received pursuant to sections 15.380 through 15.383.

6 An individual may claim the tax credit allowed a
7 partnership, limited liability company, S corporation, or
8 estate or trust electing to have the income taxed directly to
9 the individual. The amount claimed by the individual shall be
10 based upon the pro rata share of the individual's earnings of
11 the partnership, limited liability company, S corporation, or
12 estate or trust.

13 Any credit in excess of the tax liability for the tax year
14 may be credited to the tax liability for the following five
15 tax years or until depleted, whichever is earlier.

16 Sec. 6. Section 422.33, Code 2001, is amended by adding
17 the following new subsection:

18 NEW SUBSECTION. 11. The taxes imposed under this division
19 shall be reduced by a community development tax credit or
20 child care center tax credit received pursuant to sections
21 15.380 through 15.383.

22 Any credit in excess of the tax liability for the tax year
23 may be credited to the tax liability for following five tax
24 years or until depleted, whichever is earlier.

25 Sec. 7. Section 422.60, Code 2001, is amended by adding
26 the following new subsection:

27 NEW SUBSECTION. 4. The taxes imposed under this division
28 shall be reduced by a community development tax credit or
29 child care center tax credit received pursuant to sections
30 15.380 through 15.383.

31 Any credit in excess of the tax liability for the tax year
32 may be credited to the tax liability for the following five
33 tax years or until depleted, whichever is earlier.

34 Sec. 8. NEW SECTION. 432.12A COMMUNITY DEVELOPMENT OR
35 CHILD CARE CENTER TAX CREDIT.

1 The tax imposed under this chapter shall be reduced by a
2 community development tax credit or child care center tax
3 credit received pursuant to sections 15.380 through 15.383.

4 Any credit in excess of the tax liability for the calendar
5 year may be credited to the tax liability for the following
6 five calendar years or until depleted, whichever is earlier.

7 Sec. 9. EFFECTIVE AND APPLICABILITY DATE. This Act, being
8 deemed of immediate importance, takes effect upon enactment.
9 Sections 5 through 8 of this Act apply to tax years beginning
10 on or after January 1, 2002.

11 EXPLANATION

12 This bill establishes a community development program
13 administered by the department of economic development. The
14 program is to provide tax incentives to businesses which make
15 contributions to projects in communities or neighborhoods that
16 would benefit by these projects or make expenditures to
17 provide child care benefits to its employees. The projects
18 involve the providing of physical revitalization, economic
19 development, job training or education for individuals,
20 community services, and crime prevention. Community services
21 projects include projects providing for group and family
22 counseling, mental health services and centers, child and
23 adult care, senior citizen centers, recreation programs,
24 sheltered workshops, and substance abuse counseling. The
25 child care employee benefits involve the business building or
26 rehabilitating an existing structure as a child care center
27 for use of its employees, paying for children of employees to
28 attend a child care center, operating or leasing a center, or
29 donating money or tangible property to a center at which its
30 employees' children attend.

31 The tax incentives are provided in the form of tax credits
32 which may be used to offset the tax liability under the
33 individual and corporate income taxes, financial institution
34 franchise tax, and the insurance gross premiums tax. The
35 amount of the community development tax credit, subject to

1 limitation, equals 50 percent, or 75 percent in cities of
 2 15,000 or less in population, of the contributions made by the
 3 business to the project. Not more than \$150,000 in tax
 4 credits may be allowed for any one project. The maximum
 5 amount of credit a business may receive for a project is
 6 \$100,000. Projects and tax credits associated with the
 7 projects must be approved by the department of economic
 8 development. The total amount of tax credits that may be
 9 approved in a fiscal year shall not exceed \$2 million.

10 The amount of the child care center tax credit equals 25
 11 percent of the expenditures for providing child care employee
 12 benefits with a maximum credit of \$100,000. The tax credits
 13 must be approved by the department of economic development.
 14 Not more than \$2 million in these credits may be approved in a
 15 fiscal year.

16 The bill takes effect upon enactment and the tax credit
 17 provisions are effective January 1, 2002, for tax years
 18 beginning on or after that date.

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APR 13 2001

WAYS & MEANS CALENDAR

HOUSE FILE 714

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 247)

Passed House, Date ^(P. 1725) 5/2/01 Passed Senate, Date 5/3/01 ^(P. 1496)
 Vote: Ayes 66 Nays 33 Vote: Ayes 28 Nays 18
 Approved 5/31/01
~~Withdrawn~~

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

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HF 714

1 Section 1. NEW SECTION. 15.380 SHORT TITLE.

2 This part shall be known as and may be cited as the
3 "Community Development Program Act".

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5 As used in this part, unless the context otherwise
6 requires:

7 1. "Business" means all businesses operating within the
8 state and includes individuals operating a sole proprietorship
9 or having rental, royalty, or farm income in this state and
10 includes a consortium of businesses.

11 2. a. "Child care" means the same as defined in section
12 237A.1.

13 b. "Child care center" means a facility licensed pursuant
14 to section 237A.2 to provide child care.

15 3. "Community services" means, but is not limited to,
16 individual, group, and family counseling; mental health
17 services; primary care and community medical health centers;
18 child and adult care services; senior citizen service centers;
19 recreation programs; nutrition programs; emergency shelters
20 for persons suffering from physical abuse or rape; services
21 for the handicapped; sheltered workshops, vocational
22 counseling; substance abuse counseling; and referral services.

23 4. "Contribution" includes cash, material or supplies,
24 real estate, labor, professional services, technical
25 assistance, or equipment. "Contribution" does not include
26 investments made by a financial institution or insurance
27 company in the normal course of its business.

28 5. "Crime prevention" means activities which include but
29 are not limited to services to ex-offenders, local civilian
30 organizations that help prevent crime or provide aid to
31 victims of crime, mediation services aimed at resolving
32 disputes and conflicts before they become criminal incidents,
33 or services to juveniles who have had contact with the court
34 or police.

35 6. "Distressed or blighted area" means an area designated

1 or that qualifies under section 15E.194 to be designated an
2 enterprise zone pursuant to chapter 15E, division XVIII,
3 designated as a slum or blighted area pursuant to chapter 403,
4 or designated as a revitalization area pursuant to chapter
5 404.

6 7. "Economic development" means the acquisition,
7 renovation, improvement, or the furnishing or equipping of
8 existing buildings and real estate in distressed or blighted
9 areas of the state when this acquisition, renovation,
10 improvement, or the furnishing or equipping of the existing
11 buildings and real estate will result in the creation or
12 retention of jobs within the state.

13 8. "Education" includes literacy programs, adult basic
14 education and general educational development certificate
15 programs, English as a second language program designed to
16 teach English to students or adults whose native language is
17 other than English, training for the physically or mentally
18 challenged, and educational programs to assist persons who
19 have dropped out of school for reason other than death or
20 transfer to another school or to assist students who are at-
21 risk of dropping out or failing to meet the goals of the
22 educational agenda established by the school district.

23 9. "Job training" means those activities which provide
24 specific vocational skills including special apprenticeship or
25 on-the-job training programs not otherwise available.

26 10. "Neighborhood area" means a specific geographic area
27 certified by the department as having a readily identifiable
28 residential population and which may include, but is not
29 limited to, any of the following factors:

30 a. A sense of belonging or identity that ties residents to
31 a given area.

32 b. Social, cultural, political, or economic activities
33 around which people organize themselves.

34 c. The existence of cohesive organizations formed by
35 residents.

1 d. A city with a population of less than ten thousand or a
2 region within a rural area may be certified as a neighborhood
3 area.

4 e. A history of acting or being treated as a distinct or
5 cohesive unit.

6 11. "Physical revitalization" means activities designed
7 for the physical improvement of any part or all of a
8 neighborhood area. These activities may include, but are not
9 limited to, such programs as commercial area revitalization;
10 housing construction or rehabilitation; improvements to or
11 acquisition or construction of facilities used by nonprofit
12 organizations for community purposes or related planning and
13 promotional activities designed to aid in those programs.

14 12. a. "Qualifying organization" means an organization
15 performing community services or economic development
16 activities in the state and is any of the following:

17 (1) A person or organization that is exempt from federal
18 income taxation under the Internal Revenue Code as defined in
19 section 422.3.

20 (2) A nonprofit corporation organized under the laws of
21 this state.

22 (3) Designated as a community development corporation by
23 the federal government pursuant to, Title VII of the Economic
24 Opportunity Act of 1964, Pub. L. No. 88-452.

25 b. "Qualifying organization" does not include any of the
26 following:

27 (1) A unit or agency of the state, local government, or
28 educational institution.

29 (2) A foundation or trust of a postsecondary educational
30 institution.

31 (3) A church-affiliated religious organization unless the
32 organization is without religious discrimination or is not
33 controlled by a single denomination.

34 Sec. 3. NEW SECTION. 15.382 COMMUNITY DEVELOPMENT AND
35 CHILD CARE CENTER TAX CREDITS -- APPROVAL OF PROJECTS AND

1 PROPOSALS.

2 1. TAX CREDITS.

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6 prevention in the state shall receive a community development
7 tax credit as provided in section 15.383 if the director
8 annually approves the proposal of the business. However, a
9 proposal for a community development tax credit shall not be
10 approved which does not have the endorsement of the local
11 government for the area in which the business is engaging in
12 such activities that the proposal is consistent with the
13 overall community or neighborhood development plan adopted by
14 that local government.

15 b. A business which for the benefit of its employees
16 builds, contributes to, or operates a new or existing child
17 care center in the state or subsidizes access to a child care
18 center in the state shall receive a child care center tax
19 credit as provided in section 15.383 if the director annually
20 approves the proposal of the business.

21 2. ECONOMIC DEVELOPMENT PROJECTS. For economic
22 development projects in distressed or blighted areas for which
23 community development tax credits under this part may be
24 approved, the following guidelines apply:

25 a. Applications shall be accepted from any locally based
26 qualifying organization wishing to conduct an economic
27 development project in a distressed or blighted area.

28 b. Applicants may not administer more than one economic
29 development project at a time. A project may include more
30 than one building, provided that the proposal meets all other
31 eligibility requirements as set forth in this subsection and
32 rules of the department.

33 c. Applications will be accepted by the department at any
34 time of the year and will be approved on a case-by-case basis
35 as all the necessary requirements are met and as credits

1 become available.

2 d. A maximum authorization of one hundred fifty thousand
3 dollars in community development tax credits will be permitted
4 per project and no more than five percent of the credits
5 authorized for the project shall normally be allowed for
6 administrative and operating expenses. In unusual
7 circumstances, a higher percentage may be allowed at the
8 discretion of the department.

9 e. Applicants must obtain a nonbinding commitment from a
10 prospective business or businesses willing to locate to the
11 facility and demonstrate that at least one job will be created
12 or retained for every ten thousand dollars in credits
13 requested. Eligible types of businesses include retail,
14 commercial, service, and manufacturing.

15 3. COMMUNITY DEVELOPMENT PROJECTS. For community
16 development projects, other than economic development
17 projects, for which community development tax credits under
18 this part may be approved, the following procedures, criteria,
19 and priorities apply:

20 a. A proposal for a proposed program shall be submitted by
21 a qualifying organization for carrying out a specific project
22 consistent with the purposes of this part.

23 b. All proposals shall be made on the forms supplied by
24 the department. Each proposal shall contain a project budget
25 and shall identify, if possible, the items and amounts of the
26 budget which will be provided for from contributions from any
27 business. A project budget shall be approved by the
28 department. The department may request any additional
29 information it determines necessary to evaluate a proposal or
30 plan.

31 c. Community development projects and the budgets for them
32 may be approved for a period of up to three years at the
33 discretion of the director.

34 d. An annual application deadline shall be determined by
35 the department and application materials shall be distributed

1 upon request no less than sixty days prior to the actual
2 application deadline.

3 e. All proposals must address at least one of the
4 following priorities in order to qualify for approval:

5 (1) The project substantially contributes to self-help
6 efforts by residents of the neighborhood area to be served in
7 addressing locally defined objectives.

8 (2) The project will result in the provision of essential
9 services to low-income and moderate-income families which
10 would not otherwise be provided in the affected neighborhood
11 area and for which there are not other resources. "Low-income
12 and moderate-income families" means those families, including
13 single-person households, earning no more than eighty percent
14 of the higher of the median family income of the county or the
15 statewide nonmetropolitan area as determined by the latest
16 United States department of housing and urban development,
17 section 8 income guidelines.

18 (3) The project tangibly contributes to the development of
19 lasting cooperation and partnership efforts of neighborhood
20 organizations and businesses.

21 f. Approval or disapproval of proposals shall be based on
22 the following criteria:

23 (1) The director must certify an area as experiencing
24 problems endangering the area's existence as a viable and
25 stable neighborhood to be eligible for assistance.

26 (2) The qualifying organization submitting the proposal
27 must demonstrate its capacity to adequately administer the
28 project.

29 (3) There must be a demonstrated need for the program in
30 the neighborhood area within which the project is to be
31 carried out.

32 (4) The proposal must demonstrate that residents of the
33 affected neighborhood area have been involved in the planning
34 of the proposed project and describe the extent to which they
35 will be involved in its implementation.

1 (5) The proposal must be consistent with all locally
2 approved community or neighborhood development plans for the
3 area.

4 (6) Proposals submitted subsequent to the first year will
5 be evaluated on performance of the first-year project, other
6 resources developed, continued need, and potential for
7 eventual self-sufficiency.

8 g. In no case shall a project be approved that does not
9 have a written endorsement of the appropriate local public
10 authority.

11 h. The maximum amount of community development tax credits
12 allowed per project is one hundred fifty thousand dollars.

13 i. For purposes of the criterion in paragraph "f",
14 subparagraph (1), an area is experiencing problems endangering
15 its existence as a viable and stable neighborhood if some of
16 the following factors are present: declining population, high
17 percentage of people dependent on public assistance,
18 persistent or substantial unemployment or underemployment,
19 lower than average family incomes, financial disinvestment,
20 insurance and financial redlining, general weakened market
21 conditions on the neighborhood commercial strip as indicated
22 by declining rents or vacant stores, excessive abandonment of
23 properties, a significant percentage of neighborhood residents
24 on fixed incomes, unsanitary or inadequate housing,
25 overcrowding, significant proportion of the property is rental
26 property, property speculation, high rates of crime and
27 delinquency, high degree of drug or alcohol abuse, increasing
28 cases of mental health problems, significant numbers of
29 single-parent households, high degree of infant mortality and
30 disease, disabilities, general unsanitary conditions in the
31 area, or poor city and public utility services.

32 4. CHILD CARE EMPLOYEE BENEFITS. For child care employee
33 benefits for which a child care center tax credit under this
34 part may be approved, the following apply:

35 a. A proposal for a project shall be submitted by a

1 business located in or doing business in the state.

2 b. The proposal shall be on forms supplied by the
3 department. The proposal shall identify the location of the
4 child care center which must be in the state. The proposal
5 shall contain a statement on whether the business is also
6 seeking a community development tax credit for providing child
7 care for its employees.

8 c. To be eligible for a child care center tax credit, the
9 business must provide child care employee benefits for its
10 employees through any of the following:

11 (1) Build a new structure or rehabilitate an existing
12 structure to be used as a child care center. A business may
13 do the building or rehabilitating in conjunction with another
14 business or entity but only the business's actual costs shall
15 be considered in determining the amount of credit. At least
16 five children of its employees are provided child care at the
17 center.

18 (2) Operate or lease a child care center where at least
19 five children of its employees are provided child care at the
20 center.

21 (3) Donate money, supplies, or other tangible personal
22 property to a child care center where at least five children
23 of its employees are provided child care.

24 (4) Pay the cost for the equivalent of five children of
25 its employees to attend a child care center.

26 d. A business is ineligible for a child care center tax
27 credit if any of the following applies:

28 (1) It derives income from the operation, lease, or
29 management of more than one child care center.

30 (2) The business has received a community development tax
31 credit for activities related to the child care center for
32 which it is seeking a tax credit.

33 e. An annual application deadline shall be determine by
34 the department and application material shall be distributed
35 upon request no less than sixty days prior to the actual

1 application deadline.

2 5. TAX CREDIT APPLICATION.

3 a. The department shall approve or disapprove applications
4 for community development tax credits to businesses which have
5 invested in approved economic development projects or other
6 community development projects or for child care center tax
7 credits for businesses that have provided child care for the
8 benefit of their employees. The director, upon approval of an
9 application, shall notify the director of revenue and finance
10 and the governor of those businesses entitled to a tax credit.

11 b. The procedures and requirements for filing a tax credit
12 application are as follows:

13 (1) Businesses wanting to donate to a particular community
14 development project or wanting to provide child care employee
15 benefits, but first wishing to verify the eligibility of the
16 donation or provision of child care employee benefits for a
17 tax credit, may submit a tax credit eligibility confirmation
18 form to the department. The department will confirm in
19 writing whether or not the donation or the provision of child
20 care employee benefits qualifies for credit and how the value
21 of the credit will be determined. This confirmation will not
22 constitute credit approval.

23 (2) In order to qualify for credit, donations or providing
24 of child care employee benefits must occur during the approved
25 project period with the exception of donated audit services,
26 which may occur anytime during the six-month period following
27 the project period, and must be directly related to the
28 approved project.

29 (3) Businesses wishing to apply for credit must complete a
30 community development tax credit application or child care
31 center tax credit application. A business providing child
32 care for the benefit of its employees may complete and file
33 both applications, but only one credit shall be approved.

34 (4) Tax credit applications are to be signed by the
35 qualifying organization or the managing entity of the child

1 care center, as applicable, and submitted directly to the
2 department not later than one year following the date of
3 donation or providing of child care employee benefits.

4 (5) The order in which completed credit applications are
5 received by the department will determine the order in which
6 credits are approved. Facsimile copies will not be considered
7 completed applications.

8 (6) Every transmittal of community development tax credit
9 applications to the department must be accompanied by a
10 project report prepared by the qualifying organization.

11 (7) The department shall examine all submitted
12 applications and determine which donations or child care
13 employee benefits meet the eligibility criteria.

14 c. The department shall establish by rule the methods to
15 be used in determining the value of contributions or child
16 care employee benefits of a business.

17 Sec. 4. NEW SECTION. 15.383 TAX CREDITS --
18 DOCUMENTATION.

19 1. For a tax credit application approved pursuant to
20 section 15.382, the community development tax credit or child
21 care center tax credit available under this part may be used
22 to reduce the tax liability imposed under chapter 422,
23 division II, III, or V, or chapter 432 or 533.

24 2. Subject to subsections 4 and 5, the amount of the
25 community development tax credit shall be fifty percent of the
26 contribution made by the business during the tax year.

27 3. Subject to subsections 4 and 6, the amount of the child
28 care center tax credit shall be twenty-five percent of the
29 cost to provide the child care employee benefits.

30 4. a. The tax credit shall not exceed one hundred
31 thousand dollars annually.

32 b. Any tax credit in excess of the business's tax
33 liability for a tax year may be credited to the tax liability
34 for the following five tax years or until depleted, whichever
35 is the earlier.

1 c. A financial institution or insurance company shall not
2 receive a tax credit for activities that are part of its
3 normal course of business.

4 d. To be eligible to receive the tax credit, a business
5 shall provide documentation of the contributions or costs on
6 which the credit is based. The documentation shall be as
7 specified by rules of the department.

8 5. The total amount of community development tax credits
9 that may be approved pursuant to this part shall not exceed
10 two million dollars in any fiscal year.

11 6. The total amount of child care center tax credits that
12 may be approved pursuant to this part shall not exceed two
13 million dollars in any fiscal year.

14 Sec. 5. NEW SECTION. 422.11C COMMUNITY DEVELOPMENT OR
15 CHILD CARE CENTER TAX CREDIT.

16 The taxes imposed under this division, less the credits
17 allowed under sections 422.12 and 422.12B, shall be reduced by
18 a community development tax credit or child care center tax
19 credit received pursuant to sections 15.380 through 15.383.

20 An individual may claim the tax credit allowed a
21 partnership, limited liability company, S corporation, or
22 estate or trust electing to have the income taxed directly to
23 the individual. The amount claimed by the individual shall be
24 based upon the pro rata share of the individual's earnings of
25 the partnership, limited liability company, S corporation, or
26 estate or trust.

27 Any credit in excess of the tax liability for the tax year
28 may be credited to the tax liability for the following five
29 tax years or until depleted, whichever is earlier.

30 Sec. 6. Section 422.33, Code 2001, is amended by adding
31 the following new subsection:

32 NEW SUBSECTION. 11. The taxes imposed under this division
33 shall be reduced by a community development tax credit or
34 child care center tax credit received pursuant to sections
35 15.380 through 15.383.

1 Any credit in excess of the tax liability for the tax year
2 may be credited to the tax liability for following five tax
3 years or until depleted, whichever is earlier.

4 Sec. 7. Section 422.60, Code 2001, is amended by adding
5 the following new subsection:

6 NEW SUBSECTION. 4. The taxes imposed under this division
7 shall be reduced by a community development tax credit or
8 child care center tax credit received pursuant to sections
9 15.380 through 15.383.

10 Any credit in excess of the tax liability for the tax year
11 may be credited to the tax liability for the following five
12 tax years or until depleted, whichever is earlier.

13 Sec. 8. NEW SECTION. 432.12A COMMUNITY DEVELOPMENT OR
14 CHILD CARE CENTER TAX CREDIT.

15 The tax imposed under this chapter shall be reduced by a
16 community development tax credit or child care center tax
17 credit received pursuant to sections 15.380 through 15.383.

18 Any credit in excess of the tax liability for the calendar
19 year may be credited to the tax liability for the following
20 five calendar years or until depleted, whichever is earlier.

21 Sec. 9. Section 533.24, Code 2001, is amended by adding
22 the following new unnumbered paragraph:

23 NEW UNNUMBERED PARAGRAPH. The tax imposed on moneys and
24 credits under this section shall be reduced by a community
25 development tax credit or child care center tax credit
26 received pursuant to sections 15.380 through 15.383. Any
27 credit in excess of the tax liability for the tax year may be
28 credited to the tax liability for the following five tax years
29 or until depleted, whichever is earlier.

30 Sec. 10. EFFECTIVE AND APPLICABILITY DATE. This Act,
31 being deemed of immediate importance, takes effect upon
32 enactment. Sections 5 through 9 of this Act apply to tax
33 years beginning on or after January 1, 2002.

34 EXPLANATION
35 This bill establishes a community development program

1 administered by the department of economic development. The
2 program is to provide tax incentives to businesses which make
3 contributions to projects in communities or neighborhoods that
4 would benefit by these projects or make expenditures to
5 provide child care benefits to its employees. The projects
6 involve the providing of physical revitalization, economic
7 development, job training or education for individuals,
8 community services, and crime prevention. Community services
9 projects include projects providing for group and family
10 counseling, mental health services and centers, child and
11 adult care, senior citizen centers, recreation programs,
12 sheltered workshops, and substance abuse counseling. The
13 child care employee benefits involve the business building or
14 rehabilitating an existing structure as a child care center
15 for use of its employees, paying for children of employees to
16 attend a child care center, operating or leasing a center, or
17 donating money or tangible property to a center at which its
18 employees' children attend.

19 The tax incentives are provided in the form of tax credits
20 which may be used to offset the tax liability under the
21 individual and corporate income taxes, financial institution
22 franchise tax, the insurance gross premiums tax, and the
23 credit union moneys and credits tax. The amount of the
24 community development tax credit, subject to limitation,
25 equals 50 percent of the contributions made by the business to
26 the project. Not more than \$150,000 in tax credits may be
27 allowed for any one project. The maximum amount of credit a
28 business may receive for a project is \$100,000. Projects and
29 tax credits associated with the projects must be approved by
30 the department of economic development. The total amount of
31 tax credits that may be approved in a fiscal year shall not
32 exceed \$2 million.

33 The amount of the child care center tax credit equals 25
34 percent of the expenditures for providing child care employee
35 benefits with a maximum credit of \$100,000. The tax credits

1 must be approved by the department of economic development.
2 Not more than \$2 million in these credits may be approved in a
3 fiscal year.

4 The bill takes effect upon enactment and the tax credit
5 provisions are effective January 1, 2002, for tax years
6 beginning on or after that date.

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HOUSE FILE 714

H-1706

1 Amend House File 714 as follows:
2 1. Page 8, line 33, by striking the word
3 "determine" and inserting the following:
4 "determined".
5 2. Page 12, by inserting after line 3, the
6 following:
7 "Sec. 100. Section 422.45, Code 2001, is amended
8 by adding the following new subsection:
9 NEW SUBSECTION. 60. a. The gross receipts from
10 the sale of coins, currency, or bullion.
11 b. For purposes of this subsection:
12 (1) "Bullion" means bars, ingots, or commemorative
13 medallions of gold, silver, platinum, palladium, or a
14 combination of these where the value of the metal
15 depends on its content and not the form.
16 (2) "Coins or currency" means a coin or currency
17 made of gold, silver, or other metal or paper which is
18 or has been used as legal tender.
19 c. This subsection is repealed June 30, 2003."
20 3. Page 12, by striking lines 30 through 33, and
21 inserting the following:
22 "Sec. ____ . EFFECTIVE AND APPLICABILITY PROVISION.
23 This Act takes effect only if the revenue estimating
24 conference estimates that, as a result of the
25 enactment of federal income tax legislation prior to
26 January 1, 2002, Iowa income tax receipts for the
27 fiscal year beginning July 1, 2001, will be increased
28 by \$7.9 million or more over the amount of Iowa income
29 tax receipts which would have been realized in the
30 absence of the enactment of such federal income tax
31 legislation. If this Act takes effect, sections 5, 6,
32 7, 8, and 9 of this Act apply to tax years beginning
33 on or after January 1, 2002, and section 100 of this
34 Act applies beginning on July 1, 2001."
35 4. Title page, line 7, by inserting after the
36 word "employees" the following: "and providing a
37 sales and use tax exemption for the sale of coins,
38 currency, or bullion,".
39 5. By renumbering as necessary.

By CORMACK of Webster

H-1706 FILED APRIL 25, 2001

W/D
5/2/01
(P.1722)

HOUSE FILE 714

H-1753

1 Amend House File 714 as follows:
2 1. Page 8, line 33, by striking the word
3 "determine" and inserting the following:
4 "determined".
5 2. Page 12, by striking lines 30 through 33 and
6 inserting the following:
7 "Sec. ____ EFFECTIVE AND APPLICABILITY PROVISION.
8 This Act takes effect only if the revenue estimating
9 conference estimates that, as a result of the
10 enactment of federal income tax legislation prior to
11 January 1, 2002, Iowa income tax receipts for the
12 fiscal year beginning July 1, 2001, will be increased
13 by \$7.9 million or more over the amount of Iowa income
14 tax receipts which would have been realized in the
15 absence of the enactment of such federal income tax
16 legislation. If this Act takes effect, sections 5
17 through 9 of this Act apply to tax years beginning on
18 or after January 1, 2002."

By SUKUP of Franklin

H-1753 FILED APRIL 30, 2001

Adopted
5/2/01

(P. 1723)

HOUSE FILE 714

H-1766

1 Amend House File 714 as follows:
2 1. Page 1, line 16, by inserting after the word
3 "counseling;" the following: "parent and early
4 childhood education;".
5 2. Page 3, by inserting after line 5 the
6 following:
7 "f. The area is designated as a community
8 empowerment area in accordance with chapter 28."
9 3. Page 3, by inserting after line 24 the
10 following:
11 "(4) A community empowerment area board created in
12 accordance with chapter 28."
13 4. Page 3, line 28, by inserting after the word
14 "institution." the following: "This subparagraph
15 shall not be interpreted to prevent a community
16 empowerment area board from being considered a
17 qualifying organization."
18 5. Page 7, line 10, by inserting after the word
19 "authority" the following: "with notification given
20 to the community empowerment board".

By HOUSER of Pottawattamie
SUKUP of Franklin
HEATON of Henry

H-1766 FILED APRIL 30, 2001

Adopted
5/2/01

(P. 1722)

HOUSE FILE 714

H-1799

1 Amend House File 714 as follows:

2 1. Page 9, by inserting after line 10, the
3 following:

4 "If the business meets the criteria for
5 eligibility, the department of economic development
6 shall issue to the business a certification of
7 entitlement for the community development tax credit
8 or child care center tax credit. The certification
9 shall contain the name of the business, address, tax
10 identification number, the amount of the credit, the
11 tax year for which the certificate applies, and any
12 other information required by the department of
13 revenue and finance."

14 2. Page 11, by inserting after line 29, the
15 following:

16 "If the community development tax credit or child
17 care center tax credit is taken on the tax return, a
18 deduction shall not be allowed for Iowa tax purposes
19 for contributions made to a community development
20 project or expenditures for providing child care
21 employee benefits which are deductible for federal tax
22 purposes."

23 3. Page 12, by inserting after line 3, the
24 following:

25 "If the community development tax credit or child
26 care center tax credit is taken on the tax return, a
27 deduction shall not be allowed for Iowa tax purposes
28 for contributions made to a community development
29 project or expenditures for providing child care
30 employee benefits which are deductible for federal tax
31 purposes."

32 4. Page 12, by inserting after line 12, the
33 following:

34 "If the community development tax credit or child
35 care center tax credit is taken on the tax return, a
36 deduction shall not be allowed for Iowa tax purposes
37 for contributions made to a community development
38 project or expenditures for providing child care
39 employee benefits which are deductible for federal tax
40 purposes."

By SUKUP of Franklin

H-1799 FILED MAY 1, 2001

adapted
5/2/01
(P. 1724)

HOUSE FILE 714

H-1824

1 Amend amendment, H-1706, to House File 714 as
2 follows:
3 1. Page 1, by striking line 7, and inserting the
4 following:
5 "Sec. ____ . Section 422.45, subsection 59,
6 paragraph a, subparagraph (2), Code 2001, is amended
7 to read as follows:
8 (2) The sale takes place during a period beginning
9 at 12:01 a.m. on the first Friday in February and
10 ending at midnight on the following Saturday or during
11 a period beginning at 12:01 a.m. on the first Friday
12 in August and ending at midnight on the following
13 Saturday.
14 Sec. 100. Section 422.45, Code 2001, is amended".
15 2. Page 1, line 36, by inserting before the word
16 "and" the following: ", extending the annual sales
17 tax exemption days,".

By ALONS of Sioux

H-1824 FILED MAY 1, 2001

O/O

5/2/01

(P. 1722)

HOUSE FILE 714

H-1825

1 Amend House File 714 as follows:

2 1. By striking everything after the enacting
3 clause and inserting the following:

4 "Section 1. NEW SECTION. 15E.221 SHORT TITLE.

5 This division shall be known and may be cited as
6 the "Financial Capital Formation for Life Science
7 Companies Program".

8 Sec. 2. NEW SECTION. 15E.222 DEFINITIONS.

9 As used in this division, unless the context
10 otherwise requires:

11 1. "Equity" means common stock or preferred stock,
12 regardless of class or series, of a corporation; a
13 partnership interest in a limited partnership; or a
14 membership interest in a limited liability company,
15 which is not required or subject to an option on the
16 part of the taxpayer to be redeemed by the issuer
17 within two years from the date of issuance.

18 2. "Qualified business" means a business that
19 meets all of the following criteria:

20 a. Has annual gross revenues of five million
21 dollars or less in its most recent fiscal year.

22 b. Is domiciled in the state of Iowa.

23 c. Is engaged in business primarily in, or does
24 substantially all of its production in, the state of
25 Iowa.

26 d. Is primarily engaged in a business that
27 produces, develops, or markets a life science product
28 or life science by-product as defined in section
29 10C.1.

30 3. "Subordinated debt" means debt that either is
31 unsecured or has a subordinate claim on the assets of
32 the debtor.

33 Sec. 3. NEW SECTION. 15E.223 TAX CREDITS.

34 1. For tax years beginning on or after January 1,
35 2001, a tax credit shall be allowed against the taxes
36 imposed under chapter 422, divisions II, III, and V,
37 and under chapter 432, for a certified equity or
38 subordinated debt investment in a qualified business.
39 An individual may claim the credit of a partnership,
40 limited liability company, S corporation, estate, or
41 trust electing to have income taxed directly to the
42 individual. The amount claimed by the individual
43 shall be based upon the pro rata share of the
44 individual's earnings from the partnership, limited
45 liability company, S corporation, estate, or trust.

46 2. a. The tax credit allowed under this section
47 shall be for the following amounts:

48 (1) After the certified equity or subordinated
49 debt investment is held for a period of two years,
50 twenty percent of the certified equity or subordinated

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Page 2

1 debt investment.

2 (2) After the certified equity or subordinated
3 debt investment is held for a period of four years, an
4 additional ten percent of the certified equity or
5 subordinated debt investment.

6 (3) After the certified equity or subordinated
7 debt investment is held for a period of six years, an
8 additional ten percent of the certified equity or
9 subordinated debt investment.

10 (4) After the certified equity or subordinated
11 debt investment is held for a period of eight years,
12 an additional ten percent of the certified equity or
13 subordinated debt investment.

14 b. For purposes of paragraph "a" in computing the
15 holding period of an equity investment that was
16 obtained by the taxpayer as a result of the conversion
17 of the taxpayer's investment in a subordinated debt,
18 the time the taxpayer held the investment in the
19 subordinated debt shall be added to the time the
20 taxpayer held the equity investment.

21 c. Any tax credit in excess of the taxpayer's
22 liability for the tax year may be credited to the tax
23 liability for the following three years or until
24 depleted, whichever is earlier. A tax credit shall
25 not be carried back to a tax year prior to the tax
26 year in which the taxpayer redeems the tax credit.

27 d. A taxpayer shall not claim a tax credit in a
28 single tax year under this section of more than fifty
29 thousand dollars.

30 e. A taxpayer making an equity or subordinated
31 debt investment in a qualified business shall submit
32 an application to the department of economic
33 development for certification of eligibility for a tax
34 credit.

35 3. The aggregate amount of tax credits issued
36 under this section for taxes imposed pursuant to
37 chapter 422, divisions II, III, and V, and chapter 432
38 shall not exceed a total of four million dollars.

39 4. The department of revenue and finance, in
40 consultation with the department of economic
41 development, shall develop a system for registration,
42 authorization, and redemption of tax credits issued by
43 the state under this section. The department of
44 revenue and finance and the department of economic
45 development shall adopt any other policies,
46 procedures, or rules pursuant to chapter 17A necessary
47 for the administration of this section and of tax
48 credits issued by the state under this section.

49 Sec. 4. NEW SECTION. 422.11C LIFE SCIENCE TAX
50 CREDIT.

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Page 3

1 The taxes imposed under this division, less the
 2 credits allowed under section 422.12 and any other
 3 nonrefundable credit, shall be reduced by a tax credit
 4 in the manner as authorized pursuant to section
 5 15E.223.

6 Sec. 5. Section 422.33, Code 2001, is amended by
 7 adding the following new subsection:

8 NEW SUBSECTION. 11. The taxes imposed under this
 9 division shall be reduced by a tax credit in the
 10 manner as authorized pursuant to section 15E.223.

11 Sec. 6. Section 422.60, Code 2001, is amended by
 12 adding the following new subsection:

13 NEW SUBSECTION. 4. The taxes imposed under this
 14 division shall be reduced by a tax credit in the
 15 manner as authorized pursuant to section 15E.223.

16 Sec. 7. NEW SECTION. 432.12A LIFE SCIENCE TAX
 17 CREDIT.

18 The taxes imposed under this chapter shall be
 19 reduced by a tax credit in the manner as authorized
 20 pursuant to section 15E.223."

21 2. Title page, by striking lines 1 through 8 and
 22 inserting the following:

23 "An Act creating a tax credit for investments in
 24 qualified businesses engaged in life science-related
 25 production."

26 3. By renumbering as necessary.

By WARNSTADT of Woodbury

H-1825 FILED MAY 1, 2001

W/D

5/2/01

(P. 1724)

HOUSE FILE 714

H-1841

1 Amend the amendment H-1753, to House File 714, as
 2 follows:

3 1. Page 1, line 10, by striking the word
 4 "income".

5 2. Page 1, line 11, by striking the word
 6 "income".

7 3. Page 1, line 13, by striking the word
 8 "income".

9 4. Page 1, line 15, by striking the word
 10 "income".

By JOCHUM of Dubuque

H-1841 FILED MAY 1, 2001

Joat

5/2/01

(P. 1723)

HOUSE FILE 714

H-1846

1 Amend the amendment, H-1753, to House File 714 as
2 follows:

3 1. Page 1, by striking lines 2 through 7, and
4 inserting the following:

5 "____. By striking everything after the enacting
6 clause, and inserting the following:

7 "Section 1. There is appropriated from the general
8 fund of the state to the designated entities for the
9 fiscal year beginning July 1, 2001, and ending June
10 30, 2002, the following amounts to be used for the
11 purposes designated:

12 1. To the department of human services for use in
13 the HAWK-I program:
14 \$ 1,707,951

15 2. To the Iowa department of public health for
16 childhood immunizations:
17 \$ 160,618

18 3. To the Iowa department of public health for
19 child and adolescent wellness:
20 \$ 167,918

21 4. To the Iowa department of public health for
22 community capacity:
23 \$ 182,520

24 5. To the department of workforce development for
25 rural workforce development offices:
26 \$ 1,780,993

27 The appropriations made in this section are in
28 addition to appropriations made in other Acts for the
29 designated purposes.

30 Sec. ____ . EFFECTIVE PROVISION."

31 2. Page 1, by striking lines 16 through 18, and
32 inserting the following: "legislation."

33 3. Title page, by striking lines 1 through 8, and
34 inserting the following: "An Act making
35 appropriations to the departments of human services,
36 workforce development, and public health and including
37 a contingent effective date provision."

By KREIMAN of Davis

H-1846 FILED MAY 1, 2001

W/R
5/2/01
(P. 1722)

HOUSE FILE 714

H-1875

1 Amend House File 714 as follows:
2 1. By striking everything after the enacting
3 clause and inserting the following:
4 "Section 1. There is appropriated from the general
5 fund of the state to the designated entities for the
6 fiscal year beginning July 1, 2001, and ending June
7 30, 2002, the following amounts to be used for the
8 purposes designated:
9 1. To the department of human services for use in
10 the HAWK-I program:
11 \$ 1,707,951
12 2. To the Iowa department of public health for
13 childhood immunizations:
14 \$ 160,618
15 3. To the Iowa department of public health for
16 child and adolescent wellness:
17 \$ 167,918
18 4. To the Iowa department of public health for
19 community capacity:
20 \$ 182,520
21 5. To the department of workforce development for
22 rural workforce development offices:
23 \$ 1,780,993

24 The appropriations made in this section are in
25 addition to appropriations made in other Acts for the
26 designated purposes.

27 Sec. 2. EFFECTIVE PROVISION. This Act takes
28 effect only if the revenue estimating conference
29 estimates that, as a result of the enactment of
30 federal income tax legislation prior to January 1,
31 2002, Iowa income tax receipts for the fiscal year
32 beginning July 1, 2001, will be increased by \$7.9
33 million or more over the amount of Iowa income tax
34 receipts which would have been realized in the absence
35 of the enactment of such federal income tax
36 legislation."

37 2. Title page, by striking lines 1 through 8, and
38 inserting the following: "An Act making
39 appropriations to the departments of human services,
40 workforce development, and public health and including
41 a contingent effective date provision."

By KREIMAN of Davis

H-1875 FILED MAY 1, 2001

*Not Germane
Motion to Suspend Rules - Lost 5/2/01
(P. 1720)*

**HOUSE FILE 714
FISCAL NOTE**

A fiscal note for **House File 714** 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 714 establishes a Community Development Program administered by the Department of Economic Development. The Program would provide tax incentives to businesses which make contributions to qualified projects in communities or neighborhoods or to provide child care benefits to the company's employees.

The tax incentives would be provided in the form of tax credits equal to 50.0% of the contribution and the tax incentive for a day care project is limited to 25.0% of the expenditure. The amount of credit for a single project or single company is limited.

The total amount of credits granted in a single fiscal year for community and neighborhood projects is limited to \$2.0 million and the total amount for employee day care is also limited to \$2.0 million. All tax incentives must be approved by the Department of Economic Development.

The Bill is effective upon enactment and the tax incentives are effective beginning in 2002.

ASSUMPTIONS

1. The credits will be fully utilized.
2. The Department of Economic Development will approve projects in time for some companies to adjust estimated tax payments in the first six months of 2002. This adjustment will reduce FY 2002 General Fund revenues by \$1.0 million. The remaining \$3.0 million in calendar year 2002 tax incentives will impact FY 2003.
3. The tax credits available in calendar year 2003 will reduce estimate payments by \$1.0 million per quarter. This will impact FY 2003 General Fund receipts by \$2.0 million and FY 2004 receipts by \$2.0 million. The impact of credits in future calendar years will be the same as 2003.

FISCAL IMPACT

The tax incentives in House File 714 will reduce General Fund receipts by the following schedule:

FY 2002 - \$1.0 million
FY 2003 - \$5.0 million
FY 2004 - \$4.0 million

The fiscal impact for FY 2005 and subsequent years will be the same as FY 2004.

SOURCE

Legislative Fiscal Bureau analysis

(LSB 3152HV, JWR)

FILED MAY 1, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 714
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 247)

(As Amended and Passed by the House May 2, 2001)

Re Passed House, Date 5/4/01 (p.1860) Passed Senate, Date 5/3/01 (p.1496)
Vote: Ayes 61 Nays 30 Vote: Ayes 28 Nays 18
Approved 5/31/01

A BILL FOR

1 An Act relating to a community renewal initiative by establishing
2 a community development program to provide tax credits for
3 income tax, franchise tax, premiums tax, and moneys and
4 credits tax for businesses contributing to community
5 development projects to aid certain neighborhoods and
6 communities or contributing to child care benefits for
7 employees and including effective and applicability date
8 provisions.

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

- 10
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- 21

House Amendments _____

1 Section 1. NEW SECTION. 15.380 SHORT TITLE.

2 This part shall be known as and may be cited as the
3 "Community Development Program Act".

4 Sec. 2. NEW SECTION. 15.381 DEFINITIONS.

5 As used in this part, unless the context otherwise
6 requires:

7 1. "Business" means all businesses operating within the
8 state and includes individuals operating a sole proprietorship
9 or having rental, royalty, or farm income in this state and
10 includes a consortium of businesses.

11 2. a. "Child care" means the same as defined in section
12 237A.1.

13 b. "Child care center" means a facility licensed pursuant
14 to section 237A.2 to provide child care.

15 3. "Community services" means, but is not limited to,
16 individual, group, and family counseling; parent and early
17 childhood education; mental health services; primary care and
18 community medical health centers; child and adult care
19 services; senior citizen service centers; recreation programs;
20 nutrition programs; emergency shelters for persons suffering
21 from physical abuse or rape; services for the handicapped;
22 sheltered workshops, vocational counseling; substance abuse
23 counseling; and referral services.

24 4. "Contribution" includes cash, material or supplies,
25 real estate, labor, professional services, technical
26 assistance, or equipment. "Contribution" does not include
27 investments made by a financial institution or insurance
28 company in the normal course of its business.

29 5. "Crime prevention" means activities which include but
30 are not limited to services to ex-offenders, local civilian
31 organizations that help prevent crime or provide aid to
32 victims of crime, mediation services aimed at resolving
33 disputes and conflicts before they become criminal incidents,
34 or services to juveniles who have had contact with the court
35 or police.

1 6. "Distressed or blighted area" means an area designated
2 or that qualifies under section 15E.194 to be designated an
3 enterprise zone pursuant to chapter 15E, division XVIII,
4 designated as a slum or blighted area pursuant to chapter 403,
5 or designated as a revitalization area pursuant to chapter
6 404.

7 7. "Economic development" means the acquisition,
8 renovation, improvement, or the furnishing or equipping of
9 existing buildings and real estate in distressed or blighted
10 areas of the state when this acquisition, renovation,
11 improvement, or the furnishing or equipping of the existing
12 buildings and real estate will result in the creation or
13 retention of jobs within the state.

14 8. "Education" includes literacy programs, adult basic
15 education and general educational development certificate
16 programs, English as a second language program designed to
17 teach English to students or adults whose native language is
18 other than English, training for the physically or mentally
19 challenged, and educational programs to assist persons who
20 have dropped out of school for reason other than death or
21 transfer to another school or to assist students who are at-
22 risk of dropping out or failing to meet the goals of the
23 educational agenda established by the school district.

24 9. "Job training" means those activities which provide
25 specific vocational skills including special apprenticeship or
26 on-the-job training programs not otherwise available.

27 10. "Neighborhood area" means a specific geographic area
28 certified by the department as having a readily identifiable
29 residential population and which may include, but is not
30 limited to, any of the following factors:

31 a. A sense of belonging or identity that ties residents to
32 a given area.

33 b. Social, cultural, political, or economic activities
34 around which people organize themselves.

35 c. The existence of cohesive organizations formed by

1 residents.

2 d. A city with a population of less than ten thousand or a
3 region within a rural area may be certified as a neighborhood
4 area.

5 e. A history of acting or being treated as a distinct or
6 cohesive unit.

7 f. The area is designated as a community empowerment area
8 in accordance with chapter 28.

9 11. "Physical revitalization" means activities designed
10 for the physical improvement of any part or all of a
11 neighborhood area. These activities may include, but are not
12 limited to, such programs as commercial area revitalization;
13 housing construction or rehabilitation; improvements to or
14 acquisition or construction of facilities used by nonprofit
15 organizations for community purposes or related planning and
16 promotional activities designed to aid in those programs.

17 12. a. "Qualifying organization" means an organization
18 performing community services or economic development
19 activities in the state and is any of the following:

20 (1) A person or organization that is exempt from federal
21 income taxation under the Internal Revenue Code as defined in
22 section 422.3.

23 (2) A nonprofit corporation organized under the laws of
24 this state.

25 (3) Designated as a community development corporation by
26 the federal government pursuant to, Title VII of the Economic
27 Opportunity Act of 1964, Pub. L. No. 88-452.

28 (4) A community empowerment area board created in
29 accordance with chapter 28.

30 b. "Qualifying organization" does not include any of the
31 following:

32 (1) A unit or agency of the state, local government, or
33 educational institution. This subparagraph shall not be
34 interpreted to prevent a community empowerment area board from
35 being considered a qualifying organization.

1 (2) A foundation or trust of a postsecondary educational
2 institution.

3 (3) A church-affiliated religious organization unless the
4 organization is without religious discrimination or is not
5 controlled by a single denomination.

6 Sec. 3. NEW SECTION. 15.382 COMMUNITY DEVELOPMENT AND
7 CHILD CARE CENTER TAX CREDITS -- APPROVAL OF PROJECTS AND
8 PROPOSALS.

9 1. TAX CREDITS.

10 a. A business which engages in the activities of providing
11 physical revitalization, economic development, job training or
12 education for individuals, community services, or crime
13 prevention in the state shall receive a community development
14 tax credit as provided in section 15.383 if the director
15 annually approves the proposal of the business. However, a
16 proposal for a community development tax credit shall not be
17 approved which does not have the endorsement of the local
18 government for the area in which the business is engaging in
19 such activities that the proposal is consistent with the
20 overall community or neighborhood development plan adopted by
21 that local government.

22 b. A business which for the benefit of its employees
23 builds, contributes to, or operates a new or existing child
24 care center in the state or subsidizes access to a child care
25 center in the state shall receive a child care center tax
26 credit as provided in section 15.383 if the director annually
27 approves the proposal of the business.

28 2. ECONOMIC DEVELOPMENT PROJECTS. For economic
29 development projects in distressed or blighted areas for which
30 community development tax credits under this part may be
31 approved, the following guidelines apply:

32 a. Applications shall be accepted from any locally based
33 qualifying organization wishing to conduct an economic
34 development project in a distressed or blighted area.

35 b. Applicants may not administer more than one economic

1 development project at a time. A project may include more
2 than one building, provided that the proposal meets all other
3 eligibility requirements as set forth in this subsection and
4 rules of the department.

5 c. Applications will be accepted by the department at any
6 time of the year and will be approved on a case-by-case basis
7 as all the necessary requirements are met and as credits
8 become available.

9 d. A maximum authorization of one hundred fifty thousand
10 dollars in community development tax credits will be permitted
11 per project and no more than five percent of the credits
12 authorized for the project shall normally be allowed for
13 administrative and operating expenses. In unusual
14 circumstances, a higher percentage may be allowed at the
15 discretion of the department.

16 e. Applicants must obtain a nonbinding commitment from a
17 prospective business or businesses willing to locate to the
18 facility and demonstrate that at least one job will be created
19 or retained for every ten thousand dollars in credits
20 requested. Eligible types of businesses include retail,
21 commercial, service, and manufacturing.

22 3. COMMUNITY DEVELOPMENT PROJECTS. For community
23 development projects, other than economic development
24 projects, for which community development tax credits under
25 this part may be approved, the following procedures, criteria,
26 and priorities apply:

27 a. A proposal for a proposed program shall be submitted by
28 a qualifying organization for carrying out a specific project
29 consistent with the purposes of this part.

30 b. All proposals shall be made on the forms supplied by
31 the department. Each proposal shall contain a project budget
32 and shall identify, if possible, the items and amounts of the
33 budget which will be provided for from contributions from any
34 business. A project budget shall be approved by the
35 department. The department may request any additional

1 information it determines necessary to evaluate a proposal or
2 plan.

3 c. Community development projects and the budgets for them
4 may be approved for a period of up to three years at the
5 discretion of the director.

6 d. An annual application deadline shall be determined by
7 the department and application materials shall be distributed
8 upon request no less than sixty days prior to the actual
9 application deadline.

10 e. All proposals must address at least one of the
11 following priorities in order to qualify for approval:

12 (1) The project substantially contributes to self-help
13 efforts by residents of the neighborhood area to be served in
14 addressing locally defined objectives.

15 (2) The project will result in the provision of essential
16 services to low-income and moderate-income families which
17 would not otherwise be provided in the affected neighborhood
18 area and for which there are not other resources. "Low-income
19 and moderate-income families" means those families, including
20 single-person households, earning no more than eighty percent
21 of the higher of the median family income of the county or the
22 statewide nonmetropolitan area as determined by the latest
23 United States department of housing and urban development,
24 section 8 income guidelines.

25 (3) The project tangibly contributes to the development of
26 lasting cooperation and partnership efforts of neighborhood
27 organizations and businesses.

28 f. Approval or disapproval of proposals shall be based on
29 the following criteria:

30 (1) The director must certify an area as experiencing
31 problems endangering the area's existence as a viable and
32 stable neighborhood to be eligible for assistance.

33 (2) The qualifying organization submitting the proposal
34 must demonstrate its capacity to adequately administer the
35 project.

1 (3) There must be a demonstrated need for the program in
2 the neighborhood area within which the project is to be
3 carried out.

4 (4) The proposal must demonstrate that residents of the
5 affected neighborhood area have been involved in the planning
6 of the proposed project and describe the extent to which they
7 will be involved in its implementation.

8 (5) The proposal must be consistent with all locally
9 approved community or neighborhood development plans for the
10 area.

11 (6) Proposals submitted subsequent to the first year will
12 be evaluated on performance of the first-year project, other
13 resources developed, continued need, and potential for
14 eventual self-sufficiency.

15 g. In no case shall a project be approved that does not
16 have a written endorsement of the appropriate local public
17 authority with notification given to the community empowerment
18 board.

19 h. The maximum amount of community development tax credits
20 allowed per project is one hundred fifty thousand dollars.

21 i. For purposes of the criterion in paragraph "f",
22 subparagraph (1), an area is experiencing problems endangering
23 its existence as a viable and stable neighborhood if some of
24 the following factors are present: declining population, high
25 percentage of people dependent on public assistance,
26 persistent or substantial unemployment or underemployment,
27 lower than average family incomes, financial disinvestment,
28 insurance and financial redlining, general weakened market
29 conditions on the neighborhood commercial strip as indicated
30 by declining rents or vacant stores, excessive abandonment of
31 properties, a significant percentage of neighborhood residents
32 on fixed incomes, unsanitary or inadequate housing,
33 overcrowding, significant proportion of the property is rental
34 property, property speculation, high rates of crime and
35 delinquency, high degree of drug or alcohol abuse, increasing

1 cases of mental health problems, significant numbers of
2 single-parent households, high degree of infant mortality and
3 disease, disabilities, general unsanitary conditions in the
4 area, or poor city and public utility services.

5 4. CHILD CARE EMPLOYEE BENEFITS. For child care employee
6 benefits for which a child care center tax credit under this
7 part may be approved, the following apply:

8 a. A proposal for a project shall be submitted by a
9 business located in or doing business in the state.

10 b. The proposal shall be on forms supplied by the
11 department. The proposal shall identify the location of the
12 child care center which must be in the state. The proposal
13 shall contain a statement on whether the business is also
14 seeking a community development tax credit for providing child
15 care for its employees.

16 c. To be eligible for a child care center tax credit, the
17 business must provide child care employee benefits for its
18 employees through any of the following:

19 (1) Build a new structure or rehabilitate an existing
20 structure to be used as a child care center. A business may
21 do the building or rehabilitating in conjunction with another
22 business or entity but only the business's actual costs shall
23 be considered in determining the amount of credit. At least
24 five children of its employees are provided child care at the
25 center.

26 (2) Operate or lease a child care center where at least
27 five children of its employees are provided child care at the
28 center.

29 (3) Donate money, supplies, or other tangible personal
30 property to a child care center where at least five children
31 of its employees are provided child care.

32 (4) Pay the cost for the equivalent of five children of
33 its employees to attend a child care center.

34 d. A business is ineligible for a child care center tax
35 credit if any of the following applies:

1 (1) It derives income from the operation, lease, or
2 management of more than one child care center.

3 (2) The business has received a community development tax
4 credit for activities related to the child care center for
5 which it is seeking a tax credit.

6 e. An annual application deadline shall be determined by
7 the department and application material shall be distributed
8 upon request no less than sixty days prior to the actual
9 application deadline.

10 5. TAX CREDIT APPLICATION.

11 a. The department shall approve or disapprove applications
12 for community development tax credits to businesses which have
13 invested in approved economic development projects or other
14 community development projects or for child care center tax
15 credits for businesses that have provided child care for the
16 benefit of their employees. The director, upon approval of an
17 application, shall notify the director of revenue and finance
18 and the governor of those businesses entitled to a tax credit.

19 If the business meets the criteria for eligibility, the
20 department of economic development shall issue to the business
21 a certification of entitlement for the community development
22 tax credit or child care center tax credit. The certification
23 shall contain the name of the business, address, tax
24 identification number, the amount of the credit, the tax year
25 for which the certificate applies, and any other information
26 required by the department of revenue and finance.

27 b. The procedures and requirements for filing a tax credit
28 application are as follows:

29 (1) Businesses wanting to donate to a particular community
30 development project or wanting to provide child care employee
31 benefits, but first wishing to verify the eligibility of the
32 donation or provision of child care employee benefits for a
33 tax credit, may submit a tax credit eligibility confirmation
34 form to the department. The department will confirm in
35 writing whether or not the donation or the provision of child

1 care employee benefits qualifies for credit and how the value
2 of the credit will be determined. This confirmation will not
3 constitute credit approval.

4 (2) In order to qualify for credit, donations or providing
5 of child care employee benefits must occur during the approved
6 project period with the exception of donated audit services,
7 which may occur anytime during the six-month period following
8 the project period, and must be directly related to the
9 approved project.

10 (3) Businesses wishing to apply for credit must complete a
11 community development tax credit application or child care
12 center tax credit application. A business providing child
13 care for the benefit of its employees may complete and file
14 both applications, but only one credit shall be approved.

15 (4) Tax credit applications are to be signed by the
16 qualifying organization or the managing entity of the child
17 care center, as applicable, and submitted directly to the
18 department not later than one year following the date of
19 donation or providing of child care employee benefits.

20 (5) The order in which completed credit applications are
21 received by the department will determine the order in which
22 credits are approved. Facsimile copies will not be considered
23 completed applications.

24 (6) Every transmittal of community development tax credit
25 applications to the department must be accompanied by a
26 project report prepared by the qualifying organization.

27 (7) The department shall examine all submitted
28 applications and determine which donations or child care
29 employee benefits meet the eligibility criteria.

30 c. The department shall establish by rule the methods to
31 be used in determining the value of contributions or child
32 care employee benefits of a business.

33 Sec. 4. NEW SECTION. 15.383 TAX CREDITS --
34 DOCUMENTATION.

35 1. For a tax credit application approved pursuant to

1 section 15.382, the community development tax credit or child
2 care center tax credit available under this part may be used
3 to reduce the tax liability imposed under chapter 422,
4 division II, III, or V, or chapter 432 or 533.

5 2. Subject to subsections 4 and 5, the amount of the
6 community development tax credit shall be fifty percent of the
7 contribution made by the business during the tax year.

8 3. Subject to subsections 4 and 6, the amount of the child
9 care center tax credit shall be twenty-five percent of the
10 cost to provide the child care employee benefits.

11 4. a. The tax credit shall not exceed one hundred
12 thousand dollars annually.

13 b. Any tax credit in excess of the business's tax
14 liability for a tax year may be credited to the tax liability
15 for the following five tax years or until depleted, whichever
16 is the earlier.

17 c. A financial institution or insurance company shall not
18 receive a tax credit for activities that are part of its
19 normal course of business.

20 d. To be eligible to receive the tax credit, a business
21 shall provide documentation of the contributions or costs on
22 which the credit is based. The documentation shall be as
23 specified by rules of the department.

24 5. The total amount of community development tax credits
25 that may be approved pursuant to this part shall not exceed
26 two million dollars in any fiscal year.

27 6. The total amount of child care center tax credits that
28 may be approved pursuant to this part shall not exceed two
29 million dollars in any fiscal year.

30 Sec. 5. NEW SECTION. 422.11C COMMUNITY DEVELOPMENT OR
31 CHILD CARE CENTER TAX CREDIT.

32 The taxes imposed under this division, less the credits
33 allowed under sections 422.12 and 422.12B, shall be reduced by
34 a community development tax credit or child care center tax
35 credit received pursuant to sections 15.380 through 15.383.

1 An individual may claim the tax credit allowed a
2 partnership, limited liability company, S corporation, or
3 estate or trust electing to have the income taxed directly to
4 the individual. The amount claimed by the individual shall be
5 based upon the pro rata share of the individual's earnings of
6 the partnership, limited liability company, S corporation, or
7 estate or trust.

8 Any credit in excess of the tax liability for the tax year
9 may be credited to the tax liability for the following five
10 tax years or until depleted, whichever is earlier.

11 If the community development tax credit or child care
12 center tax credit is taken on the tax return, a deduction
13 shall not be allowed for Iowa tax purposes for contributions
14 made to a community development project or expenditures for
15 providing child care employee benefits which are deductible
16 for federal tax purposes.

17 Sec. 6. Section 422.33, Code 2001, is amended by adding
18 the following new subsection:

19 NEW SUBSECTION. 11. The taxes imposed under this division
20 shall be reduced by a community development tax credit or
21 child care center tax credit received pursuant to sections
22 15.380 through 15.383.

23 Any credit in excess of the tax liability for the tax year
24 may be credited to the tax liability for following five tax
25 years or until depleted, whichever is earlier.

26 If the community development tax credit or child care
27 center tax credit is taken on the tax return, a deduction
28 shall not be allowed for Iowa tax purposes for contributions
29 made to a community development project or expenditures for
30 providing child care employee benefits which are deductible
31 for federal tax purposes.

32 Sec. 7. Section 422.60, Code 2001, is amended by adding
33 the following new subsection:

34 NEW SUBSECTION. 4. The taxes imposed under this division
35 shall be reduced by a community development tax credit or

1 child care center tax credit received pursuant to sections
2 15.380 through 15.383.

3 Any credit in excess of the tax liability for the tax year
4 may be credited to the tax liability for the following five
5 tax years or until depleted, whichever is earlier.

6 If the community development tax credit or child care
7 center tax credit is taken on the tax return, a deduction
8 shall not be allowed for Iowa tax purposes for contributions
9 made to a community development project or expenditures for
10 providing child care employee benefits which are deductible
11 for federal tax purposes.

12 Sec. 8. NEW SECTION. 432.12A COMMUNITY DEVELOPMENT OR
13 CHILD CARE CENTER TAX CREDIT.

14 The tax imposed under this chapter shall be reduced by a
15 community development tax credit or child care center tax
16 credit received pursuant to sections 15.380 through 15.383.

17 Any credit in excess of the tax liability for the calendar
18 year may be credited to the tax liability for the following
19 five calendar years or until depleted, whichever is earlier.

20 Sec. 9. Section 533.24, Code 2001, is amended by adding
21 the following new unnumbered paragraph:

22 NEW UNNUMBERED PARAGRAPH. The tax imposed on moneys and
23 credits under this section shall be reduced by a community
24 development tax credit or child care center tax credit
25 received pursuant to sections 15.380 through 15.383. Any
26 credit in excess of the tax liability for the tax year may be
27 credited to the tax liability for the following five tax years
28 or until depleted, whichever is earlier.

29 Sec. 10. EFFECTIVE AND APPLICABILITY PROVISION. This Act
30 takes effect only if the revenue estimating conference
31 estimates that, as a result of the enactment of federal income
32 tax legislation prior to January 1, 2002, Iowa income tax
33 receipts for the fiscal year beginning July 1, 2001, will be
34 increased by \$7.9 million or more over the amount of Iowa
35 income tax receipts which would have been realized in the

1 absence of the enactment of such federal income tax
2 legislation. If this Act takes effect, sections 5 through 9
3 of this Act apply to tax years beginning on or after January
4 1, 2002.

8 **HOUSE FILE 714**

9 **S-3630**

10 1 Amend House File 714, as amended, passed, and
11 2 reprinted by the House, as follows:
12 3 1. Page 2, by striking lines 16 through 23, and
13 4 inserting the following: "programs, training for the
14 5 physically or mentally challenged, and other
15 6 educational programs deemed beneficial to the
16 7 participants."

15 **By PAUL MCKINLEY**

16 **S-3630 FILED MAY 3, 2001**
17 **ADOPTED (p.1490)**

18
19 **SENATE AMENDMENT TO HOUSE FILE 714**

20 **H-1994**

21 1 Amend House File 714, as amended, passed, and
22 2 reprinted by the House, as follows:
23 3 1. Page 2, by striking lines 16 through 23, and
24 4 inserting the following: "programs, training for the
25 5 physically or mentally challenged, and other
26 6 educational programs deemed beneficial to the
27 7 participants."

RECEIVED FROM THE SENATE

28 **H-1994 FILED MAY 3, 2001**

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THOMAS J. VILSACK
GOVERNOR

OFFICE OF THE GOVERNOR

SALLY J. PEDERSON
LT. GOVERNOR

May 31, 2001

The Honorable Chester Culver
Secretary of State
State Capitol
LOCAL

MAY 3 2001

Dear Secretary Culver:


I hereby transmit House File 714, an Act relating to a community renewal initiative by establishing a community development program to provide tax credits for income tax, franchise tax, premiums tax, and moneys and credits tax for businesses contributing to community development projects to aid certain neighborhoods and communities or contributing to child care benefits for employees and including effective and applicability date provisions.

I am unable to approve House File 714. The philosophy of giving child care assistance to businesses instead of parents is flawed. We should be helping parents provide safe and secure care for their children and not give businesses a tax credit for this purpose. The decision to provide a child care facility as part of its employees benefit package should be made on the merits of providing what the business feels is appropriate benefits for its employees, not on the basis of a tax credit.

Because of the state's future financial uncertainty, approving this bill would not be responsible. It is important to remember that in fiscal year 2002, the Legislature chose to fund many on-going operating expenses with one-time revenues. Finding new revenue sources in fiscal year 2003 for these operating expenses will be difficult. Signing this bill would add to that difficulty.

For the above reasons, I hereby respectfully disapprove House File 714.

Sincerely,


Thomas J. Vilsack
Governor

TJV:jmc

CC: Secretary of the Senate
Chief Clerk of the House

HOUSE FILE 714

AN ACT

RELATING TO A COMMUNITY RENEWAL INITIATIVE BY ESTABLISHING A COMMUNITY DEVELOPMENT PROGRAM TO PROVIDE TAX CREDITS FOR INCOME TAX, FRANCHISE TAX, PREMIUMS TAX, AND MONEYS AND CREDITS TAX FOR BUSINESSES CONTRIBUTING TO COMMUNITY DEVELOPMENT PROJECTS TO AID CERTAIN NEIGHBORHOODS AND COMMUNITIES OR CONTRIBUTING TO CHILD CARE BENEFITS FOR EMPLOYEES AND INCLUDING EFFECTIVE AND APPLICABILITY DATE PROVISIONS.

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

Section 1. NEW SECTION. 15.380 SHORT TITLE.

This part shall be known as and may be cited as the "Community Development Program Act".

Sec. 2. NEW SECTION. 15.381 DEFINITIONS.

As used in this part, unless the context otherwise requires:

1. "Business" means all businesses operating within the state and includes individuals operating a sole proprietorship or having rental, royalty, or farm income in this state and includes a consortium of businesses.

2. a. "Child care" means the same as defined in section 237A.1.

b. "Child care center" means a facility licensed pursuant to section 237A.2 to provide child care.

3. "Community services" means, but is not limited to, individual, group, and family counseling; parent and early childhood education; mental health services; primary care and community medical health centers; child and adult care services; senior citizen service centers; recreation programs; nutrition programs; emergency shelters for persons suffering from physical abuse or rape; services for the handicapped;

sheltered workshops, vocational counseling; substance abuse counseling; and referral services.

4. "Contribution" includes cash, material or supplies, real estate, labor, professional services, technical assistance, or equipment. "Contribution" does not include investments made by a financial institution or insurance company in the normal course of its business.

5. "Crime prevention" means activities which include but are not limited to services to ex-offenders, local civilian organizations that help prevent crime or provide aid to victims of crime, mediation services aimed at resolving disputes and conflicts before they become criminal incidents, or services to juveniles who have had contact with the court or police.

6. "Distressed or blighted area" means an area designated or that qualifies under section 15E.194 to be designated an enterprise zone pursuant to chapter 15E, division XVIII, designated as a slum or blighted area pursuant to chapter 403, or designated as a revitalization area pursuant to chapter 404.

7. "Economic development" means the acquisition, renovation, improvement, or the furnishing or equipping of existing buildings and real estate in distressed or blighted areas of the state when this acquisition, renovation, improvement, or the furnishing or equipping of the existing buildings and real estate will result in the creation or retention of jobs within the state.

8. "Education" includes literacy programs, adult basic education and general educational development certificate programs, training for the physically or mentally challenged, and other educational programs deemed beneficial to the participants.

9. "Job training" means those activities which provide specific vocational skills including special apprenticeship or on-the-job training programs not otherwise available.

10. "Neighborhood area" means a specific geographic area certified by the department as having a readily identifiable residential population and which may include, but is not limited to, any of the following factors:

- a. A sense of belonging or identity that ties residents to a given area.
- b. Social, cultural, political, or economic activities around which people organize themselves.
- c. The existence of cohesive organizations formed by residents.
- d. A city with a population of less than ten thousand or a region within a rural area may be certified as a neighborhood area.
- e. A history of acting or being treated as a distinct or cohesive unit.
- f. The area is designated as a community empowerment area in accordance with chapter 28.

11. "Physical revitalization" means activities designed for the physical improvement of any part or all of a neighborhood area. These activities may include, but are not limited to, such programs as commercial area revitalization; housing construction or rehabilitation; improvements to or acquisition or construction of facilities used by nonprofit organizations for community purposes or related planning and promotional activities designed to aid in those programs.

12. a. "Qualifying organization" means an organization performing community services or economic development activities in the state and is any of the following:

- (1) A person or organization that is exempt from federal income taxation under the Internal Revenue Code as defined in section 422.3.
- (2) A nonprofit corporation organized under the laws of this state.
- (3) Designated as a community development corporation by the federal government pursuant to, Title VII of the Economic Opportunity Act of 1964, Pub. L. No. 88-452.

(4) A community empowerment area board created in accordance with chapter 28.

b. "Qualifying organization" does not include any of the following:

- (1) A unit or agency of the state, local government, or educational institution. This subparagraph shall not be interpreted to prevent a community empowerment area board from being considered a qualifying organization.
- (2) A foundation or trust of a postsecondary educational institution.
- (3) A church-affiliated religious organization unless the organization is without religious discrimination or is not controlled by a single denomination.

Sec. 3. NEW SECTION. 15.382 COMMUNITY DEVELOPMENT AND CHILD CARE CENTER TAX CREDITS -- APPROVAL OF PROJECTS AND PROPOSALS.

1. TAX CREDITS.

a. A business which engages in the activities of providing physical revitalization, economic development, job training or education for individuals, community services, or crime prevention in the state shall receive a community development tax credit as provided in section 15.383 if the director annually approves the proposal of the business. However, a proposal for a community development tax credit shall not be approved which does not have the endorsement of the local government for the area in which the business is engaging in such activities that the proposal is consistent with the overall community or neighborhood development plan adopted by that local government.

b. A business which for the benefit of its employees builds, contributes to, or operates a new or existing child care center in the state or subsidizes access to a child care center in the state shall receive a child care center tax credit as provided in section 15.383 if the director annually approves the proposal of the business.

2. ECONOMIC DEVELOPMENT PROJECTS. For economic development projects in distressed or blighted areas for which community development tax credits under this part may be approved, the following guidelines apply:

a. Applications shall be accepted from any locally based qualifying organization wishing to conduct an economic development project in a distressed or blighted area.

b. Applicants may not administer more than one economic development project at a time. A project may include more than one building, provided that the proposal meets all other eligibility requirements as set forth in this subsection and rules of the department.

c. Applications will be accepted by the department at any time of the year and will be approved on a case-by-case basis as all the necessary requirements are met and as credits become available.

d. A maximum authorization of one hundred fifty thousand dollars in community development tax credits will be permitted per project and no more than five percent of the credits authorized for the project shall normally be allowed for administrative and operating expenses. In unusual circumstances, a higher percentage may be allowed at the discretion of the department.

e. Applicants must obtain a nonbinding commitment from a prospective business or businesses willing to locate to the facility and demonstrate that at least one job will be created or retained for every ten thousand dollars in credits requested. Eligible types of businesses include retail, commercial, service, and manufacturing.

3. COMMUNITY DEVELOPMENT PROJECTS. For community development projects, other than economic development projects, for which community development tax credits under this part may be approved, the following procedures, criteria, and priorities apply:

a. A proposal for a proposed program shall be submitted by a qualifying organization for carrying out a specific project consistent with the purposes of this part.

b. All proposals shall be made on the forms supplied by the department. Each proposal shall contain a project budget and shall identify, if possible, the items and amounts of the budget which will be provided for from contributions from any business. A project budget shall be approved by the department. The department may request any additional information it determines necessary to evaluate a proposal or plan.

c. Community development projects and the budgets for them may be approved for a period of up to three years at the discretion of the director.

d. An annual application deadline shall be determined by the department and application materials shall be distributed upon request no less than sixty days prior to the actual application deadline.

e. All proposals must address at least one of the following priorities in order to qualify for approval:

(1) The project substantially contributes to self-help efforts by residents of the neighborhood area to be served in addressing locally defined objectives.

(2) The project will result in the provision of essential services to low-income and moderate-income families which would not otherwise be provided in the affected neighborhood area and for which there are not other resources. "Low-income and moderate-income families" means those families, including single-person households, earning no more than eighty percent of the higher of the median family income of the county or the statewide nonmetropolitan area as determined by the latest United States department of housing and urban development, section 8 income guidelines.

(3) The project tangibly contributes to the development of lasting cooperation and partnership efforts of neighborhood organizations and businesses.

f. Approval or disapproval of proposals shall be based on the following criteria:

(1) The director must certify an area as experiencing problems endangering the area's existence as a viable and stable neighborhood to be eligible for assistance.

(2) The qualifying organization submitting the proposal must demonstrate its capacity to adequately administer the project.

(3) There must be a demonstrated need for the program in the neighborhood area within which the project is to be carried out.

(4) The proposal must demonstrate that residents of the affected neighborhood area have been involved in the planning of the proposed project and describe the extent to which they will be involved in its implementation.

(5) The proposal must be consistent with all locally approved community or neighborhood development plans for the area.

(6) Proposals submitted subsequent to the first year will be evaluated on performance of the first-year project, other resources developed, continued need, and potential for eventual self-sufficiency.

g. In no case shall a project be approved that does not have a written endorsement of the appropriate local public authority with notification given to the community empowerment board.

h. The maximum amount of community development tax credits allowed per project is one hundred fifty thousand dollars.

i. For purposes of the criterion in paragraph "f", subparagraph (1), an area is experiencing problems endangering its existence as a viable and stable neighborhood if some of the following factors are present: declining population, high percentage of people dependent on public assistance, persistent or substantial unemployment or underemployment, lower than average family incomes, financial disinvestment,

insurance and financial redlining, general weakened market conditions on the neighborhood commercial strip as indicated by declining rents or vacant stores, excessive abandonment of properties, a significant percentage of neighborhood residents on fixed incomes, unsanitary or inadequate housing, overcrowding, significant proportion of the property is rental property, property speculation, high rates of crime and delinquency, high degree of drug or alcohol abuse, increasing cases of mental health problems, significant numbers of single-parent households, high degree of infant mortality and disease, disabilities, general unsanitary conditions in the area, or poor city and public utility services.

4. CHILD CARE EMPLOYEE BENEFITS. For child care employee benefits for which a child care center tax credit under this part may be approved, the following apply:

a. A proposal for a project shall be submitted by a business located in or doing business in the state.

b. The proposal shall be on forms supplied by the department. The proposal shall identify the location of the child care center which must be in the state. The proposal shall contain a statement on whether the business is also seeking a community development tax credit for providing child care for its employees.

c. To be eligible for a child care center tax credit, the business must provide child care employee benefits for its employees through any of the following:

(1) Build a new structure or rehabilitate an existing structure to be used as a child care center. A business may do the building or rehabilitating in conjunction with another business or entity but only the business's actual costs shall be considered in determining the amount of credit. At least five children of its employees are provided child care at the center.

(2) Operate or lease a child care center where at least five children of its employees are provided child care at the center.

(3) Donate money, supplies, or other tangible personal property to a child care center where at least five children of its employees are provided child care.

(4) Pay the cost for the equivalent of five children of its employees to attend a child care center.

d. A business is ineligible for a child care center tax credit if any of the following applies:

(1) It derives income from the operation, lease, or management of more than one child care center.

(2) The business has received a community development tax credit for activities related to the child care center for which it is seeking a tax credit.

e. An annual application deadline shall be determined by the department and application material shall be distributed upon request no less than sixty days prior to the actual application deadline.

5. TAX CREDIT APPLICATION.

a. The department shall approve or disapprove applications for community development tax credits to businesses which have invested in approved economic development projects or other community development projects or for child care center tax credits for businesses that have provided child care for the benefit of their employees. The director, upon approval of an application, shall notify the director of revenue and finance and the governor of those businesses entitled to a tax credit.

If the business meets the criteria for eligibility, the department of economic development shall issue to the business a certification of entitlement for the community development tax credit or child care center tax credit. The certification shall contain the name of the business, address, tax identification number, the amount of the credit, the tax year for which the certificate applies, and any other information required by the department of revenue and finance.

b. The procedures and requirements for filing a tax credit application are as follows:

(1) Businesses wanting to donate to a particular community development project or wanting to provide child care employee benefits, but first wishing to verify the eligibility of the donation or provision of child care employee benefits for a tax credit, may submit a tax credit eligibility confirmation form to the department. The department will confirm in writing whether or not the donation or the provision of child care employee benefits qualifies for credit and how the value of the credit will be determined. This confirmation will not constitute credit approval.

(2) In order to qualify for credit, donations or providing of child care employee benefits must occur during the approved project period with the exception of donated audit services, which may occur anytime during the six-month period following the project period, and must be directly related to the approved project.

(3) Businesses wishing to apply for credit must complete a community development tax credit application or child care center tax credit application. A business providing child care for the benefit of its employees may complete and file both applications, but only one credit shall be approved.

(4) Tax credit applications are to be signed by the qualifying organization or the managing entity of the child care center, as applicable, and submitted directly to the department not later than one year following the date of donation or providing of child care employee benefits.

(5) The order in which completed credit applications are received by the department will determine the order in which credits are approved. Facsimile copies will not be considered completed applications.

(6) Every transmittal of community development tax credit applications to the department must be accompanied by a project report prepared by the qualifying organization.

(7) The department shall examine all submitted applications and determine which donations or child care employee benefits meet the eligibility criteria.

c. The department shall establish by rule the methods to be used in determining the value of contributions or child care employee benefits of a business.

Sec. 4. NEW SECTION. 15.383 TAX CREDITS -- DOCUMENTATION.

1. For a tax credit application approved pursuant to section 15.382, the community development tax credit or child care center tax credit available under this part may be used to reduce the tax liability imposed under chapter 422, division II, III, or V, or chapter 432 or 533.

2. Subject to subsections 4 and 5, the amount of the community development tax credit shall be fifty percent of the contribution made by the business during the tax year.

3. Subject to subsections 4 and 6, the amount of the child care center tax credit shall be twenty-five percent of the cost to provide the child care employee benefits.

4. a. The tax credit shall not exceed one hundred thousand dollars annually.

b. Any tax credit in excess of the business's tax liability for a tax year may be credited to the tax liability for the following five tax years or until depleted, whichever is the earlier.

c. A financial institution or insurance company shall not receive a tax credit for activities that are part of its normal course of business.

d. To be eligible to receive the tax credit, a business shall provide documentation of the contributions or costs on which the credit is based. The documentation shall be as specified by rules of the department.

5. The total amount of community development tax credits that may be approved pursuant to this part shall not exceed two million dollars in any fiscal year.

6. The total amount of child care center tax credits that may be approved pursuant to this part shall not exceed two million dollars in any fiscal year.

Sec. 5. NEW SECTION. 422.11C COMMUNITY DEVELOPMENT OR CHILD CARE CENTER TAX CREDIT.

The taxes imposed under this division, less the credits allowed under sections 422.12 and 422.12B, shall be reduced by a community development tax credit or child care center tax credit received pursuant to sections 15.380 through 15.383.

An individual may claim the tax credit allowed a partnership, limited liability company, S corporation, or estate or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, limited liability company, S corporation, or estate or trust.

Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following five tax years or until depleted, whichever is earlier.

If the community development tax credit or child care center tax credit is taken on the tax return, a deduction shall not be allowed for Iowa tax purposes for contributions made to a community development project or expenditures for providing child care employee benefits which are deductible for federal tax purposes.

Sec. 6. Section 422.33, Code 2001, is amended by adding the following new subsection:

NEW SUBSECTION. 11. The taxes imposed under this division shall be reduced by a community development tax credit or child care center tax credit received pursuant to sections 15.380 through 15.383.

Any credit in excess of the tax liability for the tax year may be credited to the tax liability for following five tax years or until depleted, whichever is earlier.

If the community development tax credit or child care center tax credit is taken on the tax return, a deduction shall not be allowed for Iowa tax purposes for contributions made to a community development project or expenditures for

providing child care employee benefits which are deductible for federal tax purposes.

Sec. 7. Section 422.60, Code 2001, is amended by adding the following new subsection:

NEW SUBSECTION. 4. The taxes imposed under this division shall be reduced by a community development tax credit or child care center tax credit received pursuant to sections 15.380 through 15.383.

Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following five tax years or until depleted, whichever is earlier.

If the community development tax credit or child care center tax credit is taken on the tax return, a deduction shall not be allowed for Iowa tax purposes for contributions made to a community development project or expenditures for providing child care employee benefits which are deductible for federal tax purposes.

Sec. 8. NEW SECTION. 432.12A COMMUNITY DEVELOPMENT OR CHILD CARE CENTER TAX CREDIT.

The tax imposed under this chapter shall be reduced by a community development tax credit or child care center tax credit received pursuant to sections 15.380 through 15.383.

Any credit in excess of the tax liability for the calendar year may be credited to the tax liability for the following five calendar years or until depleted, whichever is earlier.

Sec. 9. Section 533.24, Code 2001, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The tax imposed on moneys and credits under this section shall be reduced by a community development tax credit or child care center tax credit received pursuant to sections 15.380 through 15.383. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following five tax years or until depleted, whichever is earlier.

Sec. 10. EFFECTIVE AND APPLICABILITY PROVISION. This Act takes effect only if the revenue estimating conference estimates that, as a result of the enactment of federal income tax legislation prior to January 1, 2002, Iowa income tax receipts for the fiscal year beginning July 1, 2001, will be increased by \$7.9 million or more over the amount of Iowa income tax receipts which would have been realized in the absence of the enactment of such federal income tax legislation. If this Act takes effect, sections 5 through 9 of this Act apply to tax years beginning on or after January 1, 2002.

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 714, Seventy-ninth General Assembly.

MARGARET THOMSON
Chief Clerk of the House

Vilsack
Approved 5/31, 2001

THOMAS J. VILSACK
Governor