

Withdrawn

4/6/04

MAR 8 2004
WAYS AND MEANS

HOUSE FILE 2491
BY COMMITTEE ON ECONOMIC GROWTH

(SUCCESSOR TO HSB 654)

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

A BILL FOR

1 An Act creating a job corps center new jobs tax credit and
2 providing effective and retroactive applicability dates.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2491

1 Section 1. NEW SECTION. 422.11J JOB CORPS CENTER NEW
2 JOBS TAX CREDIT.

3 The taxes imposed under this division, less the credits
4 allowed under sections 422.12 and 422.12B, shall be reduced by
5 a job corps center new jobs tax credit. An employer who hires
6 a graduate of a job corps center on a full-time basis within
7 six months of the employee's graduation from the job corps
8 center is entitled to the job corps center new jobs tax
9 credit. The amount of the tax credit for each employed job
10 corps graduate is equal to the product of six percent of the
11 taxable wages paid to the graduate upon which the employer is
12 required to contribute to the state unemployment compensation
13 fund, as defined in section 96.19, subsection 37, multiplied
14 by the number of whole months the graduate is employed by the
15 employer during the tax year divided by twelve. The tax
16 credit applies only to the first twelve months of employment
17 for each graduate hired. An individual may claim the tax
18 credit allowed a partnership, subchapter S corporation, or
19 estate or trust electing to have the income taxed directly to
20 the individual. The amount claimed by the individual shall be
21 based upon the pro rata share of the individual's earnings of
22 the partnership, subchapter S corporation, or estate or trust.
23 For purposes of this section, "job corps center" is defined as
24 a campus that is part of the nationwide network of campuses
25 organized under the federal job corps program authorized by
26 the federal Workforce Investment Act of 1998, Pub. L. No. 10-
27 222.

28 Sec. 2. Section 422.33, Code Supplement 2003, is amended
29 by adding the following new subsection:

30 NEW SUBSECTION. 16. The taxes imposed under this division
31 shall be reduced by a job corps center new jobs tax credit.
32 An employer who hires a graduate of a job corps center on a
33 full-time basis within six months of the employee's graduation
34 from the job corps center is entitled to the job corps center
35 new jobs tax credit. The amount of the tax credit for each

1 employed job corps graduate is equal to the product of six
2 percent of the taxable wages paid to the graduate upon which
3 the employer is required to contribute to the state
4 unemployment compensation fund, as defined in section 96.19,
5 subsection 37, multiplied by the number of whole months the
6 graduate is employed by the employer during the tax year
7 divided by twelve. The tax credit applies only to the first
8 twelve months of employment for each graduate hired. An
9 individual may claim the tax credit allowed a partnership,
10 subchapter S corporation, or estate or trust electing to have
11 the income taxed directly to the individual. The amount
12 claimed by the individual shall be based upon the pro rata
13 share of the individual's earnings of the partnership,
14 subchapter S corporation, or estate or trust. For purposes of
15 this section, "job corps center" is defined as a campus that
16 is part of the nationwide network of campuses organized under
17 the federal job corps program authorized by the federal
18 Workforce Investment Act of 1998, Pub. L. No. 10-222.

19 Sec. 3. EFFECTIVE AND APPLICABILITY DATES. This Act,
20 being deemed of immediate importance, takes effect upon
21 enactment. This Act applies retroactively to January 1, 2004,
22 and is applicable to tax years beginning on and after that
23 date.

24 EXPLANATION

25 This bill creates a job corps center new jobs tax credit to
26 be used against personal and corporate income tax liability.
27 The bill provides that an employer who hires a graduate of a
28 job corps center on a full-time basis within six months of the
29 employee's graduation from the job corps center is entitled to
30 a tax credit. The bill provides that the amount of the tax
31 credit for each employed job corps graduate is equal to the
32 product of 6 percent of the taxable wages paid to the graduate
33 upon which the employer is required to contribute to the state
34 unemployment compensation fund multiplied by the number of
35 whole months the graduate is employed by the employer during

S.F. _____ H.F. 2491

1 the tax year divided by 12. The bill provides that the tax
2 credit applies only to the first 12 months of employment for
3 each graduate hired.

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**Fiscal Services Division
Legislative Services Agency
Fiscal Note**

HF 2491 - Job Training & Retraining, Job Corp (LSB 6413 HV)
Analyst: Russell Trimble (Phone: (515) 281-4613) (russ.trimble@legis.state.ia.us)
Fiscal Note Version - New

Description

House File 2491 creates a job corps center new jobs tax credit and allows employers who hire a graduate of a job corps center for a full-time position within six months of graduation to claim a tax credit of up to \$1,200 per graduate for the first twelve months of the graduates employment. The tax credit may be used against personal and corporate income tax liability.

Assumptions

1. There is one job corps center in Iowa. The Center in Denison places an average of 230 job corps graduates per year in Iowa jobs. Approximately 76.5%, or 176 of the graduates placed, are placed in full-time jobs. Approximately 88.0%, or 155 of these placements occur within six months of graduation from the Denison Job Corps Center.
2. On average, 36 graduates of job corps centers outside of the State of Iowa are placed in Iowa jobs each year. Using the same assumptions outlined above, on average, 24 graduates of job corps centers located outside of the State are placed each year in full-time positions in Iowa within six months of graduation. Total average job corps graduates placed in full-time positions in Iowa within six months is 179 graduates.
3. Graduates of job corps centers placed in full-time positions in Iowa earn on average \$8.27/hour. This equates to an average annual wage of \$17,200.
4. Each graduate who is placed will be employed for a full year. The employer will receive on average a tax credit of \$1,032 per placement (6.0% of \$17,200).
5. Each graduate will be employed for a full year by one Iowa employer. If for some reason a graduate is employed by one employer, works for that employer for several months, and then takes a job with a new employer within six months of graduation from a job corps center, it is possible that more than the \$1,200 maximum tax credits per graduate allowed in the Bill could be awarded for employment of that particular graduate. The fiscal note does not take that scenario into account.
6. The Bill specifies that this act takes effect upon enactment and is retroactively applicable to tax years beginning on or after January 1, 2004.
7. The Department of Revenue would use existing staff to implement the provisions of this Bill.

Fiscal Impact

House File 2491 will reduce General Fund revenues by approximately \$185,000 annually starting in FY 2004.

Sources

Denison Job Corps Center
Kansas City Regional Job Corps Center
Dynamic Education Systems Incorporated

Dennis C Prouty

March 22, 2004

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

Lukan, Chair
Jenkins
Struyk

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HSB 654
ECONOMIC GROWTH

HOUSE FILE _____

BY (PROPOSED COMMITTEE ON
ECONOMIC GROWTH BILL BY
CHAIRPERSON HOFFMAN)

Passed House, Date _____

Passed Senate, Date _____

Vote: Ayes _____ Nays _____

Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to job training programs and the job corps
2 centers.

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

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1 Section 1. Section 260E.2, subsections 1, 2, 7, 12, and
2 15, Code 2003, are amended to read as follows:

3 1. "Agreement" is the agreement between an employer and a
4 community college or job corps center concerning a project.

5 2. "Board of directors" means the board of directors of a
6 community college or a job corps center.

7 7. "Employer" means the person providing new jobs in the
8 merged area served by the community college and entering into
9 an agreement or a person providing new jobs through an
10 agreement with a job corps center.

11 12. "New jobs training program" or "program" means the
12 project or projects established by a community college or a
13 job corps center for the creation of jobs by providing
14 education and training of workers for new jobs for new or
15 expanding industry in the merged area served by the community
16 college or through an agreement with a job corps center.

17 15. "Project" means a training arrangement which is the
18 subject of an agreement entered into between the community
19 college or a job corps center and an employer to provide
20 program services.

21 Sec. 2. Section 260E.2, Code 2003, is amended by adding
22 the following new subsection:

23 NEW SUBSECTION. 9A. "Job corps center" means a campus
24 that is part of the nationwide network of campuses organized
25 under the federal job corps program authorized by the federal
26 Workforce Investment Act of 1998, Pub. L. No. 105-220.

27 Sec. 3. Section 260E.3, subsection 1, unnumbered paragraph
28 1, Code Supplement 2003, is amended to read as follows:

29 A community college or job corps center may enter into an
30 agreement to establish a project. If an agreement is entered
31 into, the community college or job corps center and the
32 employer shall notify the department of revenue as soon as
33 possible. An agreement shall provide for program costs,
34 including deferred costs, which may be paid from one or a
35 combination of the following sources:

1 Sec. 4. Section 260E.5, subsections 2, 3, and 5, Code
2 Supplement 2003, are amended to read as follows:

3 2. An amount equal to one and one-half percent of the
4 gross wages paid by the employer to each employee
5 participating in a project shall be credited from the payment
6 made by an employer pursuant to section 422.16. If the amount
7 of the withholding by the employer is less than one and one-
8 half percent of the gross wages paid to the employees covered
9 by the agreement, then the employer shall receive a credit
10 against other withholding taxes due by the employer. The
11 employer shall remit the amount of the credit quarterly in the
12 same manner as withholding payments are reported to the
13 department of revenue, to the community college or the job
14 corps center to be allocated to and when collected paid into a
15 special fund of the community college or of the job corps
16 center to pay the principal of and interest on certificates
17 issued by the community college or the job corps center to
18 finance or refinance, in whole or in part, the project. When
19 the principal and interest on the certificates have been paid,
20 the employer credits shall cease and any money received after
21 the certificates have been paid shall be remitted to the
22 treasurer of state to be deposited in the general fund of the
23 state.

24 3. The new jobs credit from withholding and the special
25 fund into which it is paid, may be irrevocably pledged by a
26 community college or a job corps center for the payment of the
27 principal of and interest on the certificate issued by a
28 community college or a job corps center to finance or
29 refinance, in whole or in part, the project.

30 5. A community college or job corps center shall certify
31 to the department of revenue the amount of new jobs credit
32 from withholding an employer has remitted to the special fund
33 and shall provide other information the department may
34 require.

35 Sec. 5. Section 260E.6, unnumbered paragraph 1, Code 2003,

1 is amended to read as follows:

2 To provide funds for the present payment of the costs of
3 new jobs training programs, a community college or a job corps
4 center may borrow money and issue and sell certificates
5 payable from a sufficient portion of the future receipts of
6 payments authorized by the agreement. The receipts shall be
7 pledged to the payment of principal of and interest on the
8 certificates.

9 Sec. 6. Section 260E.6, subsections 4 and 5, Code 2003,
10 are amended to read as follows:

11 4. To further secure the payment of the certificates, the
12 board of directors of a community college shall, by
13 resolution, provide for the assessment of an annual levy of a
14 standby tax upon all taxable property within the merged area.
15 A copy of the resolution shall be sent to the county auditor
16 of each county in which the merged area is located. The
17 revenues from the standby tax shall be deposited in a special
18 fund and shall be expended only for the payment of principal
19 of and interest on the certificates issued as provided in this
20 section, when the receipt of payment for program costs as
21 provided in the agreement is insufficient. If payments are
22 necessary and made from the special fund, the amount of the
23 payments shall be promptly repaid into the special fund from
24 the first available payments received for program costs as
25 provided in the agreement which are not required for the
26 payment of principal of or interest on certificates due. No
27 reserves may be built up in this fund in anticipation of a
28 projected default. The board of directors shall adjust the
29 annual standby tax levy for each year to reflect the amount of
30 revenues in the special fund and the amount of principal and
31 interest which is due in that year.

32 5. Before certificates are issued, the board of directors
33 of a community college shall publish once a notice of its
34 intention to issue the certificates, stating the amount, the
35 purpose, and the project or projects for which the

1 certificates are to be issued. A person may, within fifteen
2 days after the publication of the notice by action in the
3 district court of a county in the area within which the
4 community college is located, appeal the decision of the board
5 of directors in proposing to issue the certificates. The
6 action of the board of directors in determining to issue the
7 certificates is final and conclusive unless the district court
8 finds that the board of directors has exceeded its legal
9 authority. An action shall not be brought which questions the
10 legality of the certificates, the power of the board of
11 directors to issue the certificates, the effectiveness of any
12 proceedings relating to the authorization of the project, or
13 the authorization and issuance of the certificates from and
14 after fifteen days from the publication of the notice of
15 intention to issue.

16 Sec. 7. Section 260.7, Code 2003, is amended to read as
17 follows:

18 260E.7 DEPARTMENT OF ECONOMIC DEVELOPMENT.

19 The Iowa department of economic development in consultation
20 with the department of education shall coordinate the new jobs
21 training program. The Iowa department of economic development
22 shall adopt, amend, and repeal rules under chapter 17A that
23 the community college or job corps center will use in
24 developing projects with new and expanding industrial new jobs
25 training proposals. The department is authorized to make any
26 rule that is adopted, amended, or repealed effective
27 immediately upon filing with the administrative rules
28 coordinator or at a subsequent stated date prior to indexing
29 and publication, or at a stated date less than thirty-five
30 days after filing, indexing, and publication. The department
31 shall prepare an annual report for the governor and general
32 assembly on the activities of the industrial new jobs training
33 program.

34 Sec. 8. Section 260F.2, subsections 1, 7, 8, and 11, Code
35 2003, are amended to read as follows:

1 1. "Agreement" is the agreement between a business and a
2 community college or job corps center concerning a project.

3 7. "Jobs training program" or "program" means the project
4 or projects established by a community college or job corps
5 center for the training of employees.

6 8. "Participating business" means a business training
7 employees which enters into an agreement with the community
8 college or a job corps center.

9 11. "Project" means a training arrangement which is the
10 subject of an agreement entered into between the community
11 college or job corps center and a business to provide program
12 services. "Project" also means a department-sponsored
13 training arrangement which is sponsored by the department and
14 administered under sections 260F.6A and 260F.6B.

15 Sec. 9. Section 260F.2, Code 2003, is amended by adding
16 the following new subsection:

17 NEW SUBSECTION. 6A. "Job corps center" means a campus
18 that is part of the nationwide network of campuses organized
19 under the federal job corps program authorized by the federal
20 Workforce Investment Act of 1998, Pub. L. No. 105-220.

21 Sec. 10. Section 260F.3, unnumbered paragraph 1, Code
22 2003, is amended to read as follows:

23 A community college or job corps center may enter into an
24 agreement to establish a project. An agreement shall provide
25 for, but is not limited to, the following:

26 Sec. 11. Section 260F.6, Code 2003, is amended to read as
27 follows:

28 260F.6 JOB TRAINING FUND.

29 1. There is established for the community colleges and for
30 a job corps center a job training fund in the department of
31 economic development in the workforce development fund. The
32 job training fund consists of moneys appropriated for the
33 purposes of this chapter plus the interest and principal from
34 repayment of advances made to businesses for program costs,
35 plus the repayments, including interest, of loans made from

1 that retraining fund, and interest earned from moneys in the
2 job training fund.

3 2. To provide funds for the present payment of the costs
4 of a training program by the business, the community college
5 or job corps center may provide to the business an advance of
6 the moneys to be used to pay for the program costs as provided
7 in the agreement. To receive the funds for this advance from
8 the job training fund established in subsection 1, the
9 community college or job corps center shall submit an
10 application to the department of economic development. The
11 amount of the advance shall not exceed twenty-five thousand
12 dollars for any business site, or fifty thousand dollars
13 within a three-fiscal-year period for any business site. If
14 the project involves a consortium of businesses, the maximum
15 award per project shall not exceed fifty thousand dollars.
16 Participation in a consortium does not affect a business
17 site's eligibility for individual project assistance. Prior
18 to approval a business shall agree to match program amounts in
19 accordance with criteria established by the department.

20 3. Notwithstanding the requirements of this section,
21 moneys in the job training fund may be used by a community
22 college or a job corps center to conduct entrepreneur
23 development and support activities.

24 Sec. 12. Section 260F.6A, Code 2003, is amended to read as
25 follows:

26 260F.6A BUSINESS NETWORK TRAINING.

27 The community colleges, a job corps center, and the
28 department are authorized to fund business network training
29 projects which include five or more businesses and are located
30 in two or more community college districts. A business
31 network training project must have a designated organization
32 or lead business to serve as the administrative entity that
33 will coordinate the training program. The businesses must
34 have common training needs and develop a plan to meet those
35 needs. The department shall adopt rules governing this

1 section's operation and participant eligibility.

2 Sec. 13. Section 260F.6B, Code 2003, is amended to read as
3 follows:

4 260F.6B HIGH TECHNOLOGY APPRENTICESHIP PROGRAM.

5 The community colleges, a job corps center, and the
6 department of economic development are authorized to fund high
7 technology apprenticeship programs which comply with the
8 requirements specified in section 260C.44 and which may
9 include both new and statewide apprenticeship programs.

10 Notwithstanding the provisions of section 260F.6, subsection
11 2, relating to maximum award amounts, moneys allocated to the
12 community colleges or a job corps center with high technology
13 apprenticeship programs shall be distributed to the community
14 colleges or job corps center based upon contact hours under
15 the programs administered during the prior fiscal year as
16 determined by the department of education. The department of
17 economic development shall adopt rules governing this
18 section's operation and participant eligibility.

19 Sec. 14. Section 260F.8, Code 2003, is amended to read as
20 follows:

21 260F.8 ALLOCATION.

22 1. For each fiscal year, the department shall make funds
23 available to the community colleges and a job corps center.
24 The department shall allocate by formula from the moneys in
25 the fund an amount for each community college and job corps
26 center to be used to provide the financial assistance for
27 proposals of businesses whose applications have been approved
28 by the department. The financial assistance shall be provided
29 by the department from the amount set aside for that community
30 college or job corps center. If any portion of the moneys set
31 aside for a community college or job corps center have not
32 been used or committed by May 1 of the fiscal year, that
33 portion is available for use by the department to provide
34 financial assistance to businesses applying to other community
35 colleges or the job corps center. The department shall adopt

1 by rule a formula for this set-aside.

2 2. Moneys available to the community colleges or a job
3 corps center for this program may be used to provide
4 forgivable loans to train employees.

5 Sec. 15. Section 260F.9, subsections 2 and 3, Code
6 Supplement 2003, are amended to read as follows:

7 2. A community college or job corps center and the
8 department may enter into an agreement to establish a job
9 retention project. A job retention project agreement shall
10 include, but not be limited to, the following:

11 a. The date of the agreement.

12 b. The anticipated number of employees to be trained.

13 c. The estimated cost of training.

14 d. A statement regarding the number of employees employed
15 by the participating business on the date of the agreement
16 which must equal at least the lesser of one thousand employees
17 or four percent or more of the county's resident labor force
18 based on the most recent annual labor force statistics from
19 the department of workforce development.

20 e. A commitment that the participating business shall
21 invest at least fifteen million dollars to retool the
22 workplace and upgrade the facilities of the participating
23 business.

24 f. A commitment that the participating business shall not
25 move the business operation out of this state or close the
26 business operation for at least ten years following the date
27 of the agreement.

28 g. Other criteria established by the department of
29 economic development.

30 3. A job retention project agreement entered into pursuant
31 to this section must be approved by the board of trustees of
32 the applicable community college or board of directors of a
33 job corps center, the department of economic development, and
34 the participating business.

35 Sec. 16. Section 260F.10, Code Supplement 2003, is amended

1 to read as follows:

2 260F.10 REPORTING.

3 A community college or job corps center entering into an
4 agreement pursuant to this chapter shall submit an annual
5 written report by the end of each calendar year with the grow
6 Iowa values board created in section 15G.102. The report
7 shall provide information regarding how the agreement affects
8 the achievement of the goals and performance measures provided
9 in section 15G.107.

10

EXPLANATION

11 This bill relates to job training programs and the job
12 corps centers.

13 Currently, under the new jobs training program in Code
14 chapter 260E, a community college may enter into an agreement
15 with an employer to establish a training project. The
16 agreement must provide for program costs, including deferred
17 costs, which may be paid from incremental property taxes to be
18 received or derived from an employer's business property where
19 new jobs are created as a result of the project; a new jobs
20 credit from withholding to be received or derived from new
21 employment resulting from the project; tuition, student fees,
22 or special charges fixed by the board of directors to defray
23 program costs in whole or in part; and a guarantee of payments
24 to be received.

25 Currently, under the jobs training program in Code chapter
26 260F, a community college may enter into an agreement with an
27 employer to establish a job training project. A project
28 cannot receive funding from the job training fund unless the
29 department of economic development approves the project. Code
30 chapter 260F also authorizes community colleges and the
31 department to fund business network training projects and high
32 technology apprenticeship programs.

33 For purposes of Code chapters 260E and 260F, the bill
34 defines a "job corps center" as a campus that is part of the
35 nationwide network of campuses organized under the federal job

1 corps program authorized by the federal Workforce Investment
2 Act of 1998. The bill allows a job corps center to enter into
3 job training agreements with an employer under both Code
4 chapters 260E and 260F.

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