

MAR 14 2003
WAYS AND MEANS

HOUSE FILE 555
BY COMMITTEE ON ECONOMIC GROWTH
(SUCCESSOR TO HSB 189)

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

A BILL FOR

1 An Act relating to the enterprise zone program, including the
2 provision of tax incentives and other assistance.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 555

1 Section 1. NEW SECTION. 15E.193D OTHER ELIGIBLE
2 BUSINESSES.

3 1. A business which is not located in an enterprise zone
4 is eligible to receive incentives and assistance only as
5 provided in this section. Sections 15E.193 and 15E.196 do not
6 apply to a business qualifying under this section. A business
7 is eligible under this section if the business meets all of
8 the following criteria:

9 a. Is not a retail business or a business where entrance
10 is limited by a cover charge or membership requirement.

11 b. Provides all full-time employees with the option of
12 choosing one of the following:

13 (1) The business pays eighty percent of both of the
14 following:

15 (a) The cost of a standard medical insurance plan.

16 (b) The cost of a standard dental insurance plan or an
17 equivalent plan.

18 (2) The business provides the employee with a plan that is
19 monetarily equivalent to the plan provided for in subparagraph
20 (1).

21 c. Pays an average wage that is at or greater than the
22 greater of the average county wage or average regional wage,
23 as determined by the department.

24 d. Creates at least twenty-five full-time positions and
25 maintains them for at least ten years.

26 e. Makes a capital investment of at least two million
27 dollars. If the business will be occupying a vacant building
28 suitable for industrial use, the fair market value of the
29 building and land, not to exceed one million dollars, shall be
30 counted toward the capital investment requirement.

31 2. a. For purposes of receiving incentives and assistance
32 under this section, a business located outside all enterprise
33 zones in a city or county meeting the distress criteria
34 provided in section 15E.194 shall use the application process
35 provided in section 15E.195. If an enterprise zone commission

1 has not been established in the city or county, the city or
2 county shall establish a commission pursuant to section
3 15E.195.

4 b. After approval of a project by ordinance or resolution,
5 a city or county that does not meet the distress criteria
6 provided in section 15E.194 shall submit an application for
7 incentives and assistance to the department of economic
8 development. As part of the application, the city or county
9 shall submit information relating to the requirements listed
10 in subsection 1. The department may approve, defer, or deny
11 the application.

12 3. If a business has received incentives or assistance
13 under this section and fails to maintain the requirements of
14 subsection 1 to be an eligible business, the business is
15 subject to repayment of all or a portion of the incentives and
16 assistance that it has received. The department of revenue
17 and finance shall have the authority to recover the value of
18 state taxes or other incentives provided under this section.
19 The value of state incentives provided under this section
20 includes applicable interest and penalties. The department of
21 economic development and the city or county shall enter into
22 agreements with the business specifying the method for
23 determining the amount of incentives or assistance paid which
24 will be repaid in the event of failure to maintain the
25 requirements of subsection 1. In addition, a business that
26 fails to maintain the requirements of subsection 1 shall not
27 receive incentives or assistance for each year during which
28 the business is not in compliance.

29 4. In making its decision regarding an application, the
30 department of economic development shall consider the impact
31 of the eligible business on other businesses in competition
32 with it. The department shall make a good-faith effort to
33 identify existing Iowa businesses within an industry in
34 competition with the business being considered for incentives
35 or assistance. The department shall also make a good-faith

1 effort to determine the probability that the proposed
2 incentives or assistance will displace employees of existing
3 businesses. In determining the impact on businesses in
4 competition with the business seeking incentives or
5 assistance, jobs created as a result of other jobs being
6 displaced elsewhere in the state shall not be considered
7 direct jobs created.

8 However, if the department finds that an eligible business
9 has a record of violations of the law, including but not
10 limited to environmental and worker safety statutes, rules,
11 and regulations, over a period of time that tends to show a
12 consistent pattern, the eligible business shall not qualify
13 for incentives or assistance under this section, unless the
14 department finds that the violations did not seriously affect
15 public health or safety or the environment, or if they did,
16 that there were mitigating circumstances. In making the
17 findings and determinations regarding violations, mitigating
18 circumstances, and whether an eligible business is eligible
19 for incentives or assistance under this section, the
20 department is exempt from chapter 17A. If requested by the
21 department, the business shall provide copies of materials
22 documenting the types of violations, any fees or penalties
23 assessed, court filings, final disposition of any findings,
24 and any other information which would assist the department in
25 assessing the nature of any violations.

26 5. A business that is approved to receive incentives or
27 assistance under this section shall, for the length of its
28 designation as an enterprise zone business, certify annually
29 to the department of economic development its compliance with
30 the requirements of this section.

31 6. a. For tax years beginning on or after January 1,
32 2003, a business that is approved to receive incentives and
33 assistance under this section may claim a tax credit up to a
34 maximum of five percent of the new investment directly related
35 to new jobs created by the location or expansion of an

1 eligible business under this section. For purposes of this
2 section, "new investment directly related to new jobs created
3 by the location or expansion of an eligible business under
4 this section" means the cost of machinery and equipment, as
5 defined in section 427A.1, subsection 1, paragraphs "e" and
6 "j", purchased for use in the operation of the eligible
7 business, the purchase price of which has been depreciated in
8 accordance with generally accepted accounting principles, and
9 the cost of improvements made to real property which is used
10 in the operation of the eligible business.

11 b. A tax credit under this subsection shall be allowed
12 against the tax imposed in chapter 422, divisions II, III, and
13 V, and in chapter 432, and against the moneys and credits tax
14 imposed in section 533.24. An individual may claim a tax
15 credit of a partnership, limited liability company, S
16 corporation, estate, or trust electing to have income taxed
17 directly to the individual. The amount claimed by the
18 individual shall be based upon the pro rata share of the
19 individual's earnings from the partnership, limited liability
20 company, S corporation, estate, or trust. Any credit in
21 excess of the tax liability for the tax year may be credited
22 to the tax liability for the following seven years or until
23 depleted, whichever occurs earlier.

24 c. For purposes of this subsection, the purchase price of
25 real property and any buildings and structures located on the
26 real property is considered a new investment in the location
27 or expansion of an eligible business. However, if within five
28 years of purchase, the eligible business sells, disposes of,
29 razes, or otherwise renders unusable all or a part of the
30 land, buildings, or other existing structures for which a tax
31 credit was claimed under this subsection, the tax liability of
32 the eligible business for the year in which all or part of the
33 property is sold, disposed of, razed, or otherwise rendered
34 unusable shall be increased by one of the following amounts:

35 (1) One hundred percent of the tax credit claimed under

1 this subsection if the property ceases to be eligible for the
2 tax credit within one year after being placed in service.

3 (2) Eighty percent of the tax credit claimed under this
4 subsection if the property ceases to be eligible for the tax
5 credit within two years after being placed in service.

6 (3) Sixty percent of the tax credit claimed under this
7 subsection if the property ceases to be eligible for the tax
8 credit within three years after being placed in service.

9 (4) Forty percent of the tax credit claimed under this
10 subsection if the property ceases to be eligible for the tax
11 credit within four years after being placed in service.

12 (5) Twenty percent of the tax credit claimed under this
13 subsection if the property ceases to be eligible for the tax
14 credit within five years after being placed in service.

15 Sec. 2. Section 15E.194, Code 2003, is amended by adding
16 the following new subsection:

17 NEW SUBSECTION. 5. a. As used in this subsection, unless
18 the context otherwise requires:

19 (1) "Blighted area" means an area of a municipality within
20 which the local governing body of the municipality determines
21 that the presence of a substantial number of slum,
22 deteriorated, or deteriorating structures, insanitary or
23 unsafe conditions, diversity of ownership, tax or special
24 assessment delinquency exceeding the fair value of the land,
25 defective or unusual conditions of title, or the existence of
26 conditions which endanger life or property by fire or other
27 causes, or any combination of these factors, substantially
28 impairs or arrests the sound growth of the municipality,
29 retards the provision of housing accommodations, or
30 constitutes an economic or social liability and is a menace to
31 the public health, safety, or welfare in the area's present
32 condition and use. A disaster area referred to in section
33 403.5, subsection 7, constitutes a "blighted area". "Blighted
34 area" does not include real property assessed as agricultural
35 property for purposes of property taxation.

1 (2) "High poverty and crime area" means an area of a
2 municipality within which the local governing body of the
3 municipality determines that the presence of a high poverty
4 and unemployment rate, a higher than average number of
5 incidences of crime, a higher than average number of drug-
6 related incidences of crime, extremely deteriorated physical
7 and structural conditions of property, at least fifty percent
8 of the structures below local building code requirements, or a
9 higher than average number of municipal violations or nuisance
10 violations, or any combination of these factors, substantially
11 impairs or arrests the sound growth of the municipality,
12 retards the provision of housing accommodations, or
13 constitutes an economic or social liability, and is a menace
14 to the public health, safety, or welfare in the area's present
15 condition and use.

16 (3) "Slum area" means an area of a municipality within
17 which the local governing body of the municipality determines
18 that there is a predominance of buildings or improvements,
19 whether residential or nonresidential, which by reason of
20 dilapidation, deterioration, age, or obsolescence, by reason
21 of inadequate provision for ventilation, light, air,
22 sanitation, or open spaces, by reason of high density of
23 population and overcrowding, by reason of the existence of
24 conditions that endanger life or property by fire or other
25 causes, or that by any combination of such factors, is
26 conducive to ill health, transmission of disease, infant
27 mortality, juvenile delinquency, or crime, and which is
28 detrimental to the public health, safety, morals, or welfare.
29 "Slum area" does not include real property assessed as
30 agricultural property for purposes of property taxation.

31 b. A city or county may designate all or a portion of a
32 certified enterprise zone to be eligible for incentives and
33 assistance under section 15E.196, subsection 3, subject to
34 certification by the department, when the designated area
35 qualifies as a blighted area, a high poverty and crime area,

1 or a slum area. A certified enterprise zone shall not contain
2 more than one such designated area.

3 Sec. 3. Section 15E.195, Code 2003, is amended to read as
4 follows:

5 15E.195 ENTERPRISE ZONE COMMISSION.

6 1. A county which designates an enterprise zone pursuant
7 to section 15E.194, subsection 1, and in which an eligible
8 enterprise zone is certified shall establish an enterprise
9 zone commission to review applications from qualified
10 businesses located within or requesting to locate within an
11 enterprise zone designated pursuant to section 15E.194,
12 subsection 1, to receive incentives or assistance as provided
13 in section 15E.196. An enterprise zone commission shall also
14 be established, if one does not already exist, for purposes of
15 reviewing applications from qualifying businesses under
16 section 15E.193D. The enterprise zone commission shall also
17 review applications from qualified housing businesses
18 requesting to receive incentives or assistance as provided in
19 section 15E.193B. The enterprise zone commission shall also
20 review applications from qualified development businesses
21 requesting to receive incentives or assistance as provided in
22 section 15E.193C. The enterprise zone commission shall review
23 applications from qualifying businesses requesting to receive
24 incentives or assistance as provided in section 15E.193D. The
25 commission shall consist of nine members. Five of these
26 members shall consist of one representative of the board of
27 supervisors, one member with economic development expertise
28 chosen by the department of economic development, one
29 representative of the county zoning board, one member of the
30 local community college board of directors, and one
31 representative of the local workforce development center.
32 These five members shall select the remaining four members.
33 If the enterprise zone consists of an area meeting the
34 requirements for eligibility for an urban or rural enterprise
35 community under Title XIII of the federal Omnibus Budget

1 Reconciliation Act of 1993, one of the remaining four members
2 shall be a representative of that community. A county shall
3 have only one enterprise zone commission ~~to review~~
4 ~~applications for incentives and assistance for businesses~~
5 ~~located within or requesting to locate within a certified~~
6 ~~enterprise zone designated pursuant to section 15E.194,~~
7 ~~subsection 1.~~

8 2. A city with a population of twenty-four thousand or
9 more which designates an enterprise zone pursuant to section
10 15E.194, subsection 2, and in which an eligible enterprise
11 zone is certified shall establish an enterprise zone
12 commission to review applications from qualified businesses
13 located within or requesting to locate within an enterprise
14 zone to receive incentives or assistance as provided in
15 section 15E.196. An enterprise zone commission shall also be
16 established, if one does not already exist, for purposes of
17 reviewing applications from qualifying businesses under
18 section 15E.193D. The enterprise zone commission shall review
19 applications from qualified housing businesses requesting to
20 receive incentives or assistance as provided in section
21 15E.193B. The enterprise zone commission shall also review
22 applications from qualified development businesses requesting
23 to receive incentives or assistance as provided in section
24 15E.193C. The enterprise zone commission shall review
25 applications from qualifying businesses requesting to receive
26 incentives or assistance as provided in section 15E.193D. The
27 commission shall consist of nine members. Six of these
28 members shall consist of one representative of an
29 international labor organization, one member with economic
30 development expertise chosen by the department of economic
31 development, one representative of the city council, one
32 member of the local community college board of directors, one
33 member of the city planning and zoning commission, and one
34 representative of the local workforce development center.
35 These six members shall select the remaining three members.

1 If the enterprise zone consists of an area meeting the
2 requirements for eligibility for an urban enterprise community
3 under Title XIII of the federal Omnibus Budget Reconciliation
4 Act of 1993, one of the remaining three members shall be a
5 representative of that community. If a city contiguous to the
6 city designating the enterprise zone is included in an
7 enterprise zone, a representative of the contiguous city,
8 chosen by the city council, shall be a member of the
9 commission. A city in which an eligible enterprise zone is
10 certified shall have only one enterprise zone commission. If
11 a city has established an enterprise zone commission prior to
12 July 1, 1998, the city may petition to the department of
13 economic development to change the structure of the existing
14 commission.

15 3. The commission may adopt more stringent requirements,
16 including requirements related to compensation and benefits,
17 for a business to be eligible for incentives or assistance
18 than provided in sections 15E.193, 15E.193B, and 15E.193C, and
19 15E.193D. The commission may develop as an additional
20 requirement that preference in hiring be given to individuals
21 who live within the enterprise zone. The commission shall
22 work with the local workforce development center to determine
23 the labor availability in the area. The commission shall
24 examine and evaluate building codes and zoning in the
25 enterprise zone and make recommendations to the appropriate
26 governing body in an effort to promote more affordable housing
27 development.

28 4. If the enterprise zone commission determines that a
29 business qualifies and is eligible to receive incentives or
30 assistance as provided in section 15E.193B, 15E.193C,
31 15E.193D, or 15E.196, the commission shall submit an
32 application for incentives or assistance to the department of
33 economic development. The department may approve, defer, or
34 deny the application.

35 5. In making its decision, the commission or department

1 shall consider the impact of the eligible business on other
2 businesses in competition with it and compare the compensation
3 package of businesses in competition with the business being
4 considered for incentives or assistance. The commission or
5 department shall make a good faith effort to identify existing
6 Iowa businesses within an industry in competition with the
7 business being considered for incentives or assistance. The
8 commission or department shall also make a good faith effort
9 to determine the probability that the proposed incentives or
10 assistance will displace employees of existing businesses. In
11 determining the impact on businesses in competition with the
12 business seeking incentives or assistance, jobs created as a
13 result of other jobs being displaced elsewhere in the state
14 shall not be considered direct jobs created.

15 However, if the commission or department finds that an
16 eligible business has a record of violations of the law,
17 including but not limited to environmental and worker safety
18 statutes, rules, and regulations, over a period of time that
19 tends to show a consistent pattern, the eligible business
20 shall not qualify for incentives or assistance under section
21 15E.193B, 15E.193C, 15E.193D, or 15E.196, unless the
22 commission or department finds that the violations did not
23 seriously affect public health or safety or the environment,
24 or if it did that there were mitigating circumstances. In
25 making the findings and determinations regarding violations,
26 mitigating circumstances, and whether an eligible business is
27 eligible for incentives or assistance under section 15E.193B,
28 15E.193C, 15E.193D, or 15E.196, the commission or department
29 shall be exempt from chapter 17A. If requested by the
30 commission or department, the business shall provide copies of
31 materials documenting the type of violation, any fees or
32 penalties assessed, court filings, final disposition of any
33 findings, and any other information which would assist the
34 commission or department in assessing the nature of any
35 violation.

1 6. A business that is approved to receive incentives or
2 assistance shall, for the length of its designation as an
3 enterprise zone business, certify annually to the county or
4 city, as applicable, and the department of economic
5 development its compliance with the requirements of section
6 15E.193, 15E.193B, ~~or 15E.193C~~, or 15E.193D.

7 Sec. 4. Section 15E.196, Code 2003, is amended to read as
8 follows:

9 15E.196 INCENTIVES -- ASSISTANCE.

10 1. For purposes of determining the incentives or
11 assistance provided in this section, "eligible business" means
12 a business which has been approved to receive incentives and
13 assistance by the department of economic development pursuant
14 to application as provided in section 15E.195.

15 2. The incentives and assistance provided under this
16 ~~division subsection~~ for businesses located in enterprise zones
17 shall be for a period not to exceed ten years, shall be in
18 addition to any incentives and assistance provided in
19 subsection 3, and shall include all of the following:

20 ~~±~~ a. (1) New jobs credit from withholding, as provided
21 in section 15.331.

22 ~~b.-(1)~~ (2) (a) As an alternative to ~~paragraph-"a"~~
23 subparagraph (1), a business may provide a housing assistance
24 program in the form of down payment assistance or rental
25 assistance for employees in new jobs, as defined in section
26 260E.2, who buy or rent housing located within any certified
27 enterprise zone. A business establishing a housing assistance
28 program shall fund this program through a credit from
29 withholding based on the wages paid to the employees
30 participating in the housing assistance program. An amount
31 equal to one and one-half percent of the gross wages paid by
32 the employer to each employee participating in the housing
33 assistance program shall be credited from the payment made by
34 an employer pursuant to section 422.16. If the amount of the
35 withholding by the employer is less than one and one-half

1 percent of the gross wages paid to the employees, then the
2 employer shall receive a credit against other withholding
3 taxes due by the employer. The employer shall deposit the
4 amount of the credit quarterly into a housing assistance fund
5 created by the business out of which the business shall
6 provide employees enrolled in the housing assistance program
7 with down payment assistance or rental assistance.

8 ~~(2)~~ (b) A business may enter into an agreement with the
9 county or city designating the enterprise zone pursuant to
10 section 15E.194 to borrow initial moneys to fund a housing
11 assistance program. The county or city may appropriate from
12 the general fund of the county or city for the assistance
13 program an amount not to exceed an amount estimated by the
14 department of revenue and finance to be equal to the total
15 amount of credit from withholding for employees determined by
16 the business to be enrolled in the program during the first
17 two years. The business shall pay the principal and interest
18 on the loan out of moneys received from the credit from
19 withholding provided for in subparagraph ~~(1)~~ subdivision (a).
20 The terms of the loan agreement shall include the principal
21 amount, the interest rate, the terms of repayment, and the
22 term of the loan. The terms of the loan agreement shall not
23 extend beyond the period during which the enterprise zone is
24 certified.

25 ~~(3)~~ (c) The employer shall certify to the department of
26 revenue and finance that the credit from withholding is in
27 accordance with an agreement and shall provide other
28 information the department may require.

29 ~~(4)~~ (d) An employee participating in the housing
30 assistance program will receive full credit for the amount
31 withheld as provided in section 422.16.

32 ~~2-~~ b. Sales, services, and use tax refund, as provided in
33 section 15.331A.

34 ~~3-~~ c. Investment tax credit, as provided in section
35 15.333.

1 ~~4~~ d. Research activities credit, as provided in section
2 15.335.

3 ~~5~~ e. The county or city for which an eligible enterprise
4 zone is certified may exempt from all property taxation all or
5 a portion of the value added to the property upon which an
6 eligible business locates or expands in an enterprise zone and
7 which is used in the operation of the eligible business. The
8 amount of value added for purposes of this **subsection**
9 paragraph shall be the amount of the increase in assessed
10 valuation of the property following the location or expansion
11 of the business in the enterprise zone. If an exemption
12 provided pursuant to this **subsection paragraph** is made
13 applicable to only a portion of the property within an
14 enterprise zone, the definition of that subset of eligible
15 property must be by uniform criteria which further some
16 planning objective established by the city or county
17 enterprise zone commission and approved by the eligible city
18 or county. The exemption may be allowed for a period not to
19 exceed ten years beginning the year the eligible business
20 enters into an agreement with the county or city to locate or
21 expand operations in an enterprise zone.

22 ~~6~~ f. Insurance premium tax credit, as provided in section
23 15.333A.

24 ~~7~~ g. A business eligible to receive incentives and
25 assistance described in this **section subsection** and located in
26 a building for which incentives and assistance are or have
27 been claimed by an approved development business under section
28 15E.193C is not eligible to receive the following incentives
29 and assistance:

30 ~~a~~ (1) An investment tax credit under **subsection-3**
31 paragraph "c" for the portion of the investment tax credit
32 that is claimed on the purchase price of land or improvements
33 to real property by an approved development business pursuant
34 to section 15E.193C, subsection 7, paragraph "a".

35 ~~b~~ (2) Sales, services, and use tax refund under

1 ~~subsection-2~~ paragraph "b" that is made pursuant to section
2 15E.193C, subsection 7, paragraph "b".

3 ~~c.~~ (3) A property tax exemption under ~~subsection-5~~
4 paragraph "e" for improvements to real property that are
5 exempted from property taxation pursuant to section 15E.193C,
6 subsection 7, paragraph "c".

7 3. The incentives and assistance provided under this
8 subsection for businesses and taxpayers located in designated
9 areas of enterprise zones designated pursuant to section
10 15E.194, subsection 5, shall be for a period not to exceed ten
11 years, shall be in addition to incentives and assistance
12 provided in subsection 2, and shall include all of the
13 following:

14 a. A taxpayer with a business located in the designated
15 area of an enterprise zone shall be exempt from corporate
16 income tax under chapter 422, division III, on the portion of
17 net income reasonably attributable to the trade or business or
18 sources within the designated area of the enterprise zone.
19 The method of attributing net income received from within the
20 enterprise zone and net income received from outside the
21 enterprise zone shall be calculated in a manner similar to
22 that used in section 422.33, subsection 2.

23 A taxpayer with an office of a financial institution
24 located in the designated area of an enterprise zone shall
25 also be exempt from the franchise tax in chapter 422, division
26 V, on the portion of the net income received through the
27 business activity in offices located in the designated area of
28 the enterprise zone as determined by rules adopted by the
29 department of revenue and finance pursuant to section 422.65
30 regarding allocation of the franchise tax.

31 b. A business owning property within the designated area
32 of an enterprise zone shall be exempt from paying local
33 property taxes on the property located solely in the
34 designated area of the enterprise zone as provided in section
35 427.1, subsection 34. This incentive shall not be available

1 to owners of residential rental property located in the
2 designated area of an enterprise zone in tax years in which
3 the property is not in substantial compliance with all
4 applicable state and local zoning, building, housing, and
5 health laws, ordinances, or codes.

6 c. A business located in the designated area of an
7 enterprise zone shall be eligible to receive the new jobs
8 credit from withholding, as provided in section 15.331, and
9 the sales, services, and use tax refund, as provided in
10 section 15.331A.

11 4. During the last three years that a taxpayer is eligible
12 for an exemption, refund, or credit described in subsection 3,
13 the exemption, refund, or credit shall be reduced by the
14 following percentages:

15 a. For the tax year that is two years before the final
16 year of designation as an enterprise zone, the reduction shall
17 be twenty-five percent.

18 b. For the tax year immediately preceding the final year
19 of designation as an enterprise zone, the reduction shall be
20 fifty percent.

21 c. For the tax year that is the final year of designation
22 as an enterprise zone, the reduction shall be seventy-five
23 percent.

24 5. The following exceptions shall apply to the incentives
25 and assistance allowed under subsection 3:

26 a. A taxpayer shall not be eligible during any tax year in
27 which the taxpayer is delinquent in paying any federal, state,
28 or local taxes.

29 b. A taxpayer shall not be eligible during any tax year in
30 which the taxpayer owns residential rental property within the
31 enterprise zone that is not in substantial compliance with all
32 applicable state and local zoning, building, and housing laws,
33 ordinances, or codes.

34 c. A business located outside a designated area of an
35 enterprise zone designated pursuant to section 15E.194,

1 subsection 5, that relocates into such an area of an
2 enterprise zone shall not receive the incentives and
3 assistance granted under subsection 3 of this section unless
4 the governing body of the political subdivision in which the
5 business is located approves the relocation of the business.

6 d. If a business relocates more than twenty-five full-time
7 equivalent jobs from one or more locations outside a
8 designated area of an enterprise zone designated pursuant to
9 section 15E.194, subsection 5, to a location within such a
10 designated area of an enterprise zone, the business shall
11 notify the department of economic development and the
12 political subdivision from which the jobs are being relocated
13 of the relocation. The business is not eligible for
14 incentives and assistance granted under subsection 3 of this
15 section if the political subdivision from which the jobs are
16 being relocated adopts a resolution objecting to the
17 relocation of the jobs within sixty days after the
18 notification by the business. The business becomes eligible
19 sixty days after the notification if such a resolution is not
20 adopted or if an objection is rescinded by a subsequent
21 resolution. A political subdivision that objects to the
22 relocation of jobs shall file a copy of all resolutions of
23 objections and rescission with the department of revenue and
24 finance, the department of economic development, and the
25 political subdivision where the enterprise zone is located.

26 6. a. Incentives and assistance received from the state
27 under subsection 3, paragraphs "a" and "c", shall be limited
28 to two million dollars per enterprise zone, unless an
29 enterprise zone commission lowers the incentives and
30 assistance limit in paragraph "b" of this subsection. If a
31 commission lowers the incentives and assistance limit under
32 paragraph "b" of this subsection, the limit under this
33 paragraph shall equal the limit set by the commission.

34 b. Incentives and assistance received from the local
35 property tax exemption in subsection 3, paragraph "b", shall

1 be limited to two million dollars per enterprise zone, unless
2 an enterprise zone commission sets a limit of less than two
3 million dollars.

4 Sec. 5. NEW SECTION. 422.11H ENTERPRISE ZONE TAX CREDIT.

5 The tax imposed under this division, less the credits
6 allowed under sections 422.12 and 422.12B, shall be reduced by
7 an enterprise zone tax credit authorized pursuant to section
8 15E.193D, subsection 6.

9 Sec. 6. Section 422.33, Code 2003, is amended by adding
10 the following new subsection:

11 NEW SUBSECTION. 14. The taxes imposed under this division
12 shall be reduced by an enterprise zone tax credit authorized
13 pursuant to section 15E.193D, subsection 6.

14 Sec. 7. Section 422.60, Code 2003, is amended by adding
15 the following new subsection:

16 NEW SUBSECTION. 7. The taxes imposed under this division
17 shall be reduced by an enterprise zone tax credit authorized
18 pursuant to section 15E.193D, subsection 6.

19 Sec. 8. Section 427.1, Code 2003, is amended by adding the
20 following new subsection:

21 NEW SUBSECTION. 34. ENTERPRISE ZONES. The property
22 located solely in a designated area of an enterprise zone
23 designated pursuant to section 15E.194, subsection 5, for the
24 duration of the enterprise zone designation.

25 Sec. 9. NEW SECTION. 432.12D ENTERPRISE ZONE TAX
26 CREDITS.

27 The tax imposed under this chapter shall be reduced by an
28 enterprise zone tax credit authorized pursuant to section
29 15E.193D, subsection 6.

30 Sec. 10. Section 533.24, Code 2003, is amended by adding
31 the following new unnumbered paragraph after unnumbered
32 paragraph 4:

33 NEW UNNUMBERED PARAGRAPH. The moneys and credits tax
34 imposed under this section shall be reduced by an enterprise
35 zone tax credit authorized pursuant to section 15E.193D,

1 subsection 6.

2

EXPLANATION

3 This bill relates to the enterprise zone program
4 administered by the department of economic development.

5 The bill allows businesses that are not located in an
6 enterprise zone to claim a tax credit up to a maximum of 5
7 percent of the new investment directly related to new jobs
8 created by the location or expansion of an eligible business
9 under the program. The tax credit shall be allowed against
10 personal and corporate income tax, the franchise tax for
11 financial institutions, the insurance premium tax, and the
12 moneys and credits tax for credit unions. The bill provides
13 that the tax credit may be carried forward for seven years.

14 The bill provides criteria relating to the type of
15 business, employee wages and benefits, employment, and capital
16 investment that a business not located in an enterprise zone
17 must meet in order to receive assistance under the program.
18 For a business located in a city or county meeting the
19 distress criteria of the program, the bill requires the
20 business to apply for assistance and incentives under the
21 program through the enterprise zone for the city or county.
22 For a business not located in a city or county meeting the
23 distress criteria of the program, the bill requires the city
24 or county where the business is located, after approval of a
25 project by ordinance or resolution, to submit an application
26 for incentives and assistance to the department. The bill
27 includes continued compliance and reporting provisions for a
28 business receiving incentives and assistance. The bill
29 requires the department, in considering applications, to
30 consider the impact of the eligible business on other
31 businesses in competition with it.

32 The bill allows a city or county to designate all or a
33 portion of a certified enterprise zone to be eligible for
34 incentives and assistance in addition to the regular
35 incentives and assistance available under the enterprise zone

1 program. The designated area must qualify as a blighted area,
2 a high poverty and crime area, or a slum area, as defined in
3 the bill. The bill provides that a certified enterprise zone
4 shall not contain more than one such designated area.

5 The bill provides that incentives and assistance for
6 designated areas of enterprise zones include all of the
7 following:

8 1. Corporate income tax and franchise tax exemptions for
9 any taxpayer with a business located in the designated area of
10 the enterprise zone on the portion of the net income
11 reasonably attributable to the trade or business or sources
12 within the designated area of the enterprise zone.

13 2. A property tax exemption for a business owning property
14 within the designated area of the enterprise zone for property
15 located solely within the designated area of the enterprise
16 zone.

17 3. The new jobs credit from withholding and the sales,
18 services, and use tax refund for businesses located in the
19 designated area of the enterprise zone.

20 The bill provides that the incentives and assistance for
21 designated areas of the enterprise zones shall be reduced by
22 25 percent during the tax year two years before the final year
23 of the enterprise zone designation, by 50 percent during the
24 tax year immediately preceding the final year of the
25 enterprise zone designation, and by 75 percent during the
26 final year of the enterprise zone designation.

27 The bill provides a number of exceptions for incentives and
28 assistance for designated areas of enterprise zones. The
29 exceptions include the following:

30 1. A taxpayer shall not be eligible during any tax years
31 in which the taxpayer is delinquent in paying any federal,
32 state, or local taxes.

33 2. A taxpayer shall not be eligible during any tax years
34 in which the taxpayer owns residential rental property located
35 within a designated area of the enterprise zone that is not in

1 substantial compliance with all applicable state and local
2 zoning, building, and housing laws, ordinances, or codes.

3 3. A business located outside a designated area of an
4 enterprise zone that relocates into a designated area of an
5 enterprise zone shall not receive the incentives and
6 assistance unless the governing body of the political
7 subdivision in which the business is located approves the
8 relocation of the business.

9 4. If a business relocates more than 25 full-time
10 equivalent jobs from one or more locations outside a
11 designated area of an enterprise zone to a location within a
12 designated area of an enterprise zone, the business shall
13 notify the department of economic development and the
14 political subdivision from which the jobs are being relocated
15 of the relocation. The bill allows the political subdivision
16 to block the availability of designated area enterprise zone
17 incentives and assistance by objecting to the relocation of
18 jobs through a resolution.

19 The bill provides that incentives and assistance received
20 from the state through the corporate income tax and franchise
21 tax exemptions and the new jobs credit from withholding for
22 designated areas of enterprise zones shall be limited to \$2
23 million per enterprise zone. The bill provides that
24 incentives and assistance received from the local property tax
25 exemption for designated areas of enterprise zones shall be
26 limited to \$2 million per enterprise zone, unless the
27 enterprise zone commission sets a limit of less than \$2
28 million. If the enterprise zone commission lowers the
29 incentives and assistance limit, the limit for incentives and
30 assistance from the state shall equal the limit set by the
31 commission.

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HF 555 - Enterprise Zones (LSB 2486 HV)

Analyst: Russell Trimble (Phone: (515) 281-4613) (russ.trimble@legis.state.ia.us)

Fiscal Note Version — New

Description

House File 555 allows businesses located outside of an enterprise zone to claim a tax credit up to 5.0% of the new investment directly related to new jobs created by the location or expansion of an eligible business under the program. The tax credit is allowed against personal and corporate income tax, the franchise tax for financial institutions, the insurance premium tax, and the moneys and credits tax for credit unions. The proposed legislation provides that the tax credit may be carried forward for seven years and specifies criteria for receiving the tax credits. Business within enterprise zones may also qualify to receive the 5.0% tax credit in addition to the 10.0% investment tax credit the businesses is eligible to receive under current law. House File 555 also allows municipalities to designate super blighted zones within an enterprise zone. These zones must be blighted, high poverty, slum, or high crime areas. These areas would be exempt from all corporate and franchise taxes up to \$2.0 million per zone. In addition, each area would receive an exemption of up to \$2.0 million in property taxes per zone.

Assumptions

1. Businesses located outside of an enterprise zone that create 25 new jobs and invest a minimum of \$2.0 million and that meet all the other quantitative and qualitative criteria outlined in the Bill will be awarded a tax credit of up to 5.0% of the new investment directly related to new jobs created.
2. Over the last three years, there have been 192 Industrial New Jobs Training (260E) projects creating 25 or more new jobs. Approximately 155 of these projects occurred outside of existing enterprise zones. Therefore, an average of 51 additional projects creating at least 25 new jobs have been created each year. This trend will continue, and there will be 51 new projects started per year that will locate outside of existing enterprise zones and will create at least 25 new jobs. Approximately 75.0% of the projects or 38 projects per year will invest at least \$2.0 million per project, and will also meet all the other requirements to qualify for the 5.0% tax credit.
3. Of the 192 Industrial New Jobs Training (260E) projects that have created at least 25 new jobs, 37 were located within an existing enterprise zone. This is an average of approximately 12 new projects per year. This trend will continue, and there will be 12 new projects per year that will locate within an enterprise zone and create at least 25 new jobs. Approximately 75.0% of the projects or 9 projects per year will invest at least \$2.0 million, and will also meet all the other requirements to qualify for the 5.0% investment tax credit. This will be in addition to the 10.0% investment tax credit and other tax incentives the business is eligible to receive under current law.
4. The average investment of a given business project in or outside of an enterprise zone is \$9.6 million. Each eligible project will be awarded a 5.0% investment tax credit of \$480,000. Each year a total of 47 projects or businesses whether in or outside of an enterprise zone will be awarded a combined total of \$22.6 million in tax credits.
5. Businesses will be awarded the tax credits upon completion of the project, which takes two years on average from start to finish. Tax credits will not be awarded until FY 2006.
6. The actual impact of House File 555 depends on the utilization of tax credits awarded. The ability of a business to utilize the tax credits is contingent upon the business' Iowa tax liability. Actual utilization of tax credits cannot be determined due to insufficient information. The business will be able to carry the tax credits forward for up to seven years.

7. Municipalities will be able to establish super blighted zones. All corporate and franchise taxes in the super blighted zone will be exempted up to a maximum of \$2.0 million per zone. All property taxes will be exempted up to a maximum of \$2.0 million per zone. The Department of Economic Development estimates that a total of eight to ten super blighted zones will be established. It cannot be determined how quickly these zones will be established. This provision of the Bill will reduce future General Fund revenues by up to \$16.0 to \$20.0 million. Local governments will also experience a combined reduction of up to \$16.0 to \$20.0 million. This could impact State aide under the school aide formula.
8. The cost of monitoring and recording the exempted taxes in the super blighted zones cannot be determined. It is not clear how various taxing entities will be able to monitor and record exempted tax liability. It is also not clear how it will be decided who's taxes within a zone will be exempted since there is no application process.

Fiscal Impact

The Fiscal Impact of House File 555 cannot be determined due to insufficient information.

House File 555 allows eligible businesses located in or outside of an enterprise zone to be awarded an investment tax credit of up to 5.0% of the new investment directly related to new jobs created provided certain requirements are met. This provision of the Bill could reduce General Fund revenues by up to \$22.6 million annually starting in FY 2006. The actual impact to the General Fund will depend on the utilization of the tax credits awarded. The ability of a business to utilize the tax credits is contingent upon the business' Iowa tax liability. Actual utilization of tax credits cannot be determined due to insufficient information. The business will be able to carry the tax credits forward for up to seven years.

House File 555 allows municipalities within an enterprise zone that meet certain criteria to establish super blighted zones. All corporate and franchise taxes within these super blighted zones will be exempted up to a maximum of \$2.0 million per zone. All property taxes within the super blighted zones will also be exempted up to a maximum of \$2.0 million per zone. This provision of the Bill will reduce future General Fund revenues by up to \$16.0 to \$20.0 million. Local governments will also experience a combined reduction in revenues of up to \$16.0 to \$20.0 million. This in turn could impact state aide under the school aide formula. The cost of monitoring and recording the exempted taxes in the super blighted zones cannot be determined.

Sources

Iowa Department of Economic Development
Iowa Department of Revenue and Finance

/s/ Dennis C Prouty

March 31, 2003

Jenkins, Chr.
Boggess
Hanson
D. Olson
Smith

SUCCEED BY
SF 0555 HSB 189
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 the enterprise zone program, including the
2 provision of tax incentives and other assistance.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 15E.193D OTHER ELIGIBLE
2 BUSINESSES.

3 1. A business which is not located in an enterprise zone
4 is eligible to receive incentives and assistance only as
5 provided in this section. Sections 15E.193 and 15E.196 do not
6 apply to a business qualifying under this section. A business
7 is eligible under this section if the business meets all of
8 the following criteria:

9 a. Is not a retail business or a business where entrance
10 is limited by a cover charge or membership requirement.

11 b. Provides all full-time employees with the option of
12 choosing one of the following:

13 (1) The business pays eighty percent of both of the
14 following:

15 (a) The cost of a standard medical insurance plan.

16 (b) The cost of a standard dental insurance plan or an
17 equivalent plan.

18 (2) The business provides the employee with a plan that is
19 monetarily equivalent to the plan provided for in subparagraph
20 (1).

21 c. Pays an average wage that is at or greater than the
22 lesser of the average county wage or average regional wage, as
23 determined by the department.

24 d. Creates at least twenty-five full-time positions and
25 maintains them for at least ten years.

26 e. Makes a capital investment of at least two million
27 dollars. If the business will be occupying a vacant building
28 suitable for industrial use, the fair market value of the
29 building and land, not to exceed one million dollars, shall be
30 counted toward the capital investment requirement.

31 2. a. For purposes of receiving incentives and assistance
32 under this section, a business located outside all enterprise
33 zones in a city or county meeting the distress criteria
34 provided in section 15E.194 shall use the application process
35 provided in section 15E.195. If an enterprise zone commission

1 has not been established in the city or county, the city or
2 county shall establish a commission pursuant to section
3 15E.195.

4 b. After approval of a project by ordinance or resolution,
5 a city or county that does not meet the distress criteria
6 provided in section 15E.194 shall submit an application for
7 incentives and assistance to the department of economic
8 development. As part of the application, the city or county
9 shall submit information relating to the requirements listed
10 in subsection 1. The department may approve, defer, or deny
11 the application.

12 3. If a business has received incentives or assistance
13 under this section and fails to maintain the requirements of
14 subsection 1 to be an eligible business, the business is
15 subject to repayment of all or a portion of the incentives and
16 assistance that it has received. The department of revenue
17 and finance shall have the authority to recover the value of
18 state taxes or other incentives provided under this section.
19 The value of state incentives provided under this section
20 includes applicable interest and penalties. The department of
21 economic development and the city or county shall enter into
22 agreements with the business specifying the method for
23 determining the amount of incentives or assistance paid which
24 will be repaid in the event of failure to maintain the
25 requirements of subsection 1. In addition, a business that
26 fails to maintain the requirements of subsection 1 shall not
27 receive incentives or assistance for each year during which
28 the business is not in compliance.

29 4. In making its decision regarding an application, the
30 department of economic development shall consider the impact
31 of the eligible business on other businesses in competition
32 with it and compare the compensation package of businesses in
33 competition with the business being considered for incentives
34 or assistance. The department shall make a good-faith effort
35 to identify existing Iowa businesses within an industry in

1 competition with the business being considered for incentives
2 or assistance. The department shall also make a good-faith
3 effort to determine the probability that the proposed
4 incentives or assistance will displace employees of existing
5 businesses. In determining the impact on businesses in
6 competition with the business seeking incentives or
7 assistance, jobs created as a result of other jobs being
8 displaced elsewhere in the state shall not be considered
9 direct jobs created.

10 However, if the department finds that an eligible business
11 has a record of violations of the law, including but not
12 limited to environmental and worker safety statutes, rules,
13 and regulations, over a period of time that tends to show a
14 consistent pattern, the eligible business shall not qualify
15 for incentives or assistance under this section, unless the
16 department finds that the violations did not seriously affect
17 public health or safety or the environment, or if they did,
18 that there were mitigating circumstances. In making the
19 findings and determinations regarding violations, mitigating
20 circumstances, and whether an eligible business is eligible
21 for incentives or assistance under this section, the
22 department is exempt from chapter 17A. If requested by the
23 department, the business shall provide copies of materials
24 documenting the types of violations, any fees or penalties
25 assessed, court filings, final disposition of any findings,
26 and any other information which would assist the department in
27 assessing the nature of any violations.

28 5. A business that is approved to receive incentives or
29 assistance under this section shall, for the length of its
30 designation as an enterprise zone business, certify annually
31 to the department of economic development its compliance with
32 the requirements of this section.

33 6. a. For tax years beginning on or after January 1,
34 2003, a business that is approved to receive incentives and
35 assistance under this section may claim a tax credit up to a

1 maximum of five percent of the new investment directly related
2 to new jobs created by the location or expansion of an
3 eligible business under this section. For purposes of this
4 section, "new investment directly related to new jobs created
5 by the location or expansion of an eligible business under
6 this section" means the cost of machinery and equipment, as
7 defined in section 427A.1, subsection 1, paragraphs "e" and
8 "j", purchased for use in the operation of the eligible
9 business, the purchase price of which has been depreciated in
10 accordance with generally accepted accounting principles, and
11 the cost of improvements made to real property which is used
12 in the operation of the eligible business.

13 b. A tax credit under this subsection shall be allowed
14 against the tax imposed in chapter 422, divisions II, III, and
15 V, and in chapter 432, and against the moneys and credits tax
16 imposed in section 533.24. An individual may claim a tax
17 credit of a partnership, limited liability company, S
18 corporation, estate, or trust electing to have income taxed
19 directly to the individual. The amount claimed by the
20 individual shall be based upon the pro rata share of the
21 individual's earnings from the partnership, limited liability
22 company, S corporation, estate, or trust. Any credit in
23 excess of the tax liability for the tax year may be credited
24 to the tax liability for the following seven years or until
25 depleted, whichever occurs earlier.

26 c. For purposes of this subsection, the purchase price of
27 real property and any buildings and structures located on the
28 real property is considered a new investment in the location
29 or expansion of an eligible business. However, if within five
30 years of purchase, the eligible business sells, disposes of,
31 razes, or otherwise renders unusable all or a part of the
32 land, buildings, or other existing structures for which a tax
33 credit was claimed under this subsection, the tax liability of
34 the eligible business for the year in which all or part of the
35 property is sold, disposed of, razed, or otherwise rendered

1 unusable shall be increased by one of the following amounts:

2 (1) One hundred percent of the tax credit claimed under
3 this subsection if the property ceases to be eligible for the
4 tax credit within one year after being placed in service.

5 (2) Eighty percent of the tax credit claimed under this
6 subsection if the property ceases to be eligible for the tax
7 credit within two years after being placed in service.

8 (3) Sixty percent of the tax credit claimed under this
9 subsection if the property ceases to be eligible for the tax
10 credit within three years after being placed in service.

11 (4) Forty percent of the tax credit claimed under this
12 subsection if the property ceases to be eligible for the tax
13 credit within four years after being placed in service.

14 (5) Twenty percent of the tax credit claimed under this
15 subsection if the property ceases to be eligible for the tax
16 credit within five years after being placed in service.

17 Sec. 2. Section 15E.194, Code 2003, is amended by adding
18 the following new subsection:

19 NEW SUBSECTION. 5. a. As used in this subsection, unless
20 the context otherwise requires:

21 (1) "Blighted area" means an area of a municipality within
22 which the local governing body of the municipality determines
23 that the presence of a substantial number of slum,
24 deteriorated, or deteriorating structures, insanitary or
25 unsafe conditions, diversity of ownership, tax or special
26 assessment delinquency exceeding the fair value of the land,
27 defective or unusual conditions of title, or the existence of
28 conditions which endanger life or property by fire or other
29 causes, or any combination of these factors, substantially
30 impairs or arrests the sound growth of the municipality,
31 retards the provision of housing accommodations, or
32 constitutes an economic or social liability and is a menace to
33 the public health, safety, or welfare in the area's present
34 condition and use. A disaster area referred to in section
35 403.5, subsection 7, constitutes a "blighted area". "Blighted

1 area" does not include real property assessed as agricultural
2 property for purposes of property taxation.

3 (2) "High poverty and crime area" means an area of a
4 municipality within which the local governing body of the
5 municipality determines that the presence of a high poverty
6 and unemployment rate, a higher than average number of
7 incidences of crime, a higher than average number of drug-
8 related incidences of crime, extremely deteriorated physical
9 and structural conditions of property, at least fifty percent
10 of the structures below local building code requirements, or a
11 higher than average number of municipal violations or nuisance
12 violations, or any combination of these factors, substantially
13 impairs or arrests the sound growth of the municipality,
14 retards the provision of housing accommodations, or
15 constitutes an economic or social liability, and is a menace
16 to the public health, safety, or welfare in the area's present
17 condition and use.

18 (3) "Slum area" means an area of a municipality within
19 which the local governing body of the municipality determines
20 that there is a predominance of buildings or improvements,
21 whether residential or nonresidential, which by reason of
22 dilapidation, deterioration, age, or obsolescence, by reason
23 of inadequate provision for ventilation, light, air,
24 sanitation, or open spaces, by reason of high density of
25 population and overcrowding, by reason of the existence of
26 conditions that endanger life or property by fire or other
27 causes, or that by any combination of such factors, is
28 conducive to ill health, transmission of disease, infant
29 mortality, juvenile delinquency, or crime, and which is
30 detrimental to the public health, safety, morals, or welfare.
31 "Slum area" does not include real property assessed as
32 agricultural property for purposes of property taxation.

33 b. A city or county may designate all or a portion of a
34 certified enterprise zone to be eligible for incentives and
35 assistance under section 15E.196, subsection 3, subject to

1 certification by the department, when the designated area
2 qualifies as a blighted area, a high poverty and crime area,
3 or a slum area. A certified enterprise zone shall not contain
4 more than one such designated area.

5 Sec. 3. Section 15E.195, Code 2003, is amended to read as
6 follows:

7 15E.195 ENTERPRISE ZONE COMMISSION.

8 1. A county which designates an enterprise zone pursuant
9 to section 15E.194, subsection 1, and in which an eligible
10 enterprise zone is certified shall establish an enterprise
11 zone commission to review applications from qualified
12 businesses located within or requesting to locate within an
13 enterprise zone designated pursuant to section 15E.194,
14 subsection 1, to receive incentives or assistance as provided
15 in section 15E.196. An enterprise zone commission shall also
16 be established, if one does not already exist, for purposes of
17 reviewing applications from qualifying businesses under
18 section 15E.193D. The enterprise zone commission shall also
19 review applications from qualified housing businesses
20 requesting to receive incentives or assistance as provided in
21 section 15E.193B. The enterprise zone commission shall also
22 review applications from qualified development businesses
23 requesting to receive incentives or assistance as provided in
24 section 15E.193C. The enterprise zone commission shall review
25 applications from qualifying businesses requesting to receive
26 incentives or assistance as provided in section 15E.193D. The
27 commission shall consist of nine members. Five of these
28 members shall consist of one representative of the board of
29 supervisors, one member with economic development expertise
30 chosen by the department of economic development, one
31 representative of the county zoning board, one member of the
32 local community college board of directors, and one
33 representative of the local workforce development center.
34 These five members shall select the remaining four members.
35 If the enterprise zone consists of an area meeting the

1 requirements for eligibility for an urban or rural enterprise
2 community under Title XIII of the federal Omnibus Budget
3 Reconciliation Act of 1993, one of the remaining four members
4 shall be a representative of that community. A county shall
5 have only one enterprise zone commission to review
6 ~~applications for incentives and assistance for businesses~~
7 ~~located within or requesting to locate within a certified~~
8 ~~enterprise zone designated pursuant to section 15E.194,~~
9 ~~subsection 1.~~

10 2. A city with a population of twenty-four thousand or
11 more which designates an enterprise zone pursuant to section
12 15E.194, subsection 2, and in which an eligible enterprise
13 zone is certified shall establish an enterprise zone
14 commission to review applications from qualified businesses
15 located within or requesting to locate within an enterprise
16 zone to receive incentives or assistance as provided in
17 section 15E.196. An enterprise zone commission shall also be
18 established, if one does not already exist, for purposes of
19 reviewing applications from qualifying businesses under
20 section 15E.193D. The enterprise zone commission shall review
21 applications from qualified housing businesses requesting to
22 receive incentives or assistance as provided in section
23 15E.193B. The enterprise zone commission shall also review
24 applications from qualified development businesses requesting
25 to receive incentives or assistance as provided in section
26 15E.193C. The enterprise zone commission shall review
27 applications from qualifying businesses requesting to receive
28 incentives or assistance as provided in section 15E.193D. The
29 commission shall consist of nine members. Six of these
30 members shall consist of one representative of an
31 international labor organization, one member with economic
32 development expertise chosen by the department of economic
33 development, one representative of the city council, one
34 member of the local community college board of directors, one
35 member of the city planning and zoning commission, and one

1 representative of the local workforce development center.
2 These six members shall select the remaining three members.
3 If the enterprise zone consists of an area meeting the
4 requirements for eligibility for an urban enterprise community
5 under Title XIII of the federal Omnibus Budget Reconciliation
6 Act of 1993, one of the remaining three members shall be a
7 representative of that community. If a city contiguous to the
8 city designating the enterprise zone is included in an
9 enterprise zone, a representative of the contiguous city,
10 chosen by the city council, shall be a member of the
11 commission. A city in which an eligible enterprise zone is
12 certified shall have only one enterprise zone commission. If
13 a city has established an enterprise zone commission prior to
14 July 1, 1998, the city may petition to the department of
15 economic development to change the structure of the existing
16 commission.

17 3. The commission may adopt more stringent requirements,
18 including requirements related to compensation and benefits,
19 for a business to be eligible for incentives or assistance
20 than provided in sections 15E.193, 15E.193B, and 15E.193C, and
21 15E.193D. The commission may develop as an additional
22 requirement that preference in hiring be given to individuals
23 who live within the enterprise zone. The commission shall
24 work with the local workforce development center to determine
25 the labor availability in the area. The commission shall
26 examine and evaluate building codes and zoning in the
27 enterprise zone and make recommendations to the appropriate
28 governing body in an effort to promote more affordable housing
29 development.

30 4. If the enterprise zone commission determines that a
31 business qualifies and is eligible to receive incentives or
32 assistance as provided in section 15E.193B, 15E.193C,
33 15E.193D, or 15E.196, the commission shall submit an
34 application for incentives or assistance to the department of
35 economic development. The department may approve, defer, or

1 deny the application.

2 5. In making its decision, the commission or department
3 shall consider the impact of the eligible business on other
4 businesses in competition with it and compare the compensation
5 package of businesses in competition with the business being
6 considered for incentives or assistance. The commission or
7 department shall make a good faith effort to identify existing
8 Iowa businesses within an industry in competition with the
9 business being considered for incentives or assistance. The
10 commission or department shall also make a good faith effort
11 to determine the probability that the proposed incentives or
12 assistance will displace employees of existing businesses. In
13 determining the impact on businesses in competition with the
14 business seeking incentives or assistance, jobs created as a
15 result of other jobs being displaced elsewhere in the state
16 shall not be considered direct jobs created.

17 However, if the commission or department finds that an
18 eligible business has a record of violations of the law,
19 including but not limited to environmental and worker safety
20 statutes, rules, and regulations, over a period of time that
21 tends to show a consistent pattern, the eligible business
22 shall not qualify for incentives or assistance under section
23 15E.193B, 15E.193C, 15E.193D, or 15E.196, unless the
24 commission or department finds that the violations did not
25 seriously affect public health or safety or the environment,
26 or if it did that there were mitigating circumstances. In
27 making the findings and determinations regarding violations,
28 mitigating circumstances, and whether an eligible business is
29 eligible for incentives or assistance under section 15E.193B,
30 15E.193C, 15E.193D, or 15E.196, the commission or department
31 shall be exempt from chapter 17A. If requested by the
32 commission or department, the business shall provide copies of
33 materials documenting the type of violation, any fees or
34 penalties assessed, court filings, final disposition of any
35 findings, and any other information which would assist the

1 commission or department in assessing the nature of any
2 violation.

3 6. A business that is approved to receive incentives or
4 assistance shall, for the length of its designation as an
5 enterprise zone business, certify annually to the county or
6 city, as applicable, and the department of economic
7 development its compliance with the requirements of section
8 15E.193, 15E.193B, ~~or 15E.193C~~, or 15E.193D.

9 Sec. 4. Section 15E.196, Code 2003, is amended to read as
10 follows:

11 15E.196 INCENTIVES -- ASSISTANCE.

12 1. For purposes of determining the incentives or
13 assistance provided in this section, "eligible business" means
14 a business which has been approved to receive incentives and
15 assistance by the department of economic development pursuant
16 to application as provided in section 15E.195.

17 2. The incentives and assistance provided under this
18 ~~division subsection~~ for businesses located in enterprise zones
19 shall be for a period not to exceed ten years and shall
20 include all of the following:

21 ~~±~~ a. (1) New jobs credit from withholding, as provided
22 in section 15.331.

23 ~~b--(1)~~ (2) (a) As an alternative to ~~paragraph-"a"~~
24 subparagraph (1), a business may provide a housing assistance
25 program in the form of down payment assistance or rental
26 assistance for employees in new jobs, as defined in section
27 260E.2, who buy or rent housing located within any certified
28 enterprise zone. A business establishing a housing assistance
29 program shall fund this program through a credit from
30 withholding based on the wages paid to the employees
31 participating in the housing assistance program. An amount
32 equal to one and one-half percent of the gross wages paid by
33 the employer to each employee participating in the housing
34 assistance program shall be credited from the payment made by
35 an employer pursuant to section 422.16. If the amount of the

1 withholding by the employer is less than one and one-half
2 percent of the gross wages paid to the employees, then the
3 employer shall receive a credit against other withholding
4 taxes due by the employer. The employer shall deposit the
5 amount of the credit quarterly into a housing assistance fund
6 created by the business out of which the business shall
7 provide employees enrolled in the housing assistance program
8 with down payment assistance or rental assistance.

9 ~~(2)~~ (b) A business may enter into an agreement with the
10 county or city designating the enterprise zone pursuant to
11 section 15E.194 to borrow initial moneys to fund a housing
12 assistance program. The county or city may appropriate from
13 the general fund of the county or city for the assistance
14 program an amount not to exceed an amount estimated by the
15 department of revenue and finance to be equal to the total
16 amount of credit from withholding for employees determined by
17 the business to be enrolled in the program during the first
18 two years. The business shall pay the principal and interest
19 on the loan out of moneys received from the credit from
20 withholding provided for in subparagraph ~~(1)~~ subdivision (a).
21 The terms of the loan agreement shall include the principal
22 amount, the interest rate, the terms of repayment, and the
23 term of the loan. The terms of the loan agreement shall not
24 extend beyond the period during which the enterprise zone is
25 certified.

26 ~~(3)~~ (c) The employer shall certify to the department of
27 revenue and finance that the credit from withholding is in
28 accordance with an agreement and shall provide other
29 information the department may require.

30 ~~(4)~~ (d) An employee participating in the housing
31 assistance program will receive full credit for the amount
32 withheld as provided in section 422.16.

33 ~~2-~~ b. Sales, services, and use tax refund, as provided in
34 section 15.331A.

35 ~~3-~~ c. Investment tax credit, as provided in section

1 15.333.

2 4- d. Research activities credit, as provided in section
3 15.335.

4 5- e. The county or city for which an eligible enterprise
5 zone is certified may exempt from all property taxation all or
6 a portion of the value added to the property upon which an
7 eligible business locates or expands in an enterprise zone and
8 which is used in the operation of the eligible business. The
9 amount of value added for purposes of this **subsection**
10 paragraph shall be the amount of the increase in assessed
11 valuation of the property following the location or expansion
12 of the business in the enterprise zone. If an exemption
13 provided pursuant to this **subsection** paragraph is made
14 applicable to only a portion of the property within an
15 enterprise zone, the definition of that subset of eligible
16 property must be by uniform criteria which further some
17 planning objective established by the city or county
18 enterprise zone commission and approved by the eligible city
19 or county. The exemption may be allowed for a period not to
20 exceed ten years beginning the year the eligible business
21 enters into an agreement with the county or city to locate or
22 expand operations in an enterprise zone.

23 6- f. Insurance premium tax credit, as provided in section
24 15.333A.

25 7- g. A business eligible to receive incentives and
26 assistance described in this **section** subsection and located in
27 a building for which incentives and assistance are or have
28 been claimed by an approved development business under section
29 15E.193C is not eligible to receive the following incentives
30 and assistance:

31 a- (1) An investment tax credit under **subsection-3**
32 paragraph "c" for the portion of the investment tax credit
33 that is claimed on the purchase price of land or improvements
34 to real property by an approved development business pursuant
35 to section 15E.193C, subsection 7, paragraph "a".

1 b- (2) Sales, services, and use tax refund under
2 subsection-2 paragraph "b" that is made pursuant to section
3 15E.193C, subsection 7, paragraph "b".

4 c- (3) A property tax exemption under subsection-5
5 paragraph "e" for improvements to real property that are
6 exempted from property taxation pursuant to section 15E.193C,
7 subsection 7, paragraph "c".

8 3. The incentives and assistance provided under this
9 subsection for businesses and taxpayers located in designated
10 areas of enterprise zones designated pursuant to section
11 15E.194, subsection 5, shall be for a period not to exceed ten
12 years and shall include all of the following:

13 a. A taxpayer with a business located in the designated
14 area of an enterprise zone shall be exempt from corporate
15 income tax under chapter 422, division III, on the portion of
16 net income reasonably attributable to the trade or business or
17 sources within the designated area of the enterprise zone.
18 The method of attributing net income received from within the
19 enterprise zone and net income received from outside the
20 enterprise zone shall be calculated in a manner similar to
21 that used in section 422.33, subsection 2.

22 A taxpayer with an office of a financial institution
23 located in the designated area of an enterprise zone shall
24 also be exempt from the franchise tax in chapter 422, division
25 V, on the portion of the net income received through the
26 business activity in offices located in the designated area of
27 the enterprise zone as determined by rules adopted by the
28 department of revenue and finance pursuant to section 422.65
29 regarding allocation of the franchise tax.

30 b. A business owning property within the designated area
31 of an enterprise zone shall be exempt from paying local
32 property taxes on the property located solely in the
33 designated area of the enterprise zone as provided in section
34 427.1, subsection 34. This incentive shall not be available
35 to owners of residential rental property located in the

1 designated area of an enterprise zone in tax years in which
2 the property is not in substantial compliance with all
3 applicable state and local zoning, building, housing, and
4 health laws, ordinances, or codes.

5 c. A business located in the designated area of an
6 enterprise zone shall be eligible to receive the new jobs
7 credit from withholding, as provided in section 15.331, and
8 the sales, services, and use tax refund, as provided in
9 section 15.331A.

10 4. During the last three years that a taxpayer is eligible
11 for an exemption, refund, or credit described in subsection 3,
12 the exemption, refund, or credit shall be reduced by the
13 following percentages:

14 a. For the tax year that is two years before the final
15 year of designation as an enterprise zone, the reduction shall
16 be twenty-five percent.

17 b. For the tax year immediately preceding the final year
18 of designation as an enterprise zone, the reduction shall be
19 fifty percent.

20 c. For the tax year that is the final year of designation
21 as an enterprise zone, the reduction shall be seventy-five
22 percent.

23 5. The following exceptions shall apply to the incentives
24 and assistance allowed under subsection 3:

25 a. A taxpayer shall not be eligible during any tax year in
26 which the taxpayer is delinquent in paying any federal, state,
27 or local taxes.

28 b. A taxpayer shall not be eligible during any tax year in
29 which the taxpayer owns residential rental property within the
30 enterprise zone that is not in substantial compliance with all
31 applicable state and local zoning, building, and housing laws,
32 ordinances, or codes.

33 c. A business located outside a designated area of an
34 enterprise zone designated pursuant to section 15E.194,
35 subsection 5, that relocates into such an area of an

1 enterprise zone shall not receive the incentives and
2 assistance granted under subsection 3 of this section unless
3 the governing body of the political subdivision in which the
4 business is located approves the relocation of the business.

5 d. If a business relocates more than twenty-five full-time
6 equivalent jobs from one or more locations outside a
7 designated area of an enterprise zone designated pursuant to
8 section 15E.194, subsection 5, to a location within such a
9 designated area of an enterprise zone, the business shall
10 notify the department of economic development and the
11 political subdivision from which the jobs are being relocated
12 of the relocation. The business is not eligible for
13 incentives and assistance granted under subsection 3 of this
14 section if the political subdivision from which the jobs are
15 being relocated adopts a resolution objecting to the
16 relocation of the jobs within sixty days after the
17 notification by the business. The business becomes eligible
18 sixty days after the notification if such a resolution is not
19 adopted or if an objection is rescinded by a subsequent
20 resolution. A political subdivision that objects to the
21 relocation of jobs shall file a copy of all resolutions of
22 objections and recision with the department of revenue and
23 finance, the department of economic development, and the
24 political subdivision where the enterprise zone is located.

25 6. a. Incentives and assistance received from the state
26 under subsection 3, paragraphs "a" and "c", shall be limited
27 to two million dollars per enterprise zone, unless an
28 enterprise zone commission lowers the incentives and
29 assistance limit in paragraph "b" of this subsection. If a
30 commission lowers the incentives and assistance limit under
31 paragraph "b" of this subsection, the limit under this
32 paragraph shall equal the limit set by the commission.

33 b. Incentives and assistance received from the local
34 property tax exemption in subsection 3, paragraph "b", shall
35 be limited to two million dollars per enterprise zone, unless

1 an enterprise zone commission sets a limit of less than two
2 million dollars.

3 Sec. 5. NEW SECTION. 422.11H ENTERPRISE ZONE TAX CREDIT.

4 The tax imposed under this division, less the credits
5 allowed under sections 422.12 and 422.12B, shall be reduced by
6 an enterprise zone tax credit authorized pursuant to section
7 15E.193D, subsection 6.

8 Sec. 6. Section 422.33, Code 2003, is amended by adding
9 the following new subsection:

10 NEW SUBSECTION. 14. The taxes imposed under this division
11 shall be reduced by an enterprise zone tax credit authorized
12 pursuant to section 15E.193D, subsection 6.

13 Sec. 7. Section 422.60, Code 2003, is amended by adding
14 the following new subsection:

15 NEW SUBSECTION. 7. The taxes imposed under this division
16 shall be reduced by an enterprise zone tax credit authorized
17 pursuant to section 15E.193D, subsection 6.

18 Sec. 8. Section 427.1, Code 2003, is amended by adding the
19 following new subsection:

20 NEW SUBSECTION. 34. ENTERPRISE ZONES. The property
21 located solely in a designated area of an enterprise zone
22 designated pursuant to section 15E.194, subsection 5, for the
23 duration of the enterprise zone designation.

24 Sec. 9. NEW SECTION. 432.12D ENTERPRISE ZONE TAX
25 CREDITS.

26 The tax imposed under this chapter shall be reduced by an
27 enterprise zone tax credit authorized pursuant to section
28 15E.193D, subsection 6.

29 Sec. 10. Section 533.24, Code 2003, is amended by adding
30 the following new unnumbered paragraph after unnumbered
31 paragraph 4:

32 NEW UNNUMBERED PARAGRAPH. The moneys and credits tax
33 imposed under this section shall be reduced by an enterprise
34 zone tax credit authorized pursuant to section 15E.193D,
35 subsection 6.

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EXPLANATION

2 This bill relates to the enterprise zone program
3 administered by the department of economic development.

4 The bill allows businesses that are not located in an
5 enterprise zone to claim a tax credit up to a maximum of 5
6 percent of the new investment directly related to new jobs
7 created by the location or expansion of an eligible business
8 under the program. The tax credit shall be allowed against
9 personal and corporate income tax, the franchise tax for
10 financial institutions, the insurance premium tax, and the
11 moneys and credits tax for credit unions. The bill provides
12 that the tax credit may be carried forward for seven years.

13 The bill provides criteria relating to the type of
14 business, employee wages and benefits, employment, and capital
15 investment that a business not located in an enterprise zone
16 must meet in order to receive assistance under the program.
17 For a business located in a city or county meeting the
18 distress criteria of the program, the bill requires the
19 business to apply for assistance and incentives under the
20 program through the enterprise zone for the city or county.
21 For a business not located in a city or county meeting the
22 distress criteria of the program, the bill requires the city
23 or county where the business is located, after approval of a
24 project by ordinance or resolution, to submit an application
25 for incentives and assistance to the department. The bill
26 includes continued compliance and reporting provisions for a
27 business receiving incentives and assistance. The bill
28 requires the department, in considering applications, to
29 consider the impact of the eligible business on other
30 businesses in competition with it and compare the compensation
31 package of businesses in competition with the business being
32 considered for incentives or assistance.

33 The bill allows a city or county to designate all or a
34 portion of a certified enterprise zone to be eligible for
35 incentives and assistance other than the regular incentives

1 and assistance available under the enterprise zone program.
2 The designated area must qualify as a blighted area, a high
3 poverty and crime area, or a slum area, as defined in the
4 bill. The bill provides that a certified enterprise zone
5 shall not contain more than one such designated area.

6 The bill provides that incentives and assistance for
7 designated areas of enterprise zones include all of the
8 following:

9 1. Corporate income tax and franchise tax exemptions for
10 any taxpayer with a business located in the designated area of
11 the enterprise zone on the portion of the net income
12 reasonably attributable to the trade or business or sources
13 within the designated area of the enterprise zone.

14 2. A property tax exemption for a business owning property
15 within the designated area of the enterprise zone for property
16 located solely within the designated area of the enterprise
17 zone.

18 3. The new jobs credit from withholding and the sales,
19 services, and use tax refund for businesses located in the
20 designated area of the enterprise zone.

21 The bill provides that the incentives and assistance for
22 designated areas of the enterprise zones shall be reduced by
23 25 percent during the tax year two years before the final year
24 of the enterprise zone designation, by 50 percent during the
25 tax year immediately preceding the final year of the
26 enterprise zone designation, and by 75 percent during the
27 final year of the enterprise zone designation.

28 The bill provides a number of exceptions for incentives and
29 assistance for designated areas of enterprise zones. The
30 exceptions include the following:

31 1. A taxpayer shall not be eligible during any tax years
32 in which the taxpayer is delinquent in paying any federal,
33 state, or local taxes.

34 2. A taxpayer shall not be eligible during any tax years
35 in which the taxpayer owns residential rental property located

1 within a designated area of the enterprise zone that is not in
2 substantial compliance with all applicable state and local
3 zoning, building, and housing laws, ordinances, or codes.

4 3. A business located outside a designated area of an
5 enterprise zone that relocates into a designated area of an
6 enterprise zone shall not receive the incentives and
7 assistance unless the governing body of the political
8 subdivision in which the business is located approves the
9 relocation of the business.

10 4. If a business relocates more than 25 full-time
11 equivalent jobs from one or more locations outside a
12 designated area of an enterprise zone to a location within a
13 designated area of an enterprise zone, the business shall
14 notify the department of economic development and the
15 political subdivision from which the jobs are being relocated
16 of the relocation. The bill allows the political subdivision
17 to block the availability of designated area enterprise zone
18 incentives and assistance by objecting to the relocation of
19 jobs through a resolution.

20 The bill provides that incentives and assistance received
21 from the state through the corporate income tax and franchise
22 tax exemptions and the new jobs credit from withholding for
23 designated areas of enterprise zones shall be limited to \$2
24 million per enterprise zone. The bill provides that
25 incentives and assistance received from the local property tax
26 exemption for designated areas of enterprise zones shall be
27 limited to \$2 million per enterprise zone, unless the
28 enterprise zone commission sets a limit of less than \$2
29 million. If the enterprise zone commission lowers the
30 incentives and assistance limit, the limit for incentives and
31 assistance from the state shall equal the limit set by the
32 commission.

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